

In partnership with:



AmCham EU Agenda for Action Scorecard 2017:

Measuring the competitiveness of
the EU economy





Uncertainty in Europe created by recent political events and by rising populism is a cause for real concern. EU leaders must act decisively to bolster unity in Europe, including by establishing a roadmap for more effective integration and placing greater emphasis on the values and principles of the Single Market.

AmCham EU's

five key action areas

Build skills for the future

If Europe is to compete in an ever-changing global environment, policies need to be in place to ensure its citizens are well-equipped to meet the needs of the future marketplace. This will require investment in training and skills development at every stage of workers' lives to remain relevant to the needs of society and the economy.

Drive integration to create an attractive internal market

Europe needs to complete the Single Market, particularly in the areas of services, the digital market, energy and transportation. Efforts also need to be made to improve harmonisation of policies and regulation. The objective should be to make Europe an attractive destination for investment and a hub of economic growth and innovation which contributes to global regulatory and industrial standards.

Embrace revolutionary change for industrial leadership

Europe has built a strong industrial foundation and now is the time to capitalise on its expertise across all sectors including pharmaceuticals, healthcare, energy, transport, aerospace, security, chemicals, biotech and digital technologies. The objective should be to establish policies to keep European industry at the cutting edge to ensure sustainable economic growth.

Develop new models of innovation and entrepreneurship

Innovation and entrepreneurship have been hailed as great drivers of growth. The next generation of entrepreneurs need to be supported and encouraged through incentive programs. At the same time, fresh models of partnership between governments, businesses and the wider civil society need to be developed and promoted. The objective should be to foster dynamic and flexible thinking to generate economic opportunities for the future.

Lead by example in the process of global integration

Europe needs to remain a global hub for trade, investment and ideas, while taking advantage of the global economic landscape more systematically. The objective should be to ensure that European industries can compete successfully in an increasingly integrated global economy. The Transatlantic Trade and Investment Partnership (TTIP) agreement offers the opportunity to enhance cooperation between the EU and the US and the possibility of establishing regulatory standards which will have a profound impact on the way business is conducted globally for decades to come.

AmCham EU Agenda for Action Scorecard 2017

The AmCham EU Agenda for Action Scorecard 2017 uses five key action areas to measure Europe's performance over time. For each action area, a star indicator score is provided based on five equally weighted indicators: three quantitative indicators, which are from official statistics, and two qualitative indicators, which are based on an annual survey of AmCham EU members*. An Outlook for each action area is also provided to indicate the expected level of progress for the coming year.

EU Overall

2016



Europe's performance overall was stable in 2016 with an overall score of 2.5 stars across the five key action areas. However, the uncertainty created by the migration crisis, growing nationalism and the recent Brexit vote has led to a more pessimistic outlook relative to previous years.



Outlook for 2017: **Stable**

The EU has made progress in a number of important policy areas critical to Europe's competitiveness over the past year, including in building skills, supporting innovation and entrepreneurship, and in the deployment of new technologies. However, an increasingly fragmented EU decision making process, coupled with rising skepticism of the EU and free trade, threatens the long-term unity and prosperity of Europe.

KPI I : Build skills for the future

2016



The performance in this area across Europe remained steady between 2015 and 2016 at **3 stars**. However, attracting skilled workers remains a substantial issue for businesses. This is a global issue, and will be compounded in the coming years as the need for skills grows with increased digitalisation.



Outlook for 2017: **Stable**

Europe continues to develop as a skills-intensive economy, with progress in many areas and a strong EU-level strategic framework to enhance education and training. Initiatives in the area of early childhood education, basic skills and lifelong learning promise sustainable improvements over the medium term. However, performance gaps at the national level remain substantial.

KPI II: Drive integration to create an attractive internal market

2016



A score of **2 stars** mirrors the slow progress that has been made in moving towards the completion of the Single Market. A lack of harmonisation in the area of taxation and inconsistent enforcement of EU law continues to be problematic.



