

**MADRID DECLARATION
BUSINESSEUROPE'S COUNCIL OF PRESIDENTS**

**COMPETITIVENESS IS THE ROAD LEADING TO A STRONGER EU
POSITION IN THE WORLD AND TO ECONOMIC AND SOCIAL
PROGRESS**

1-2 June 2023

Like its two predecessors, the Spanish Presidency of the European Union will unfortunately have to deal with the consequences of the brutal war in Ukraine and a tense geopolitical situation. Gathered in Madrid at the invitation of the Spanish Confederation of Business Organizations, CEOE, the Presidents of BusinessEurope's 40 member federations reiterate their support to Ukraine, its people and their European ambitions. Now it is time to turn these ambitions into actions and help Ukraine to fulfil all the key requirements of EU membership. They underline that competitiveness is the road leading to a stronger position in the world and economic and social progress. Resolute action to restore the level playing field for our companies is a must as incentives and subsidies by some of our key trading partners are redirecting private investment away from Europe. They urge the incoming Presidency of the EU to build on the work started during the Swedish Presidency to put in place an ambitious European competitiveness strategy. Europe's global strength, its ability to defend international law, stand up for its values, secure high living standards and deliver on the green and digital transition, requires a strong and competitive economy. The Spanish Presidency should continue to promote a strategic approach to competitiveness, deepen the Single Market integration, deliver a real EU industrial policy that supports the green and digital transitions, and avoid regulatory burden for companies when steering negotiations on EU policy measures. Furthermore, it should work for the adoption of a credible, simplified economic governance framework. BusinessEurope identifies five key areas for action to ensure that the EU ambitions are translated into concrete results.

- **Giving regulatory breathing space to all European companies**

Excessive regulatory burden undermines the competitiveness of European companies. In the last five years, more than 5.000 pages of legislation have been adopted at EU level. This regulatory inflation brings major compliance costs for European companies and is particularly damaging for SMEs. Simplifying and fast-tracking permitting for the sectors targeted by the Net-Zero Industry Act is essential but far from enough as all industrial sectors need to be part of the transformation. Top quality competitiveness checks must be done on all EU regulatory initiatives - taking into account the cumulative impact of EU legislation on companies - as well as on EU strategies and Commission work programmes. Furthermore, the recent pledges to assess more consistently the impact of EU proposals on SMEs and reduce the reporting burden for companies by 25% needs to be followed by swift action, both in proposals that are currently being negotiated and in future legislative initiatives.

We count on the Spanish Presidency to:

- broaden the scope of the Net-Zero Industry Act, recognising the interdependencies between value chains and the efforts to be made in the entire industry to decarbonize and respecting the principle of tech neutrality,
- actively contribute to the reduction of reporting obligations, which are piling up in different overlapping European legislations such as the Corporate Sustainability Due Diligence directive and the Corporate Sustainability Reporting Directive and the Forced Labour Regulation and ensure that reporting obligations can always be fulfilled in a digital way,



- remove new requirements for individual industrial sites (e.g., transformation plans) from the revised Industrial Emissions Directive when they already exist at company level,
- exclude financial contributions unlikely to be distortive from reporting and declaration requirements in the Implementing Regulation of the Instrument on Foreign Subsidies.

- **Delivering a fully-fledged programme to deepen Single Market integration**

Free movement in the European Union and European Economic Area is essential for companies and citizens. The basis of Europe's prosperity lies in a well-functioning Single Market. Its 30th anniversary must lead to concrete actions to ensure a level-playing field in our home market. Insufficient integration for services hampers the twin green and digital transition. The recent Commission communication rightly stresses the need to deepen the Single Market for services. Unfortunately, the actions proposed focus mainly on existing proposals and preventing the emergence of new barriers, leaving persistent obstacles unattended.

We count on the Spanish Presidency to:

- promote a fully-fledged programme to advance the Single Market integration, remove regulatory barriers to cross-border business operations (such as unnecessary national permitting, licencing and authorisation schemes for service provision), and ensure rapid adoption of the proposed e-declaration and revised EU rules on the coordination of social security systems for posted workers,
- accelerate digitalization by promoting a leaner cybersecurity framework for digital products and services, removing unnecessary reporting obligations from the proposed Cyber Resilience Act, and ensuring swift adoption of the Adequacy Decision for the new EU-US data privacy framework to put an end to years of uncertainty regarding transatlantic data transfers,
- work for the adoption of a Single Market Emergency Instrument that truly fulfils Single Market objectives and fits with the internal market legal basis and respects the proportionality principle by preventing unilateral national actions harming Single Market freedoms, protecting value chains in times of emergency, and avoiding state interventions imposing disproportionate new obligations on companies.

- **Securing energy supply at competitive prices**

Energy markets were already under pressure before the invasion of Ukraine by Russia. We saw energy prices skyrocketing during 2022 and wholesale gas prices for summer 2025 are trading at over 4 times their pre-covid level in the EU compared to less than twice pre-covid levels in the US. To reach the ambitious European climate targets and at the same time guarantee security of supply at affordable prices, the EU must have sustainable access to energy at competitive prices and a future-proof electricity market with clear long-term signals for investments. Offering more hedging opportunities through long-term contracting will help reduce the influence of gas price swings on electricity prices and support the development of renewable and low-carbon electricity production.

