

Towards New Growth

Strategy for the EU

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INTRODUCTION

Striving together for a Europe of growth

The European Union and Europe have gone through a difficult financial crisis and the recovery will still require a great deal of effort. Geopolitics has also shifted Europe's position – the coexistence of the EU and Russia, based on the economy and energy, has been replaced by war and sanctions. Europe is ageing, and its competitiveness and ambition to grow are lagging behind other continents and countries.

Growth and jobs shall now take precedence. Instead of mere challenges, there are a lot of opportunities in the air. The new EU economic governance will provide increased protection against unexpected crises. With the Excessive Deficit Procedure, the EU economies will be under greater control. The targets and measures of President Jean-Claude Juncker's Commission build confidence – growth and jobs have been given a priority.

Europe should provide a better business environment for utilising digitalization and circular economy. These global economic megatrends offer an excellent growth base, and there is a high demand for them outside Europe. Instead of excessive regulation and constraints, the EU should provide superior business conditions for trail blazers and experimentation. At the same time, it must be ensured that the costs for business and industry are at a reasonable level.

The EU should promote free trade. The Transatlantic Trade and Investment Partnership (TTIP) between the EU and the United States would stimulate trade and benefit SMEs in particular. So far, the Single Market has not become a reality, and a Digital Single Market is still a vision. Free movement of workers remains an important element for EU's competitiveness and employment. Mobility in the EU labour market must be enhanced by all available means. There is no time to lose now, and all sources of growth must be exploited.

Finland, Finnish business and industry, and the Confederation of Finnish Industries EK shall actively build an even better Europe for companies. This means more predictability and less regulation. The EU has to be quick and agile in its moves.

With this programme EK wishes to make its contribution in seeking a future direction for the European Union.

The actions presented in this publication were commissioned from Jan Store, Permanent Representative of Finland to the European Union 2008–2013, but EK's advisors have taken an active role in defining the key priorities. The work was based on interviews and workshops where specialists from companies and other key stakeholders shared their expertise with us. As a result, this publication outlines the views of the Finnish business and industry on how to put Europe on the path of growth and prosperity.

Jyri Häkämies

Director General

Confederation of Finnish Industries EK



Views of the Confederation of Finnish Industries EK on the development of the European Union



Now is the right time to define the future direction for Europe until year 2020. It is time to clarify the key priorities, commit to the needed measures and proceed towards an increasingly viable, competitive and stable European Union.

Finnish companies show full support for the European Union. Its strengths – for example, the Single Market of over 500 million consumers as a source of growth – are already taken as a given.

At the same time, confidence in the EU has become somewhat dented as a result of the different crises facing Europe. The only way to restore trust is to set realistic goals for the EU and to execute them.

The EU should move from silos to a more horizontal approach. Competitiveness, climate policy, trade policy and the Single Market should be examined as a whole. For example, the energy policy must be seen both from a cost perspective and as a tool for industrial reform throughout Europe in order to improve competitiveness.

EU should be developed with small, concrete steps while focusing on key priorities

Expectations towards the EU have been unrealistically high. It is easy to forget that the member states still play a big role in carrying the responsibility for their own future and that of the European Union. After the changes made during recent periods of crisis, it is time to take small but concrete steps. Finnish companies do not expect the EU to take long strides or launch new major initiatives, but to focus on its main tasks and goals.

Now, the EU's top priority must be developing an internationally competitive business environment which attracts investments and capital.

More European courage, willingness for risk-taking and proactivity

It will be critical to the success of the European economy that we are able to create a more predictable business environment. This is crucial in order for companies to be able to grow, and to utilise and commercialise new technologies and invest in immaterial value creation more rapidly than their competitors. That is how companies will create more jobs and wellbeing in the EU.

Successful harnessing of new phenomena, trends and opportunities will decide the game in favour of the European Union. The EU should be reformed into an open-minded forerunner that encourages the creation and commercialisation of innovations. We have to change our attitudes towards risk-taking and abandon an excessively cautious approach.

Regulation should not prevent us from taking advantage of new opportunities. It is more sensible for the legislator to correct the course on the basis of experiences gained rather than to aim at preventing all possible problems with excessive regulation beforehand.



Rationalisation of regulation is needed to restore confidence

Improving the quality of regulation is required to restore trust and support for the EU. Companies must be offered an increasingly stable and predictable business environment where the political risk is considerably reduced. Otherwise it will not be possible to attract new investments to Europe.

The EU should carry out a critical assessment of the decision-making and the existing legislation. Decisions made in haste during the crisis have not been the best possible ones in the long-term, for example, when it comes to the financial market.

The best way for the EU to help SMEs is to move from words to action in the common effort to revoke bureaucracy.

- **All key EU institutions must commit to quantitative goals in order to alleviate the administrative constraints resulting from regulation.**

Regulation should be reduced by an average of 2% per year.

The principle of 'one obligation or rule in, two out' should be put into practice.

- **Excessive legislation should be revoked and the quality of existing regulation must be improved.**
- **The impact on competitiveness and employment needs to be evaluated more effectively in the preparation of legislation.**

The level playing field should be considered both within the EU as well as globally. The EU can no longer afford not to choose the most cost-effective solutions in its decision-making.

- **New legislation should encourage innovations.**
- **The European Commission's Better Regulation Package should be implemented as quickly as possible.**

The new agreement on cooperation between the EU institutions must be brought into force by the end of 2015.

▶ Adopting an active approach to trade policy – seizing the global opportunities!

New growth opportunities should be sought from beyond Europe as the growth of the neighbouring markets is still fragile and the EU is not enlarging. The role of trade as a driver for growth is perhaps bigger than ever before.

Relations with other major economies should be strengthened and new opportunities for European companies must be opened in third countries. The Transatlantic Trade and Investment Partnership (TTIP) between the EU and the United States is an important opportunity to support growth and investment in Europe, to promote European values and to strengthen the EU's role as an international actor.

Trade policy is an area that needs 'more EU'. Negotiations on new free trade agreements and the implementation of existing ones should be established as a core task for the EU in the next few years. This has to be taken into account also in the allocation of resources within the European Commission.

- **European trade policy must be strengthened by focusing on the core task: opening markets and creating a level playing field.**

Expansion of the network of free trade agreements plays a key role. The EU must ensure that its trade partners, including Russia, will honour their WTO commitments.

- **The unique opportunity of TTIP must be taken without hesitation and the EU shall give strong political support to it.**
- **The EU should act as a coherent force in its relations with Russia, making sure that the economic burden of sanctions and counter-sanctions is distributed equally.**

Relations between the EU and Russia need an increasingly intensive dialogue and active problem solving. When the crisis subsides in due course, the EU should make an effort to rebuild cooperation with Russia, with the promotion of economic integration playing a key part.

- **More European Commission's resources should be redirected from legislative work on other policy areas to trade policy.**

▶ Constructive approach to coordination of economic policy in the EU countries

In addition to the Single Market, the single currency is a key cornerstone in the euro area's activities.

