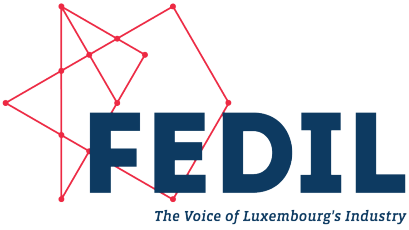


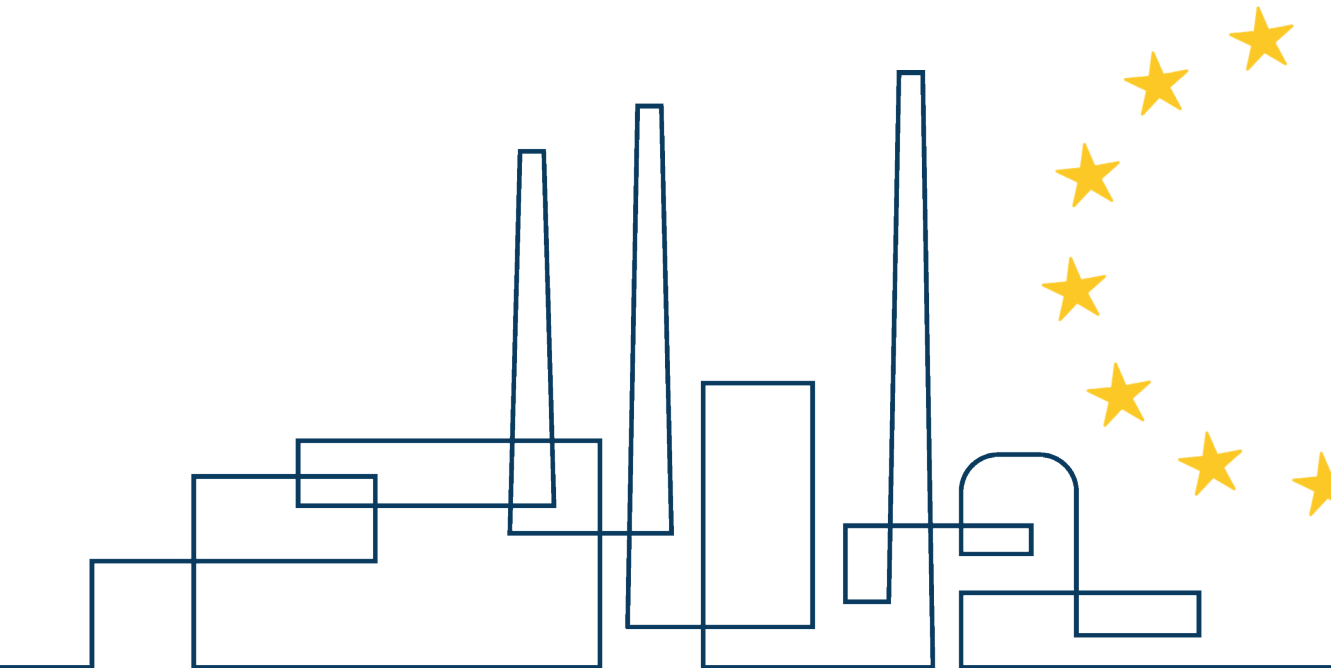
A STRONG INDUSTRY FOR A COMPETITIVE EUROPE
Don't lose industry and businesses for the European cause

***FEDIL's messages
in view of the
European elections 2024***



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Introduction

As the EU Elections of June 9, 2024, approach, FEDIL recognises the critical juncture at which the European Union stands. Global economic growth has slowed down, especially in Europe, and the trust of companies in the EU, a fundamental pillar of our shared economic prosperity, is at a tipping point. FEDIL's messages below formulate clear and direct responses to that challenge. It is not merely a statement of vision; it is an urgent wake-up call.

In this context, the choice facing the EU is stark: continue down a path mired in bureaucratic complexity, risking the alienation of the business community, or embrace this moment to build a more efficient, transparent, and competitive Union. Our businesses, forming the backbone of Europe's economy, depend on the EU's ability to provide stable, predictable, and conducive policies. Their confidence in the EU's governance and its regulatory framework is imperative.

Throughout this document, we address the main policy areas of interest for FEDIL's members, advocating for decisive and bold steps to restore and reinforce trust. We call for a renewed focus on streamlining and harmonising the EU Single Market, implementing robust net-zero industrial policies in the EU, ensuring effective energy policies, setting realistic environmental policies, advancing digitalisation, promoting innovation, and navigating the global economic landscape with open and strategic foresight. These are not mere goals but essential steps to ensure the EU remains a beacon of economic stability and growth.