We count on the Spanish Presidency to:

- steer the negotiations on the electricity market design towards a reform, which strengthens security of supply, completes market integration through cross border trade, limits the impact of high gas prices on electricity prices for consumers, incentivises investment in flexible sources, and empowers consumers,
 - promote the development of all technologies that contribute to decarbonization as well as those maintaining the competitiveness of sectors and processes that are difficult to decarbonize in the short and medium term,
 - increase the resilience of the European energy market by promoting investment in all necessary infrastructure that facilitate cross-border energy trade - including with neighbouring countries - such as grids and interconnectors and storage.
- **Addressing the skills gap, facilitating innovation, and supporting reforms to unleash Europe's productivity**

The EU invested 2.2% of GDP in R&D in 2021, compared with 3.4% for the US and 2.4% for China. Companies developing technologies in Europe are scaling up in other regions of the world. More and more companies are faced with skills gaps and recruitment problems due to mismatches between skills acquired via education and training systems and enterprises' needs as well as an increase of the ageing and economically inactive populations. Active workers are protected by a fully-fledged set of legislations and collective agreements whereas the long-term unemployed and persons wanting to integrate labour markets often lack key competences such as digital skills. The real answer to preserve our European way of life lies in unleashing our productivity potential and addressing skills gaps. The European Year of Skills must therefore lead to concrete results.

We count on the Spanish Presidency to:

- improve the framework for innovation in the European Union by promoting the innovation principle, the use of regulatory sandboxes and a risk-based approach in existing legislative proposals such as the Artificial Intelligence Act;
- facilitate access to funding not only in the R&D phase but also for the deployment of new technologies;
- ensure that the 2023 European Year of Skills leads to effective responses to labour shortages and skills mismatches, with measures to activate the unemployed as well as inactive persons, recognizing the positive contribution of talents from third countries in answering labour market needs and making progress on recognition of third country qualifications;
- work with the social partners to address mismatches between skills acquired via education and training systems and companies' needs, paying special attention to the skills required for the green and digital transitions and ensuring that the recently proposed digital skills package succeeds in bridging that gap with companies' needs, improving the provision of digital skills and identifying the key factors for successful digital education and training,
- reduce the regulatory burden to create more leeway for innovation and refrain from promoting new EU legislation that would harm our competitiveness as well as unnecessary revisions of existing EU legislation. Moreover, in order to respect social partners' autonomy, initiatives like

the revision of the European Works Councils need to be left to negotiations between the employers and trade unions at EU level.

Last but not least, a credible, respected, investment and growth-friendly economic governance framework is essential. Focussing on member states net primary expenditure can simplify the rules and help them to construct medium-term adjustment pathways to return to the reference values of 3% of GDP for government deficits and 60% for debt, provided that greater flexibility goes hand-in-hand with credible enforcement (linked to the possible withdrawal of EU funding) in order to ensure public finances sustainability across the EU.

- **Opening more international market opportunities for European companies**

The EU's ambitious trade policy is a crucial part of Europe's attractiveness as a place to invest and a key tool to reduce over-dependence on single suppliers for critical raw materials. The proposed measures in the Critical Raw Materials Act have the potential to accelerate the deployment of extracting, processing and recycling capacities in Europe but external supply will remain essential. Concluding, ratifying and fully implementing mutually beneficial trade agreements and raw material partnerships is more important than ever to diversify both exports and imports markets.

We count on the Spanish Presidency to:

- ensure that the provisions of the Critical Raw Materials Act are incentivizing business action
 - by simplifying permit procedures, keeping information and disclosure requirements by companies to the minimum necessary, fully protecting trade and business secrets and closely involving industry in the implementation of the act, - and also strengthen trade relations with like-minded countries to give companies the opportunity to secure their value chains through business-driven diversification,
- strengthen the mutually beneficial links between the EU and the Community of Latin American and Caribbean States and give a new impetus to the conclusion and ratification of agreements with Chile, Mexico, and Mercosur on the occasion of the EU-CELAC summit in July 2023,
- support the Commission in its efforts to conclude negotiations with Australia and India and ensure the ratification of the agreement with New Zealand,
- support the G7 efforts to cooperate on standards for the exchange of climate adjusted products and services via Climate Clubs,
- help reduce the costs of doing business with the US by addressing non-tariff barriers, finding permanent solutions for long standing trade conflicts (e.g., steel, and aluminium) and making the Trade and Technology Council deliver on trade, including in the green and digital sphere,
- ensure a balanced relationship with China that takes into account the increasing risks while recognising the need to engage and safeguard the EU's economic and political interests and to achieve reciprocal benefits.

These are the key actions that need to be taken during the Spanish Presidency in order to deliver a strategic approach to competitiveness and make Europe THE place to be for investment and employment creation. The Spanish Presidency should focus on improving investment framework conditions in the European Union to strengthen the competitiveness of European companies as this is the basis to achieve economic and social progress.