Political decision-makers of the member states should make a firm commitment to carry out structural reforms. National reforms cannot be the responsibility of the Union and its institutions.

- **The close coordination of economic policy between the EU countries should be continued. The entire EU and especially the euro area must aim for responsible long-term financial management in order to prevent financial crises.**

The decision-making rules used in economic policy coordination in the EU countries must be simplified and their transparency shall be improved. Economic policy coordination must be based on expert assessments, and the European Commission should play a strong role.

▶ Tapping the emerging business opportunities

Europe should seize the opportunities offered by circular economy, bioeconomy and new industrial processes. To succeed in this, it is necessary to safeguard the companies' competitiveness and to invest heavily in research and development and in demonstration and reference projects.

- **Circular economy provides new business opportunities.**

Instead of unnecessary restrictions, companies should be encouraged to develop ecological products, services and technologies. EU policies on circular economy shall incentivise market-based utilisation of resources and remove obstacles caused by regulation also in current circulation-based business activities. Moreover, it is necessary to create an effective Single Market for secondary raw materials, biofuels in transport and other novel products. Reduction of carbon should be put at the centre of climate policy.

- **Regarding bioeconomy, the EU should create right conditions for generating high value added products in addition to current successful products.**

Review of the sustainability criteria for biomass must be based on existing systems. The methods of calculating emissions should continue to support the carbon neutrality of biomass in order to safeguard sustainable and growing use of biomass for the needs of a diverse bioeconomy.

- **The role of the EU and investment in the development of the Arctic region should be strengthened.**

The Arctic region is emerging as one of Europe's largest areas of new investment. The Nordic countries, and especially Finland as the next chairman of the Arctic Council, should promote the utilisation of EU resources, expertise and technology in the Arctic region.

- **Industrial processes are going through periods of major upheaval. The return of industrial production is a new opportunity for Europe.**

This trend must be supported by ensuring that companies have a competitive operating and investment environment. The objective should be a noticeable increase in the added value of industry.

- **The EU should create a business environment that better supports the development of innovations and new business models.**

More research funding must be directed to applied research and the commercialisation of results. Research and innovation organisations should exploit the possibility of complementing national funding with the Horizon 2020 programme.

Single Market is a success story, but there is still a lot to be done

The functioning of the Single Market shall be improved and free movement and effective competition in the Single Market must be ensured. Particular attention should be paid to the abilities of SMEs and growth-oriented companies to carry out business expansion.

The legislation on creating a Single Market for products and services is well advanced. However, the problem is insufficient implementation of legislation, which undermines the growth potential offered by the Single Market.

- **The implementation of Single Market legislation in each member state should be supervised on a stricter basis. Therefore, it is important to direct more of the European Commission's resources to the implementation of legislation.**
- **Efforts must be stepped up to implement the Energy Union towards a Single Market for energy.**

A key aim should be a secure supply of low-emission and reasonably priced energy, which would improve the Union's competitiveness, e.g. in relation to the United States.

- **The EU should also play an active role in order to achieve global climate commitments.**

Until then, the EU climate policy must reduce the risk of carbon leakage: in addition to sufficient free allocation of emission allowances, it is necessary to compensate the electricity-intensive sectors for the increase in electricity prices caused by emissions trading.

- **The creation of an effective Capital Markets Union requires a better investment climate and concrete actions to develop companies' access to finance.**

This implementation will require time and it should be carried out on a market basis, taking account of the needs of different kinds of companies and funding providers. The amount of regulation of the financial markets or the administrative burden caused by it must not be increased as a whole.

- **The Digital Single Market should be developed by removing barriers to cross-border activity.**

Digitalisation progresses primarily through investment and strategic decisions by companies. It is necessary to focus on creating a business environment which allows companies and the public sector to exploit the opportunities afforded by digitalisation more effectively than at present. These opportunities must not be lost by increasing the burden of regulation for companies. The EU copyright regulation should be updated to the digital age in a targeted way instead of carrying out a comprehensive reform. It should be ensured that the effective use of copyright will continue to be primarily based on licensing of copyrights.

- **The EU competition authority should pay more attention to the definition of a relevant market.**

It may be national, EU-wide or global, and action must be proportional according to that. In order to guarantee full independence, the competition authority should be separated from the European Commission.

- **The EU competition policy must set as a goal an equal treatment of economic activity in the private and public sectors.**

The focus cannot only be on distortion of competition caused by private operators, but also by public operators.

- **Regulation of public procurement should be competition neutral, and the rules must be applied equally to all companies.**

The scope of competitive tendering in public procurement should be expanded and exceptions to the obligation to call for tenders should be reduced.

More flexibility in the rules of the labour market

European workplaces should be given more flexibility due to global competition, ageing labour force in Europe, changing customer needs and technological advancement. Burdensome EU regulation with respect to labour market raises the employment threshold.

Greater labour mobility in Europe increases the level of employment and facilitates the availability of skilled employees for companies. A functioning Single Market requires that no thresholds are built or maintained for the mobility of European workforce or posted workers.

Europe must take care of its existing strengths, such as a skilled, highly trained and educated workforce. It must also be ensured that the skills of the workforce meet the needs of companies.

The position of European social partners and the significance of social dialogue in decision-making concerning employment in the EU are intensified in a transformation of the labour market, which also requires a change in the mindset of organisations.

- **Employment regulation should be unravelled, and flexibility and possibility for national measures shall be increased with respect to e.g. working hours and health and safety at work.**

It should also be possible to make it easier to use different forms of work (e.g. part-time work, fixed-term employment contracts, temporary agency work).

- **Contracts negotiated between European social partners or their impacts must not be eroded.**
- **The number of regulated professions should be reduced and the recognition of qualifications gained in different countries should be improved.**
- **The employment and mobility of workforce arriving from third countries should be facilitated by expanding the right to work with a single permit throughout the EU territory.**

Division of competences between the EU and member states

The member states should retain responsibility for certain key factors that have an impact on the business environment. The employment and social security systems are specific for each member state and there are few common features between countries. The employment and social security systems and wage formation must remain in national hands.

EU-level progress in taxation should continue to take place on the basis of unanimous decision-making of the member states. Decisions on energy production forms should be taken at the national level. The forest policy has also been reserved for the member states, and that is how it should remain also in the future.

1 European Union – the result of decades of work



The idea of a common Europe grew and developed over the years. European integration deepened and the Union expanded. The accession of Finland, Sweden and Austria 20 years ago reflected the changes already taking place in Europe.

The European Union expanded east about ten years later. The West and the East were unified and the division of Europe ended. The dream of a united and free Europe came true.

The European Union's soft power reached almost 100 million people at once. The great story of the new millennium was born.

Today, the European Union is the result of efforts, sacrifices and many difficult stages over numerous decades. Integration in Europe has progressed further than anywhere else in the world.

Freedom of movement, ease of travel and the convenience of a common currency bring us together. We are united by dozens of joint policies, hundreds of successful projects and thousands of other issues.

Young people of today have grown into the European Union in a natural way. Common Europe feels like a self-evident way of life.