Among several concerns, one primary issue consistently emerges across various sectors and activities: the challenge of red tape and regulatory burden. Addressing this issue is essential to prevent the outflow of companies and investments from Europe and to bolster its position as a competitive business hub. It is not the substance of regulations that is concerning, but the weight they impose on the daily operations of our businesses. They cover an extremely broad range of subjects, are sometimes redundant, contradictory, or overlapping within the legislative framework. Beyond the administrative complexity and undeniable costs associated with these measures and obligations, it is essential to question their actual effectiveness. The EU must streamline regulatory processes to maintain global competitiveness and fulfil its ambitions in digitalisation, environmental sustainability, and social progress.

As FEDIL, we are committed to contribute to all these tasks. We see the 2024 European elections as a crucial turning point for our economy's future. We urge the next EU legislature to take these concerns and proposals seriously and to work collaboratively with the business community. It is time to transform challenges into opportunities, fostering an EU that is not only business-friendly but also forward-thinking and resilient. Following messages are a roadmap for that transformation, and we stand ready to engage actively and constructively with the EU institutions and Member States to make it a reality, while remaining steadfast in our principles of openness, political independence, and commitment to entrepreneurial advancement.



Strengthening the Single Market: a unified vision for prosperity

How can European businesses be expected to maintain their trust in the EU's dedication to a unified Single Market, when they are continually confronted with the challenges of market fragmentation, inconsistent policy implementation across Member States, and what appears to be a lack of decisive action from the European Commission to address these disparities?

The Single Market, as a cornerstone of the European Union, encapsulates the Union's four fundamental freedoms: the free movement of goods, services, capital, and people. These freedoms are more than foundational principles; they form the essence of the competitiveness and vitality of European industries and businesses, particularly those in Luxembourg. Their preservation and enhancement are crucial for the EU, and for Luxembourg, the Single Market transcends a mere policy concept; it is a fundamental part of its economic fabric, stimulating growth, competitiveness, and innovation.

Promoting a harmonised and free-trade Single Market

- Advocate for a unified strategy that reinforces the Single Market as a key driver for economic union and free trade, focusing on maintaining its openness and competitiveness against international competition.
- Ensure consistent and uniform transposition of EU legislation across Member States to combat legal fragmentation, specifically addressing over-implementation and 'gold-plating' in national regulations to maintain EU law consistency and remove national barriers that impede the Single Market's functionality and level playing field.
- Maintain industry-driven standards for quality, safety, reliability, and compliance, aligning international and EU standards to facilitate seamless global market access and reduce administrative burdens on businesses.

Liberalising cross-border services and enhancing market operations

- Eliminate regulatory and administrative barriers between EU Member States, fostering a more integrated market for services, including digital services. Specifically, regarding posted workers' rules, reform the EU legislation to exclude certain types of short postings from its scope, thus eliminating declaration and A1 form requirements; avoid gold-plating measures and harmonise rules across Member States and standardise related declarations to ease trade barriers and facilitate a more efficient flow of services across the EU.
- Harmonise digital solutions to simplify social security, business trips, and short-term postings, enhancing mobility and cooperation within the EU as well as digital reporting and e-invoicing to facilitate cross-border business operations.

- Strengthen cross-border transport and infrastructure, ensuring robust connectivity for the free movement of people, goods, services, capital, and data, addressing existing inadequacies in transport connections and digital systems.

Establishing a dynamic European labour market

- Digitalise and simplify administrative processes to improve qualification recognition and facilitate the recruitment of non-EU nationals. Ensure the free movement of people by removing mobility barriers and implementing supportive policies at both European and national levels to maximise economic benefits for businesses and workers.
- Invest in education and skills development to bridge skills gaps, with a focus on vocational and industry-specific training, encouraging collaboration between the Member States and businesses.
- Create an EU Talent Pool to match employers with skilled job seekers across the EU, emphasising the need for a workforce prepared for digital and ecological transformations.

Strengthening market surveillance and enforcement

- Implement a Single Market test in legislative procedures to prevent proposals that could fragment the market, regularly evaluating the impact of legal frameworks on the Single Market and free trade.
- Address regulatory complexity by adopting a «1-in-1-out» principle to manage compliance costs, prioritising the implementation of existing legislation efficiently.
- Increase market surveillance and empower the European Commission as the Guardian of the Treaties to maintain a level playing field, using infringement procedures against Member States' violations to protect the Single Market.

Supporting micro companies and Small and Medium Enterprises (SMEs)

- Implement streamlined, predictable legislation tailored to SME needs, including simplified reporting obligations and enhance SMEs' support and access to guidance and resources for compliance throughout their business lifecycle.
- Facilitate access to financing and EU programmes for SME growth and participation in the green transition. Establishing a prompt payment culture to alleviate financial pressures on them, while maintaining contractual flexibility.
- Adjust financial reporting criteria for SMEs considering inflation effects and develop a harmonised framework for mid-cap companies, focusing on access to finance and a comprehensive review of the regulatory environment.