Outlook for 2017: **Negative**

Efforts to deepen the EU Single Market are ongoing, but there is significant room for improvement in areas such as cross-border procurement and the free flow of data. Single Market initiatives also typically take several years to implement, while differences in transposition, interpretation and enforcement of EU law across Member States persist. Moreover, increasing political pressures on the EU's free trade area further threaten its unity and effectiveness.

Key



KPI III: Embrace revolutionary change for industrial leadership

2016



High-tech exports and broadband penetration increased in 2016 in Europe. A score of **3 stars** demonstrates that more action is needed to support high-tech manufacturing and innovation.



Outlook for 2017: **Stable**

The EU supports high-tech industries with initiatives such as the Horizon 2020 research framework and the Innovative Medicines Initiative (IMI). However, Europe as a whole still lags behind other regions in areas including competition, broadband deployment, and access to the fastest wireless and next-generation wired facilities.

KPI IV: Develop new models of innovation and entrepreneurship

2016



A score of **2.5 stars** reflects a mixed picture for entrepreneurship and innovation. Although prospects for entrepreneurs did improve slightly between 2015 and 2016, more needs to be done to help start-ups scaling up and in ensuring access to finance for new businesses.



Outlook for 2017: **Stable**

The EU provides substantial support for innovation and entrepreneurship. However, Europe as a whole still lags behind key markets such as North America, with access to finance for start-ups in high-growth sectors a notable problem. Meanwhile, R&D spending in Europe also trails the best international performers. Completing the Digital Single Market will be critical if Europe is to lead the next generation of businesses and technologies.

KPI V: Lead by example towards global integration

2016



Concerns about Europe's competitiveness are reflected in a score of **2 stars**. Inflexible labour laws are one area in which there is still room for policy-driven improvements. Meanwhile, Europe's role as a strong supporter of global free trade has weakened over the past year.



Outlook for 2017: **Negative**

The EU's ability to implement its ambitious trade strategy is increasingly in question, in light of a challenging environment in Europe towards trade and globalisation. A strong reaffirmation of the values and principles of free and open markets that underpin EU trade policy will be fundamental to ensure it remains open for business to the rest of the world.

Note : In 2016, 51 responses were provided to the survey of AmCham EU members.*Key performance indicator scores for 2016 are based on the qualitative scores from that year and quantitative scores from the latest available year. The data for the quantitative indicators is sourced from multilateral agencies and international organisations (Eurostat, OECD, UNCTAD, GEM consortium). The quantitative data is standardised in two ways: it is normalised and then converted using a variable scoring method to a standardised score. This is done for each indicator for 23 out of the 28 EU countries from 2007-2015. Please note that Croatia, Bulgaria, Cyprus, Luxembourg and Malta were all removed from the computation of final key performance indicator scores. Croatia, Bulgaria and Cyprus were left out due to missing data while Luxembourg and Malta were removed as they were significant outliers for the theme "Lead by example towards global integration". Quantitative indicators weight countries according to their relative GDP size. All indicators are then weighted equally and combined into a composite index.

Key findings

In 2016, the performance of the EU across the five key action areas was stable, with an overall score of 2.5 stars out of 5. However, political uncertainty created by the migration crisis, rising populism and nationalism, Brexit, and ongoing economic difficulties is driving an increasingly negative outlook for Europe relative to previous years.

Europe continues to develop as a skills-intensive economy, with progress in many areas and a strong EU-level strategic framework to enhance education and training. However, performance gaps at the national level remain substantial.

Progress towards a true Single Market remains uneven. Differences in transposition, interpretation and enforcement of EU law across Member States persist. Moreover, political pressures on the EU's free trade area increasingly threaten its unity and effectiveness. Achieving digital, security, capital, and energy market integration, as well as the free flow of data and tax harmonisation, are high priorities for businesses.

High-tech exports and broadband penetration increased in 2015 as Europe drives efforts to stay at the forefront of technological progress. To remain competitive, the EU must enact policies to further facilitate high-tech manufacturing and innovation.