The European Union began from the aspiration for peace and stability. This has been the basis on which a Single Market of 500 million people has been built. Today, this Single Market creates up to 200 billion euro of new growth a year. Finnish companies export most of their goods and products to the European market. From this market, our companies also gain the resources and abilities to succeed in the global market where only the best will thrive.

The Lisbon Strategy – unrealistic utopia?

The European Union has developed through grand projects. Without foresight and political courage, these projects would not

be part of our reality today. Many common policies, the Single Market, free movement of people or the common currency would not have been implemented.

Occasionally, the European Union has become a hostage of its own dreams. Ambitious projects have created great expectations. Projects have been launched with great pomp and circumstance. However, it has not always been possible to meet these expectations.

The Lisbon Strategy did not manage to turn the EU into the most competitive and dynamic knowledge-based economy in the world in ten years. The strategy as such was originally good and justifiable. The goals were ambitious, but achievable.

However, without economic policy instruments and structures, the strategy was doomed to failure. The European Commission did not have the necessary means to take the project forward. The member states, on the other hand, did not want to create these means for themselves.

A fine and proud goal turned into an ever-expanding bureaucratic exercise. In the end, everyone was consumed by it. The EU's public image was dented and its prestige suffered a blow.

Revival through crisis

The last few years have been a difficult period for the European Union. Trust in the strength of the common structure has been tested.

Economic development is still fragile. Green shoots have only just appeared, and the creation of new jobs is slow. The worst of the crisis has receded, but problems persist.

During the crisis, focus was no longer on the horizon, but on tackling increasingly mounting problems. Far-reaching goals were put on the back burner. Desire to build the common good diminished. Looking after the interests of one's own country, region or group was emphasised.

Polarisation escalated during the crisis. North against south. Net contributors against net beneficiaries. Euro area countries against other member states. Protectionist efforts against those seeking trade liberalisation. Structural reformers against conservative approaches.

The quest for unity was impeded by painful decisions. It seemed more and more difficult to reach decisions. Weak compromises took precedence over broader solutions.

However, there was also progress made amongst all this. The euro area was rescued from the brink of a crisis. The common foundation was strengthened. Euro economies started to put their housekeeping in order. Debt was cut. Structures were modernised. The financial market underwent a reform.

The European Union was regenerated amidst difficulties. It was strengthened. And it rose again through crisis.

” My grandparents would have said 'a dream'. My parents would have said 'a process'. I say that it's my everyday reality.

Larhin Zahra

The 23-year-old Maltese winner of the EU Facebook contest: What does peace in Europe mean to you?

Notes of discord and fragmentation

Many authoritarian states have fallen down recently in different parts of the world. At the same time, also democratic countries experience mounting problems. A stable parliamentary tradition is facing an increasing amount of difficulties.

Traditional political powers are frequently challenged. Elections do not always bring clear results. Sometimes even clear results are hard to accept by everyone. The political field is increasingly fragmented. It has become difficult to rule with a long-term strategy and a majority support.

During the crisis and continuing uncertainty, political movements critical of the European Union have gained strength. Austerity and other budgetary adjustments required to overcome the crisis have resulted in political unrest and protests.

The prerequisites for developing the Union have diminished. In the last election, an increasing number of representatives with a critical attitude towards integration were elected to the European Parliament. The balance of power in the European Parliament has changed, and it has become more difficult to gain a functioning majority.

The political situation in the member states has also become more difficult. During the euro crisis, the respective parliaments of the member states found it difficult to reach decisions and to get a majority backing for difficult decisions. Populists passed criticism but were unable to suggest a workable alternative solution.

It will take time to heal the wounds caused by the euro crisis and to overcome the lack of trust between euro countries. The gap between the euro countries and the other member states has widened. Preparedness of other member states to commit themselves to growing integration has shown signs of weakening.

” Our Union belongs to every one of us, we are not playing a zero-sum game. Europe must be to every member state's advantage.

Herman Van Rompuy

Former President of the European Council

The crisis leading to polarisation

As the crisis escalated, the phrasing of questions has become simpler. Fundamental, existential issues are raised more readily. To promote or to prevent? To be or not to be? To stay or to leave?

There are no easy answers to remedy the situation. The trust of member states, citizens, companies and other operators must be regained. Confidence in the fact that the targets and activities of the European Union ultimately serve everyone and are in everyone's interests should be reinforced.

In order to create an atmosphere of confidence, the economic growth must take off and new jobs must be created. Growth and jobs are the basis of everything and the best guarantee for success.

Businesses need an encouraging atmosphere. National structural reforms must progress. It is necessary to have an active labour policy and dismantle incentive traps. Unnecessary regulation should be dismantled and flexibility increased. Europe's price competitiveness must be restored.

The keys to the future are in our own hands. Confidence, trust and common goals are the bases for progress. In many respects, we are well aware of what we have to do. We should bolster the desire and ability to go through with these measures.

At the same time, it is true that the EU could be lighter, more agile, more open to reform and change. It should grasp new global trends more actively and adapt them to our own circumstances.

Although the EU's achievements are sometimes taken for granted or downplayed, the European Union is still an example to follow by the rest of the world. European-style integration is valued and regarded as something to pursue.

As the world changes, the power of the European Union lies in its integrity and internal strength. When it operates as a coherent force, it will be able to continue its role as a strong international actor. Internal strength comes from education, research and skills. Social sustainability creates preconditions for success.

No member state would no longer be able to do well on its own in the world. Drifting away from the Union would significantly reduce the country's gravitas and authority. All else is make-believe.

Challenges and opportunities on the global horizon 2



The European Union is still the world's largest economy and trading power. However, rapid changes are taking place. For the first time since 1850, the value of the EU and US trade falls below half of that of global trade. Long-standing western dominance on the world scene is coming to an end.

The strong entry of China and some other emerging economies forces Europe and the United States to face a new situation. In fifteen years, China will become the largest economy in the world, the biggest trading power and the most significant investor. Its political and economic impact on the development of the world and different continents will increase.

The world's economic focus is shifting more and more to areas that do not share traditional basic western values. These values are not disappearing, but their relative significance in the world will be reduced. The attractiveness of the European Union and other western countries is waning.

Production has gradually moved to China and other emerging economies. As the population ages, the share of working-age population diminishes and production costs rise, China loses its position as a workshop for low-cost production. The other emerging economies in Asia are taking over. Industrial jobs that disappeared from Europe will not return in the same form.

China will have to make increasing investments in sensible use of non-renewable natural resources, environmental protection, improving air quality, energy saving and better waste management. Modernisation of production plants brings vast opportunities to European industry in these fields.

The global outlook is changing along with the fragmentation of value chains. Production becomes more local again. Part of production is returning to Europe. Industrial production will, once again, face a revolution, this time by automation, robotics, 3D printing and the Internet of Things.

Window of opportunity for Europe

The European Union has a strong position when this trend takes effect. Due to its high level of education and its strong science and research, the European Union can successfully defend its position. Some novel areas can also be conquered. However, it will require strong investment in research and development.