Industrial, Energy, and Environmental Policies: a vision for a sustainable leading industry

With the EU setting ambitious decarbonisation targets that demand a significant transformation of energy infrastructures, including the integration of renewable, nuclear, and low-carbon energies as well as natural gas capacities, how can European businesses sustain their confidence in the EU's commitment to a greener economy, particularly when they feel inadequately supported with necessary resources and investment mechanisms?

European companies are committed to greening their economy and reaching the EU's climate neutrality ambitions. However, the European Union's steadfast commitment to a greener economy, embodied in its ambitious decarbonisation targets, necessitates a nuanced understanding of how businesses can maintain trust in this commitment. We need to decarbonise without deindustrialising and ensuring that companies have the means to invest in this deep-dive transformation. This concern is multifaceted, touching upon the deployment of diverse energy sources, their integration, and the crucial balance of competitive energy pricing with market resilience.

Securing energy by mitigating costs and ensuring renewable sources

- Develop holistic short-term and long-term strategies to mitigate energy costs and enhance the production of renewable energy sources, coupled with a resilient low-carbon energy infrastructure roadmap for EU's sustainable future.
- Advocate for the preservation of a level playing field for energy pricing across all Member States. Unilateral interventions in pricing, not only jeopardise the competitiveness of the EU's industrial sector but also erode investor confidence, thus imperilling the overarching objectives of EU-wide decarbonisation and sustainability.
- Boost affordable renewable energy production and facilitate access to these sources. Engage in strategic negotiations with neighbouring countries to ensure stable and competitive energy pricing, reducing market volatility and enhancing energy security across the EU.
- Focus on scaling up appropriate quantity of competitively priced hydrogen and develop extensive hydrogen transport infrastructures, crucial for meeting the EU's decarbonisation strategies and reducing CO₂ emissions in energy-intensive industries.

Establishing an EU net-zero industrial policy and combating deindustrialisation

- Formulate a comprehensive common EU industrial policy to foster sustainable, net-zero industrial sites, championing decarbonisation through innovative technologies like electrification and carbon capture and streamlining industrial permit-granting processes for quicker deployment.
- Reinforce and protect key industries, such as semiconductors, for reindustrialising Europe, enhancing supply chain resilience and reducing external dependencies, aligning with the green transition.
- Implement a robust and reliable Carbon Border Adjustment Mechanism to maintain competitiveness in global exports, ensuring fair cost allocation for carbon emissions and supporting industries in the transition to greener practices.

Environment: aligning emission targets with industrial growth and advancing sustainable practices

- Align emission reduction targets with industrial growth, balancing the need for realistic and achievable targets with existing capacities, and addressing current challenges and delays. Before considering enhancements for the 2040 climate targets, the immediate focus should be on achieving the 2030 targets. Ensure carbon-pricing strategies are accompanied by affordable alternatives to effectively lower emissions, reflecting the EU's commitment to environmental sustainability. Advance with caution when implementing new environmental cost factors for economic actors, basing such factors on thorough scientific and economic evaluations.
- Promote sustainable and economically viable fuels in the transport and aviation sectors, introducing policies to support domestic production of Sustainable Aviation Fuel, crucial for reducing aviation's carbon footprint.
- Expand the circular economy with a focus on material reuse and chemical recycling. Implement mass balance in the plastic supply chain and establish efficient recycling infrastructures, fostering a culture of reuse and refilling across industries and providing incentives for businesses adopting circular economy practices.



Digitalisation and Innovation: a vision for a competitive and interconnected Digital Europe

Given the increasing regulatory complexity and the pressing need for skilled workers to support digital transformation, how can European companies view the EU as a credible promoter and architect of digital advancement, especially when small and medium-sized enterprises are struggling to adapt to varied digital regulatory frameworks and maintain their competitive edge?

In the dynamic digital landscape, European companies, especially SMEs, recognise the immense opportunities presented by digitalisation. However, they also confront notable challenges stemming from EU policies, including over-regulation, intricate approval processes, and a policy environment often perceived as excessively risk averse.

Streamlining digital regulation and promoting innovation and sandboxes

- Develop transparent, agile, and accessible regulatory frameworks to enable companies, particularly SMEs, to focus on innovation and benefit from it. Address over-regulation, simplify complex approval processes, and create a more risk-tolerant policy environment. Ensure alignment with European and international digital standards.
- Ensure legal frameworks support the testing, launching, and scaling of innovative products and services throughout the Single Market. Introduce regulatory sandboxes in both existing and future digital regulations to encourage innovation.
- Assess the impact of legislation on digitalisation with a focus on trade, investments, and competitiveness. Advocate for smart technological sovereignty and work to reduce bureaucratic obstacles in regulations.