Perceptions of the attractiveness of entrepreneurship for young people in the EU are showing a modest improvement. However, there remain large differences in rates of new business formation and attitudes towards entrepreneurship across countries. This may well reflect the heterogeneity in bankruptcy regimes across Europe, as well as differences in access to start-up finance, which remain an impediment to entrepreneurship.

Europe's role as a pillar of global free trade has weakened over the past year. The EU's ability to implement its ambitious trade and global strategies are increasingly in question, in light of an increasingly challenging environment in Europe towards trade and globalisation.

Policy recommendations

Uncertainty in Europe created by recent political events and by rising populism is a cause for real concern. EU leaders must act decisively to bolster unity in Europe, including by establishing a roadmap for more effective integration and placing greater emphasis on the values and principles of the Single Market.

Attracting the right talent and skills remains a significant issue for businesses. This issue is likely to be compounded as the need for skills grows with increased digitalisation. The EU must place further emphasis on support for education and skills development, including early education, STEM skills, lifelong learning, and the portability of qualifications and professional standards.

Innovation could be encouraged by a move towards greater technological neutrality, for example in public procurement. This would encourage competition and enhance efficiency.

Improving opportunities for entrepreneurship and further encouraging innovation must be a priority. Currently, the outlook is mixed with new business ownership rates dropping in the past year. EU policy-makers should emphasise support for start-ups scaling up and in the event of bankruptcy. Greater access to finance for small businesses is also key.

Europe retains a strong competitive advantage relative to much of the rest of the world. Nevertheless, concerns about insufficient agility and flexibility in the economy remain. Relaxing inflexible labour laws could be particularly helpful in addressing this issue.

Europe's commitment to free trade and open markets is being openly challenged at home and abroad. A strong reaffirmation of the values and principles that underpin EU trade policy by EU leaders is critical to ensure the EU remains open for business to the rest of the world.



How is the EU performing on specific policy issues?

Key: Score for 2017

-  Legislation adopted with unsatisfactory results and/or trending in the wrong direction
-  Mixed results and/or legislative process
-  Legislation adopted and/or trending in the right direction

Previous score: indicates score from previous edition

Build skills for the future



Labour market reform: Implement labour reforms that enhance the long-term competitiveness of the European workforce. Make pensions portable across the EU.

Previous score: YELLOW



Skills: Enact policies that help citizens obtain the skills in demand by the market. Utilise flexsecurity measures which are feasible and promote labour market mobility across the EU. Skills and qualifications should be made recognisable across EU borders.

Previous score: YELLOW



Intra-Corporate Transferees: Maintain a common regime for Intra-Corporate Transferees (ICTs) including an EU fast track application procedure for third country ICTs temporarily assigned to the EU.

Previous score: GREEN



Training and education: Increase investment in training and education. Promote lifelong learning through classes, online training, on-the-job training and the use of new technologies. Encourage science, technology, engineering and mathematics (STEM) education.

Previous score: YELLOW

Drive integration to create an attractive internal market



EU Single Market: Deepen and widen the Single Market. Address the uneven implementation and transposition of existing EU regulations into national law. Preserve the unity and integrity of the Single Market.

Previous score: YELLOW



Better Regulation: Implement the Commission's Better Regulation Package, and encourage further implementation of existing regulations to ease bureaucratic demands on the European business community.

Previous score: YELLOW



Transparency: Promote a fair and workable reformed Joint Transparency Register without undue bureaucratic requirements and with sufficient incentives for industry participation.

Encourage increased transparency of the impact assessment process and the functioning of the European Commission's Expert Groups.

Previous score: YELLOW

Capital Markets Union: Establishing a Capital Markets Union would mark an important step towards delivering the open and appropriately-regulated financial markets necessary to support Europe as an internationally competitive location for investment.