Europe's renewed growth depends on global development and on many factors around us. We can strive to make an impact on these also in the future. However, the European Union may still be a strong player, but our authority is eroding.

The key elements and building blocks of new growth in Europe can still be found at home. Putting finances in order, increasing productivity and improving competitiveness are key contributors in retaining Europe's position.

In many comparisons, the EU comes second to the United States. The labour market is more flexible across the ocean. The immigration policy favours a skilled and trained workforce. Risk financing for businesses is more diverse. Insolvency proceedings are more harmonised.

We can also increase flexibility in the labour market in the EU. We must compete for skilled and trained workforce. Companies' access to finance should be facilitated and diversified. The need to harmonize the insolvency proceedings must be evaluated promptly.

The EU should continue to be as strong as possible on the global scale. It must use a diverse array of means in an efficient way in order to maintain its authority. Foreign policy, economic policy, trade policy, development policy, crisis management, energy policy, climate policy and other means form a single entity. Results will be gained through well-coordinated influencing activities by the European Union and the member states.

The European Union should move forward by steady actions. It must strengthen its economy, productivity and competitiveness. Establishing a stronger position also depends on other operators. There are more of them now than previously, and many of them are even stronger than before.

From a friendly neighbourhood to a problematic one

Ten years ago, the EU was still surrounded by friends. Economic ties, increased trade and an active neighbourhood policy had a favourable impact on development. Today, the EU is facing a problematic neighbourhood as a result of a negative development and unforeseen events.

The Arab Spring did not lead to rapid transition to democracy in the Mediterranean region. Many countries have been ruined by internal instability, conflicts and violent civil wars. Peace and stability have not been able to grow. Opportunities to develop and prosper have been lost. Instead, the EU is facing a stronger inflow of irregular migration than ever but remains unable to make decisions on how to tackle the crisis in Europe and abroad.

The EU can have a partial or negligible impact on this development. We can aim to strengthen the neighbourhood policy and economic relations in the south. However, the

” Trade policy has to support our common EU values.

Cecilia Malmström
European Commissioner for Trade

chances of success are slim as long as there is political turbulence in partner countries, and armed conflicts and wars continue.

The soft power of the European Union is now on the backburner. Enlargement negotiations with Turkey are not moving forward. There is little progress with the Balkan countries. The dynamic impact of enlargement is falling short.

Comeback of geopolitics and power politics

Uncertainty in other parts of Europe has increased. Russia has occupied the Crimean Peninsula, caused unrest and waged war in the eastern parts of Ukraine. Activities contrary to international law, violation of the borders of another country and infringement of independence are back in Europe.

The return of geopolitics and power politics will have an impact on the relations between the EU and Russia for years to come. Political links are at a historically low level. The EU has imposed economic sanctions against Russia. Economic co-operation and trade are shrinking.

Russia cannot continue its power politics and the situation in Ukraine must calm down. According to its basic principles, the EU must keep its sanctions in force. It must act as one. Negative economic impacts will increase and the normalisation of relations with Russia will take time.

The sanctions are expected to have a stronger effect over time. The economic foundation of Russia is dissolving, the rouble has depreciated in value, and profits from export sales are collapsing as a result of cheaper oil prices. Development of the oil and gas industry is suffering when the country is deprived of the necessary western technology as a result of the sanctions.

Russia is more and more openly defying the western world. It is distancing itself from western values. Russia is also giving up the policy of interdependence. It removes itself from the strategic partnership with the EU, a factor which would sustain peaceful development in Europe.

Hybrid warfare is a recurring phenomenon in conflicts, spreading disinformation, influencing other countries' citizens and aiming to destabilise a neighbouring country's key operations. The means develop and the ways of action become diversified. Uncertainty increases. Cybersecurity has become a central concern.

International trade and close economic ties throughout the world depend on expanding data transfers. The society becomes increasingly vulnerable as the digital information diversifies and the volumes grow. Key data networks have been attacked and the risk of new attacks increases.

The methods of cyber warfare are becoming more sophisticated and professional. Uncertainty takes hold and forecasting becomes more difficult. Emphasis should be put on the EU's internal preparedness and the quality and quantity of co-operation.

” America and Europe have done extraordinary things together before. And I believe we can forge an economic alliance as strong as our diplomatic and security alliances which, of course, have been the most powerful in history.

Barack Obama

President of the United States of America

Bilateral agreements liberalising international trade

The effort to liberalise world trade through multilateral negotiations is still a widely shared objective. Negotiations within the World Trade Organisation (WTO) have been, however, treading water for some time. As a result of the lack of significant progress, efforts are now made to proceed through bilateral free trade agreements (FTAs).

In the new and rapidly changing situation, it should be a common endeavour to engage China and other emerging economies to further strengthen and develop multilateral economic systems. The role of WTO must be maintained and, once the political trends will permit, strengthened.

The European Union should continue negotiations on bilateral FTAs. With the new agreements, it must aim to defend its interests and to uphold opportunities in order to increase trade and investment. The TTIP agreement with the United States is of primary and urgent importance.

Implementation of the TTIP agreement would bring a much-needed boost to the economy. It would create new growth while safeguarding key European political and economic interests. It would streamline the norms and standards of both parties. It would facilitate mutual acceptance of goods and products.

The traditions of regulation in the EU and the United States are different, but still it is possible to reach the same level of security and equal conditions. The TTIP agreement would increase trust and create a solid basis for expansion of trade.

TTIP could act as a benchmark for international norms and standards well into the future. Compromises must be found to difficult issues in the negotiations. Problems shall not be downplayed, but they should be made proportionate to the benefits of the agreement.

3 Slow recovery in the euro area



The euro area is gradually, but painfully slowly recovering from the crisis. Especially the measures of the European Central Bank (ECB) have accomplished the current relative calm in the markets. Nevertheless, the situation of many member states is still difficult. Unemployment is widespread and the public debt is still not under control. The banking sector has not recovered.

However, the situation is better than a few years ago. The euro area seems to be heading out of immediate risk although it is still not completely beyond the reach of a new crisis. New disturbances can emerge.

Financial discipline still needed

Financial discipline has been stepped up in order to safeguard the stability of the euro area. The EU's supervising role in relation to its member states has been strengthened, and the Union is authorised to impose sanctions on countries whose financial management poses a threat to the stability of the entire European Union. At the same time, general macroeconomic stability has been included in the EU economic governance in addition to fiscal policies.

Fiscal responsibility should be followed also in the future. Structural reforms must continue. Debt should be kept within tolerable limits. All euro countries must follow the agreed policy lines. Commonly agreed practices are to be upheld.

Rules and procedures have been agreed on how to monitor economic and structural reforms in different countries. The European semester is an extensive and demanding exercise that takes place once a year. This coordination, which is necessary in itself, should be simplified and streamlined. The current rules of decision-making are too complicated and non-transparent.

The demands and guidelines aimed at the euro countries should be kept in force even under serious pressure from member states to dismantle them. It should be possible to make them more effective over time and according to the need. Structural reforms must progress and efforts must be made to relieve the political pressure they may be exposed to.