Enhancing digital skills and aligning education with market needs

- Align education and training systems with the needs of the digital labour market, fostering a digital mindset and preparing the workforce for a digitised economy. Focus on STEM skills, upskilling, and digital competence initiatives.
- Encourage Member States, social partners, and employers to develop effective digital skills strategies. Align educational curricula with the pace of digitalisation and labour market trends and facilitate training and awareness programmes.
- Streamline the recruitment of third-country nationals by reducing administrative barriers at the EU level. Develop an EU talent pool to meet the increasing demands in R&D within digital sectors.

Promoting digital trade agenda and trusted data flows and investing in connectivity and infrastructure development

- Strengthen international cooperation to enhance the EU's digital trade agenda and enable trusted global data flows, ensuring privacy and intellectual property rights are protected.
- Adopt a technology-neutral, market-driven approach to advance digital connectivity, ensuring inclusivity in the digital transformation.
- Invest in high-speed connectivity infrastructure and interoperability, acknowledging the interplay between digital and green transitions in Europe.

Bolstering EU cybersecurity and advancing Artificial Intelligence

- Invest in EU cybersecurity and resilience by enhancing cooperation with public and private partners and working towards harmonised global cyberspace standards and policies.
- Shift the focus in Artificial Intelligence from purely regulatory aspects to promoting the European AI industry. Establish governance principles that balance innovation with fundamental rights and increase public and private investment in AI.
- Support the growth of AI startups and scale-ups with cross-border regulatory sandboxes at the EU level, emphasising the need for EU resource pools and a focus on fostering European AI market development.

Promoting industry-specific sectors with relevance for digital growth: space, defence and aviation

- Strengthen coordination within the space and defence sectors to foster sustainable technological growth. Ensure robust support for EU programmes and projects in these critical fields, alongside facilitating industry access to these programmes and projects.
- Optimise the use of dual-use technologies across the aviation, space, and defence industries. Promote collaboration between European and national defence agencies and the civilian sector engaged in research and technological development.
- Provide substantial support to the semiconductor industry, recognising its vital role in driving technological advancement.



Global scene: a vision to shape a balanced and strategic engagement

In the face of increasing global trade complexities and geopolitical tensions, how can the EU expect businesses to maintain their trust in its trade strategies? With the need for strategic autonomy and openness in international trade, what measures is the EU taking to ensure that its businesses are not only protected but also able to thrive in a competitive and equitable global trade environment?

The EU's external policy, complemented by its common commercial strategy, is pivotal in fostering economic growth and maintaining stability across Europe. Trade agreements are critical in this context, acting as foundational elements of the EU's strategy for economic growth. The focus is not only on maximising economic benefits but also on ensuring Europe secures the necessary resources for a successful green and digital transition, which are integral to the continent's future prosperity and resilience.

Adopting open strategic autonomy and promoting active engagement in international trade

- Balance trade openness with strategic autonomy to safeguard the EU's economic interests while ensuring global market integration.
- Conclude trade agreements that open up new markets and create robust investment opportunities, enhancing EU's access to critical raw material that are essential for the twin transitions.
- Implement targeted safeguards and restrictions on a sector-by-sector basis, especially in sensitive industries, to maintain competitiveness and economic security and uphold a level playing field in critical sectors, such as aviation, by enforcing fair trade measures and preventing market distortions.

Establishing a unified de-risking strategy

- Develop and establish a common, EU-wide definition and strategy for de-risking, targeting the reduction of both economic and strategic dependencies. Harmonise and integrate de-risking strategies across all EU Member States to ensure a coherent approach that enhances trade, cooperation, and economic resilience.
- Foster strong collaboration with industry stakeholders to ensure that the de-risking strategy is comprehensive, effective, and reflective of diverse economic interests.
- Adopt a balanced approach that recognises the risks but also acknowledges the necessity of engagement for reciprocal benefits with partners such as China.

About FEDIL

Founded in 1918, FEDIL - *The Voice of Luxembourg's Industry* is a multi-sector business federation that gives a voice to nearly 700 industrial members, service providers, and construction companies, fostering economic activity in Luxembourg. Today, FEDIL represents 95% of Luxembourg's industrial production, 75% of Luxembourg's private research activity, 25% of national employment, and 35% of national GDP. To perform its duties, FEDIL is registered in the Chamber of Deputies' transparency register.

FEDIL is a founding member of the European employers' association BusinessEurope and has a representative office in Brussels to ensure that its member companies' voices are heard in European policymaking. To this end, FEDIL is registered in the EU Transparency Register (number 286194516022-33).

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