The European Commission should use the given tools. The euro countries should act more closely as a group and develop a functioning tool out of peer reviews. All available methods, including sanctions, must be used in order to maintain financial discipline. The same rules must apply to all member states.

EMU subject to constant change

Deepening of the European Economic and Monetary Union (EMU) is under constant consideration. The presidents of the European Commission, the European Central Bank, the European Council, the Eurogroup and the European Parliament announced in June 2015 their future guidelines for the gradual deepening of the integration. The economic and monetary union has already significantly transformed during the crisis period.

At the beginning of the crisis, there was no effective firewall to prevent the difficulties from spreading from one country to another. During the financial crisis, the close links between banks and states plunged some member states into difficulties.

Since the establishment of the European Stability Mechanism, the risk of a new crisis is diminished. In the future, it is necessary to foster good financial standing and the original purpose of the stability mechanism.

There is still strong political pressure in some euro countries to move towards some degree of a fiscal union. Countries that have so far had a reserved attitude towards a fiscal union should make timely preparations for this increased pressure.

Nonetheless, the uncertainty remains. Measures carried out over the past few years have in some respect gone further than necessary crisis management would have required. Yet, it is important to continue with the reforms and corrections in order to avoid a new crisis.

The readiness of the euro countries to undertake reforms has diminished as we are exiting the worst phase of the crisis. Practical reforms cannot be delayed until a new crisis is already imminent. In order to maintain market confidence, it is necessary to carry on national reforms also during better times.

In some EU countries, Finland being among them, the banking sector has had a solid track record of being responsibly operated even prior to the financial crisis.

The financial market has faced new regulation both globally and within the EU since the financial crisis erupted in 2008. Prudential standards for banks have been upgraded and their risk-taking opportunities have been restricted. Remuneration and incentive criteria for bank managers are regulated more strictly than before.

” Politically, the root cause of the euro crisis is the requirement of having a consensus in order to make the necessary decisions to tackle the crisis. That sounds pleasant enough – we all like consensus – but, in fact, decision-making processes have been slowed down or even reduced to paralysis as a result.

Olli Rehn

Former Vice-President of the European Commission

Regulation of these and many other issues has brought stability to the financial sector, but it may also undermine the EU's competitiveness as a financial centre. Regulation had to be made in a rush due to political pressure. The impacts of regulation enforced under pressure are to be critically evaluated over the next few years.

The development of a banking union is advancing well. A single supervisory mechanism and a single resolution mechanism have already been established. The national resolution funds will be replaced by the single resolution fund as of 1 January 2016.

Investment at a standstill

Investment in Europe is stagnating, and Europe is not attractive enough for external investors, either. Businesses consider carefully whether to invest in Europe or elsewhere. Moreover, political risk is estimated to have grown in Europe.

The level of investment has dropped by almost 400 billion euro from the pre-crisis level. There is money in the market and in banks, but it is not moving.

The European Central Bank (ECB) continues its extensive purchase of securities in the secondary market until autumn

2016. With its decision, the ECB aims to direct money into the real economy by more effective means. Consequently, economic activity is expected to increase.

The European Investment Plan proposed by the European Commission is intended to move forward swiftly. The European Fund for Strategic Investments (EFSI), being a core element of the European Investment Plan, would provide financing especially for projects that are somewhat riskier than those normally financed by the European Investment Bank.

According to the European Investment Plan, a small amount of public funding would act as a lever for growing private financing. It is hoped to raise investments of 315 billion euro in total. The funds are intended to be spent over the next three years. Several member states are expecting significant impacts.

As economic uncertainty continues, investments are made in real estate and other safe areas. Financing is not always the biggest obstacle to lack of investment. Bigger reasons may include the wage levels and inflexibility of collective agreements. Investment may also be hindered by taxation and excessive red tape.

Spurring growth by developing the Single Market 4



A photograph of an airport arrival board. The board has a yellow header with the word 'Arrivals' and an airplane icon. Below the header, the board is divided into columns for flight time, origin, flight number, and status. The board is tilted slightly to the right.

Time	Origin	Flight Number	Status
13:30	Algiers	AH2054	Bags delivered
15:20	Rome	AZ204	Bags delivered
15:20	Bahrain	GF003	Bags arriving
15:25	Guangzhou	CZ303	Bags delivered
16:05	Sofia	FB851	Expected 16:18
16:10	Amsterdam	KL1021	Expected 16:31
16:15	Amsterdam	KL1025	Expected 16:27
16:20	Kuala Lumpur	MH004	Expected 16:06
16:20	Paris CdG	AF1280	Expected 16:04
16:50	Casablanca	AT800	Expected 16:40
16:55	Tunis	TU790	Expected 18:02
17:00	Kuwait	KU103	Expected 17:00
17:10	Amsterdam	KL1029	Expected 17:00
17:25	Seoul	KE907	Expected 17:00
17:35	Amsterdam	KL1023	Expected 17:00
17:50	Amsterdam	KL1031	Expected 17:00
		9W118	Expected 17:00
		QR001	Expected 17:00
		7238	Expected 17:00

The European Single Market is a success story. It has created growth, prosperity and well-being. It has increased and diversified the options available to citizens.

Involving over 500 million consumers, the Single Market has forced European businesses to compete and that way also do better in the global market.

Development of the Single Market is still far from its goal. Although legislation has advanced in terms of goods and services, its implementation in the member states is still incomplete.

The European Commission's supervision should have been stronger. The processing of infringement cases has left much to be desired in the past few years. As a result, businesses have not had equal conditions of competition to which they are entitled throughout the EU. The situation should be redressed rapidly on a broad front.

The new European Commission has adopted advancing of the Single Market as one of its priorities. The legislative tradition of developing the Single Market is now coupled with the mindset of competitiveness. The change is welcome and matches better with today's needs.

A Capital Markets Union to boost companies' financing

Besides the three-year European Fund for Strategic Investments, the new European Commission has also longer-term plans.

The Capital Markets Union would develop the market in order to facilitate companies' access to finance. Currently in Europe, three-quarters of business financing comes from banks. The opposite applies in the United States. Especially small and medium-sized enterprises need more diverse financing.

In order to create a Capital Markets Union, the investment climate will have to improve, and there is also a need for concrete action to develop companies' access to long-term funding and corporate bond markets.

It's important to urgently evaluate the need of harmonising the European insolvency proceedings. The development of company law should be considered more generally, as well. Regulation of the EU securities market has developed favourably in the past few years, and is in a considerably good shape.

The creation of an effective capital market does not start from scratch. If implemented correctly, the project will offer major benefits for businesses. The implementation will require time and it should avoid overly strict regulation.

” The Single Market is less popular than ever, while Europe needs it more than ever.

Mario Monti

Former European Commissioner

Mobilising people within Europe and into Europe

Free movement of people has fallen short of its targets. Harmonisation of legislation has not progressed as desired. Numerous national regulations and problems with mutual recognition of professional qualifications pose a barrier to free movement.

Even after decades of efforts, the mobility of workers represents only a couple of percent of the workforce. This opportunity has been seriously underutilised in terms of economic development. Economic recovery requires better mobility of people to access jobs.

European population is ageing and the proportion of the working-age population is declining. Labour supply in the member states should be increased in order to strengthen competitiveness. Global competition for skilled and trained people is stepping up. The emerging markets have become more attractive. Europe should develop a policy in order to attract skilled and trained workforce.

Labour migration from outside the EU should be facilitated by legislation. Significant work shall be carried out at the national and the EU level. We need political leadership and the commitment of all institutions in the project.

Increasing immigration is important in order to remove bottlenecks and to develop competitiveness. The success of this policy has an impact on the European Union's success in the global competition.

Competitiveness and growth through Energy Union

Determined efforts are now made to implement the Energy Union. The Energy Union aims to improve energy security, create

a Single Energy Market, increase energy efficiency, achieve climate targets, and have more investments in research and development.

It is important to safeguard the supply of energy, especially oil and gas, under all circumstances. Affordable electricity and heating should be available throughout the European Union. Energy efficiency can still be improved to a great extent, especially in buildings.

All energy policy decisions should be compatible with the EU's climate targets. Europe must take responsibility for the environment and climate with a long-term policy that is predictable for businesses.

Showing example in reducing greenhouse gases helps, but Europe is not able to curb climate change on its own. The US, China, India, Russia and other significant countries should also join the efforts to combat climate change. The international climate agreement to be negotiated in Paris in December 2015 will play a huge part in creating level playing field for businesses.

The price of energy is not only a cost item, but increasingly also a competitive factor. The United States is increasingly reliant on affordable domestic shale gas, which has boosted its competitiveness and reduced the country's dependence on overseas suppliers.

In the European Union, the price of energy has encouraged to seek new solutions both in re-organizing the energy market as well as by technology innovations. Despite the good starting point, Europe has been losing ground little by little. An open mind and bold actions are needed to correct the situation.

Especially the transmission of electricity produced with renewable energy within the European countries and across borders requires improved transmission connections. As these bottlenecks are removed, electricity could be generated where it is most affordable and transmitted to areas where it is needed the most.

The Nordic electricity market is well developed. Opening transmission links between Norway and Sweden and in the north between Finland and Sweden would make the market even more effective.

In any case, the Nordic electricity market area uses a number of solutions that could be utilised in the development of the EU's Single Electricity Market. Having electricity available for consumers at affordable prices is also a key target.

When establishing an Energy Union, overly complicated solutions and the creation of excessive regulation must be avoided. Regional markets that already function well should not suffer as a result.

Last chance to create a digital strategy

The digital market is already here. It is not divided into European, American or Asian markets, but is global in nature. Europe has played a key part in previous digital revolutions. The drivers of innovation are now elsewhere.

Digitalisation is important to Europe's competitiveness and creation of growth. In order to succeed in the global competition, businesses should make full use of the new opportunities. Significant growth is created by developing cloud services, reforming industrial processes and promoting the Internet of Things.

Europe has had to keep adapting to changes. New applications are spreading at such a fast rate that the legislator has a hard time keeping up with it. The American authorities cope with the situation better than the European legislators who are aiming to gain control.

In a tougher competition, it is crucial to create preconditions and offer favourable opportunities. In this respect the EU's Digital Strategy is of key importance.

Removing barriers to the Telecoms Single Market, such as net neutrality and roaming, is progressing more rapidly.

In addition to these, it is necessary to tackle the problems of the Digital Single Market, i.e. copyright, data and consumer protection, and the regulation of audio-visual media services.

It is important to dismantle national legislative silos and develop competition policy and taxation. Companies should get equal conditions of competition throughout the European Union.

Updated and sufficiently flexible copyright promotes the creation of a Digital Single Market.

Digital entrepreneurship must be encouraged, companies' access to finance facilitated and the development of digital skills supported. Goal-oriented implementation of these targets will create a strong basis for Europe to act, which will also support competitiveness.

” We want companies to use the #DigitalSingleMarket to scale-up, not to move out.

Andrus Ansip

Vice-President of the European Commission

A situation where excessively detailed forecasts with high error margins are used to guide development must be avoided. Winners should not be chosen in advance. In any case, development will surge forward, conquering an increasing number of new sectors and revolutionising the economy. It must not be reined in, and regulation should not be too stringent.

European businesses will succeed in the future only by actively utilising digital opportunities. The operations of European digital enterprises will grow only in a permissible and encouraging business environment. Entrepreneurship thrives in an atmosphere that fosters experiment and new innovations.

The key priority is to create a positive attitude and atmosphere for digitalisation. It is necessary to provide a favourable business environment for further development.

Competition policy impacting global business operations

The EU is part of the global economy, and we are affected by global events more and more rapidly and directly. However, what we do within the European Union also has an impact on our options of operating abroad. One example of this is competition policy.

The European Union's competition policy holds its own in all international comparisons. The policy has clarified the ground rules of competition, and the conditions of competition for businesses have levelled out. European companies have become stronger through competition.

Occasionally, decisions made by the authorities define the relevant markets differently from the market operators. Market dominance has been viewed from a perspective that is too narrow. It has not been considered that companies face global competition. This has restricted their chances of succeeding on a global scale.

EU competition policy must not focus only on distortion of competition caused by private operators, but also by public operators.

The competition authority should operate independently and free of all political implications and outside pressure under all circumstances. Currently, the European Commissioner for Competition acts next to other commissioners as a member of the College of Commissioners. It could be beneficial if the competition authority was totally independent from the European Commission.

More determined progress necessary in the liberalisation of public procurement

A lot of unused potential lies in the liberalisation of public procurement. Public procurement meets one-fifth of the EU's combined gross domestic product, but only two per cent of this moves across the borders of member states.

Over the years, efforts have been made to open up public procurement, but so far this has not progressed very far. Member states have started implementing the new legislative package, which was approved in 2014.

The liberalisation of public procurement should consist of targeted action. Regulation should be competition neutral, and the rules must be applied equally to all businesses. The scope of competitive tendering in public procurement should be expanded and efforts should be made to reduce exceptions to the obligation to call for tenders.

Implementation must be supervised efficiently. Work against protectionism and infringement procedures should be rendered more effective. The EU would benefit from opening the market on the global scale and therefore the fight against protectionism should also take place in the international arena.

Tapping the emerging business opportunities **5**



Circular economy is on its way. Unprecedented investment opportunities are growing in the Arctic region. The development of bioeconomy opens new horizons. Digital economy will revolutionise people's everyday lives, the concept of work, workplaces and business operations.

Industrial processes are undergoing a major transformation. However, economic dynamism and new movements develop outside Europe. This need not be the case: Europe could still catch up and take on the role of a forerunner.

Europe just needs to be able to respond to new trends. Europe's new growth largely depends on this response.

Circular economy on its way

Industrial processes and consumer behaviour are still, to a large extent, based on linear thinking of 'produce, use, discard'.

It is in the interests of European industry to reduce its dependence on primary natural resources. Industry can gain significant benefits from a change of its mindset and production methods.

European industry should endeavour to introduce production methods that minimise waste production. It should be possible for industry to reuse as much as possible of a product that has reached the end of its lifetime in a new stage of production.

European industry should reduce its dependency on imported commodities and the resulting vulnerability. The circular economy creates the preconditions for more resource-efficient production methods, reduces waste production and alleviates the strain on natural resources.

The opportunities of the circular economy should be utilised effectively, and new practices must be given time to take root. Awareness of these opportunities should be increased and raised. It is worth recognising their scale in advance.

It is necessary to gain more investment to accelerate development. Various business sectors need more mutual trust. New business models should be developed. Mobilisation of all parties concerned is important.

The technology as such has been known for some time. Significant market shares can be conquered in the global market as long as the progress takes place on market terms, engaging consumers, with the ability of using economic instruments in the right way.

The EU should find the correct balance between regulation and market-driven solutions. Technology neutrality must be fostered and innovation activities supported.

New business models develop by moving from merely selling products to sale and maintenance packages to an increasing extent. At the same time, the lease of goods to customers will become more common in order to enhance the use of products.

The European Union should rapidly develop an operating environment that is favourable to the success of the circular economy. It must also safeguard financing for the development of new production. Enterprises should be encouraged by creating the right kind of business environment and by offering appropriate incentives.

Bioeconomy offering extensive growth potential

The bioeconomy represents tradition and the future at the same time. The production processes are mainly well established, but they have also developed over the years. The value chains have become longer and the purpose of use has expanded.

Bioeconomy means the production and processing of bio-based raw materials and the efficient, sustainable and productive use of bio-based products.

The bioeconomy is a broad field. Diverse bioeconomy includes processing of wood into various products, food chains from primary production to the consumer, and manufacturing of pharmaceutical products with biotechnology.

The bioeconomy also means water purification, utilisation of bio-based waste and by-products, and the production and use of bioenergy and biofuels. It also covers bioeconomy-based machinery, equipment and 'smart solutions', as well as eco-tourism.

Field biomass, micro-organisms and waste are increasingly used as raw material in production. Therefore, the bioeconomy applies to all sectors, covering extensive value networks and biomasses.

The EU should aim for new, high value added export products. This requires strong investment in research and development. It is necessary to aim at creating new business ecosystems by seizing the opportunities of digitalisation.

The investment and operational conditions of biomass refining industry should be developed. Cost competitiveness must be maintained, and regulation should be as light as possible and permit procedures simple and smooth.

” The circular economy will become an integral part of the market economy. It is therefore necessary that increasingly strict rules are not the only drivers, but incentives and opportunities that promote competition are also used.

Jyrki Katainen

Vice-President of the European Commission

The availability and carbon neutrality of biomass should also be ensured. Increasing its sustainable use for various purposes must also be enabled in as competition neutral manner as possible.

Diverse use of bio-based waste materials is to be promoted. The efficiency of recycling should be improved, the production of biofuels for transport should grow, and it should be possible to increase the energy recovery of waste.

With these measures, the European Union has every possibility of promoting this sector, which is important and promising in terms of the future. The bioeconomy will also accelerate the circular economy through optimal utilisation of natural resources. Investment in the bioeconomy creates cleantech solutions solving global problems (climate, energy, food, water, waste).

Potential in Arctic economy

The Arctic region is developing into Europe's largest area of new investment. The project plans for the Barents region alone rise to an estimated 140 billion euro. This is a huge opportunity for the European Union.

Economic growth in the Arctic region would benefit the entire European Union. Therefore, the North should be placed high in the EU agenda and the Nordic countries should show political leadership.

As a result of experiences gained over the past decade, assessment of Arctic business opportunities is more realistic than before. There is now vast potential in the sectors of industry, energy, logistics, infra construction, as well as tourism and other services.

European technology and know-how are needed in order to be able to effectively utilise all possibilities in a safe and sustainable way in terms of the fragile environment.

Digital economy as a driver for growth

The digital economy will revolutionise the everyday lives of people. It will alter the nature of work and reform the concept of workplace. It will change the operations and the entire business environment. As a result, production will experience a new revolution.

Due to digital development, the classroom walls will disappear. University lecture rooms will open up to global interaction. The digital economy will enhance the efficiency of healthcare services and reshape other public services. It will make public administration more efficient and transparent.

Production of information will no longer take place as a closed process. Information will be available for everyone and everywhere at the same time. It will be easy and effortless to find. However, information processing and administration will require learning and studying.

New skills are needed at work and at leisure alike. In the future, skills will be more important than formal qualifications. According to estimates by the European Commission, digital skills are rapidly creating a bottleneck. A shortfall of some 900,000 employees must be met over the next ten years.

In a digital world, people will find each other without problems. It will be easier for customers to purchase products that meet their exact needs. Goods are delivered to customers in an increasingly direct and rapid way.

New applications will blow up the conventional patterns: they will modernise services and cause creative destruction around them. Old practices will have to make way for several new ones.

More and more often, drivers for development are found across the oceans. The operating environment in these places supports seeking new solutions and the atmosphere fosters creativity. New technologies and business operations are developed through enthusiastic trials and fearless risk-taking.

Digital applications are created through curiosity and experiment. New innovations cross language and geographical barriers. They come out of nowhere, grow quickly, and spread in an instant.

Entrepreneurs of the digital world are often young, open-minded and creative enthusiasts. The best innovations quickly gain ground and businesses burst into growth, spreading globally often without conventional marketing investment. Networks and communities act as promoters.

Industrial processes at a turning point

At the same time, industrial processes are undergoing great changes. Industrial production is accelerated by the rapid development of automation and robotics. The boundaries between manufacturing and digitalisation become blurred, and processes merge.



One of the keys to success lies in two words – industrial internet. The industrial internet means, for example, smart appliances and equipment that send out information about their own status which, when analysed, provides an opportunity to offer completely new kinds of services to customers.

Pekka Lundmark

President & CEO, Konecranes

The industrial internet is already one of the fastest-growing phenomena. In the future, machines will communicate with one another. Various stages of production will be interconnected and act together in real time. New methods save energy, reduce environmental load and improve process efficiency. They will make factories safer and limit unnecessary traffic between various units.

Europe is well placed in the adaptation to and promotion of the industrial internet. Europe has excellent skills in basic technology. Europe produces world-class network equipment, and we have the capacity for efficient data analysis.

The return of industrial production while the value chains become fragmented offers a new opportunity to Europe. The rapid development of automation, robotics and 3D printing will enable the return of production to Europe.

The introduction of new production methods will provide a stimulus and create brighter prospects for Europe. Europe has a strong basis due to its good level of education and training and its high standard of research and development activities. All these offer a solid foundation to boldly join in the development, lead the way and reap great benefits from it.

Inquisitive reform and bold experiment

The focus of economic dynamics and new trends are currently outside of Europe. Innovations and the development of new business models are increasingly taking place in the US and Asia.

Innovations arise in an atmosphere of atypical thinking, experimentation and healthy risk-taking. They break down conventional practices in an instant creating rapidly new business operations. New operations also often challenge existing regulation.

The United States has created an operating environment that encourages experimentation and risk-taking. New operations are allowed to be born and reared. Regulation does not prevent new innovations, but it eliminates excesses and illegalities along with the development of new practices.

” We must adopt a completely new way of investing in applied research and cooperation between companies and universities. However, the key priority is to continue developing a European Single Market and, above all, to expedite the development of a Digital Single Market.

Risto Siilasmaa
Chairman, Nokia

” We can only maintain our prosperity in Europe if we belong to the most innovative regions in the world.

Angela Merkel
Chancellor of Germany

Attitudes towards new trends in Europe are often too restricting: they protect old practices and are often discouraging. Europe's instinctive desire to regulate suffocates the creation, establishment and growth of new business models.

Europe shall create an operating environment that stimulates innovation. This environment must encourage entrepreneurs to experiment and take risks. New trends should be accepted more openly. Bottlenecks and restrictions preventing new creations must be dissolved.

Education in Europe is at a good level from elementary school and vocational training all the way to higher education. We have expertise in natural sciences and technology. Basic research is at a high level. Maintaining these high standards provides the keys to Europe's success also in the future.

However, Europe does not value applied research to a sufficient extent. The majority of research funding still goes to research that has no direct links to commercial application. European research does not produce innovations to the same extent and at the same speed as elsewhere.

It is also necessary to develop multidisciplinary applied research to complement basic research and allocate more funds to the production of new innovations.

Rapid roll-out of the sharing economy

Conditions for the phenomena of the sharing economy should be put in place and they must be given room to grow also in Europe. New challengers are shaking up entire sectors. New entrepreneurs in the taxi business and hotel operations (Uber and Airbnb) are no longer isolated experiments, but the sharing economy is here to stay. Consumers benefit from this development.

The phenomena of the sharing economy also play creative destruction around them. The transition stage may be painful for traditional companies. International experience shows that it is possible to adapt to new phenomena and that balanced and fair regulation can be developed.

Regulation should also be dismantled in traditional business operations to prevent unreasonable competition conditions.

Development is not facilitated with bans and by avoiding change. Instead, new phenomena require a novel way of thinking, as well as preparedness for a rapid change in traditional industries also in Europe.

Better regulation to speed up the reforms

6



European legislation has grown too heavy. It is often unnecessarily burdensome and too detailed. It puts unnecessary restrictions on the operation and development of companies.

The national implementation of legislation is often inadequate. The European Commission could have managed its supervisory role in a better way. The infringement procedure should work in a more satisfactory way.

Less but better regulation

The new European Commission has announced that it will take a strategic approach to legislative activity. It has promised to present more considered and prepared legislative proposals in the future. This is very welcome in all respects.

Legislation can be more easily justified and accepted when it is created for a clear need. After a regulation overload, the EU needs less, but better regulation. Simple, clear and consistent is better than complicated and obscure.

Better legislation is vital for business and industry. Clear directives and regulations create a stable and predictable business environment. Comprehensible legislation that leads to consistent interpretation creates a level playing field for competition.

Carefully prepared impact assessment fosters equality. In the future, impact assessments carried out by the European Commission should be made in closer interaction together with the real world. The views of business and industry are also to be taken into account.

The European Commission's proposals can often change a great deal when being processed by the Council and the European Parliament. The Commission's original priorities may be upheld and the structure of the proposal may remain unchanged. Nevertheless, a new impact assessment may be necessary. It would boost confidence in the new directives and regulations.

Obsolete legislation and over-regulation should be dismantled. Overlapping legislation must be replaced with better functioning directives or regulations. The improvement and dismantling of regulation should be a continuous process in order to genuinely and effectively rectify the disadvantages caused by overregulation. Deregulation for deregulation's sake must be avoided.

Better regulation requires a long-term commitment by the European Commission, the European Parliament and the Council of Ministers. The business sector should monitor and expedite the matters in order to streamline company legislation.

Legislation is directly linked to the lives of citizens and the operation of companies. Regulation must be of high standard, reasonable and well-founded.

Regulation aims at creating conformity and predictability in the European Single Market. However, it must also take account of the differences between member states with regard to business culture and customs, as well as various practices. Therefore, regulation should focus on the most important and essential issues with respect to the functioning of the Single Market. More detailed, less important issues should be regulated by the member states themselves.

Regulation should support entrepreneurship, help innovations and make room for the success of companies at home and abroad. It should support initiative taking and innovative activity.

The European Commission's better regulation agenda aims at boosting openness in the legislative process and improve stakeholders' involvement in policy making. Efficiency of impact assessment, quality control and co-operation between the EU institutions is also enhanced. These are important and appropriate development ideas and they should be brought into force as soon as possible.

Successful regulation has an impact on the citizens' and companies' perceptions of the *raison d'être* of the European Union. Positive examples of reducing red tape will boost the acceptability of the EU.

Leeway in directives should be used

There are still differences between member states in the national implementation of directives. Requirements concerning citizens and companies beyond those imposed by the directives themselves are often added in connection with their implementation. This kind of regulation that goes beyond the directive should be avoided.

Directives are always open to various interpretations. In the future, flexibility should be better utilised in the implementation of directives. Economic activity requires equal conditions throughout the European Union. The authorities should contribute to ensuring this with their own action.

” We are committed to leading an EU that is bigger and more ambitious on big things, and smaller and more modest on small things.

Jean-Claude Juncker

President of the European Commission

Debate on EU competence

As the Lisbon Treaty entered into force in 2009, it was thought to be a stable foundation that would last for years to come. It was estimated that the Treaty would not require a reform for a long time.

However, the euro crisis showed the constraints of operations. The very limits of the Treaty were tested a number of times. Since the situation has calmed down, the pressure has eased off at least for the moment.

If we take a step by step approach with a gradual deepening of integration, we will cope with the current Treaty. The Lisbon Treaty will still offer opportunities for progressive development of the European Union.

However, a debate on the reform of the Treaty will be launched if and when the situation requires closer economic coordination, development of a Banking Union and deepening of the EMU. There are varying estimates and views on these issues.

Amendment of the Treaty requires extensive preparation, probably requiring a convention to be held. An inter-governmental conference would also have to be organised. The preparation with all its different stages is a time-consuming and thorough process.

A renegotiated Treaty would have to be ratified by all member states, several of which would require a referendum. Over the past few years, national bodies familiar with the Treaty have made stricter interpretations of the solutions required for reforming the European Union. It is not a given that a new Treaty would be accepted by all member states.



EK Brussels

172, Avenue de Cortenbergh
B-1000 Bruxelles
Belgique
tel. +32 (0)2 735 6335
brussels.office@ek.fi

Confederation of Finnish Industries EK

P.O.Box 30 (Eteläranta 10)
00131 Helsinki
Finland
tel. +358 (0)9 420 20
www.ek.fi

Layout:

Arja Nyholm, Jumo Oy

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