Previous score: GREEN

European Supervisory Authorities: The European Supervisory Authorities' role in mediating between supervisors should continue and be applied symmetrically to Eurozone and non-Eurozone supervisors.

Previous score: GREEN

Value Added Tax: The revamped EU Value Added Tax (VAT) system should be efficient, fraud-proof and neutral towards business.

Previous score: GREEN

Common Agricultural Policy: Continue to reform the Common Agricultural Policy (CAP). Remove remaining quotas, and promote funding for research and innovation and greening measures.

Previous score: GREEN

Discriminatory taxation: Special taxes on certain food and beverage products are not an appropriate remedy to tackle complex dietary and lifestyle-related issues and should be discouraged.

Previous score: YELLOW

General product safety and market surveillance: The framework needs to be consolidated to achieve a level playing field for all sectors and a transparent market surveillance system needs to be put in place.

Previous score: YELLOW

Energy liberalisation: Full implementation of the EU Energy Union Framework Strategy is necessary to achieve a transparent, liberalised single energy market. The EU should encourage energy efficiency and promote sustainable energy policies within this framework. It should also ensure a more secure energy supply through active internal and external energy policies.

Previous score: YELLOW



 **Energy and transport infrastructure:** Ensure adequate funding to upgrade EU infrastructure, for example through the EU Fund for Strategic Investment (EFSI), the Connecting Europe Facility (CEF) and Project Bonds from the European Investment Bank.

Previous score: YELLOW

 **Climate policy:** EU industrial and energy policies and national initiatives should be cost-effective, technology-neutral and coherent.

Previous score: YELLOW

 **Transport policy:** Continue efforts to realise a Single European Transport Area; further liberalise road transport and the rail market; and open ground-handling activities at airports to competition.

Previous score: RED

 **Common Consolidated Corporate Tax Base:** While offering certain advantages, the Common Consolidated Corporate Tax Base (CCCTB) also brings additional costs. Organisations must be given the freedom to choose whether to be subject to the CCCTB. The CCCTB should also be made simpler to administer and allow consolidation as part of the initial implementation.

Previous score: YELLOW

 **Financial Transaction Tax:** Initiatives to introduce Financial Transaction Taxes (FTTs) increase costs for all users of financial products, damaging the sector and the wider economy. Implementation on an enhanced cooperation basis would hinder a Single Market for financial services.

Previous score: RED

 **Money Market Funds:** Alternative liquidity in the financial markets should be strengthened by creating a framework that allows Money Market Funds (MMFs) to invest in a wide range of money market instruments.

Previous score: RED

 **Consumers and the Digital Single Market:** The proposals on online contract rules for digital content and tangible goods need to be better aligned to existing consumer/contract legislation, and should be put on hold to take into account the results of the ongoing REFIT of the Consumer Acquis. This would help identify ways to improve consumer confidence, and provide businesses with legal clarity.

Previous score: New entry

 **Proposed regulation on geo-blocking:** The proposal on geo-blocking needs to be further clarified in relation to the liabilities arising from the obligation to sell and the interactions with sector-specific legislation.

Previous score: New entry

Embrace revolutionary change for industrial leadership

 **Defence procurement:** Ensure the Directive on Defence Procurement is correctly implemented. The EU and the US would benefit from a level playing field and maximum flexibility in competing for new security and defence procurements.

Previous score: YELLOW

 **Digital Single Market:** Establish a more consistent regulatory environment to achieve a Digital Single Market. A comprehensive policy approach and regulatory environment to yield high investment levels in both fixed and mobile infrastructures should be achieved to avoid market fragmentation.

Previous score: YELLOW

 **Cloud computing:** Develop a global policy framework for cloud computing through greater harmonisation or interoperability across existing EU and global legal regimes.

Previous score: YELLOW

 **Spectrum management:** Ensure European-wide allocation of radio spectrum that delivers further harmonisation of spectrum management.

Previous score: YELLOW

 **Cybersecurity:** Improve network and information security and establish a legal framework that is conducive to information sharing while recognising the global nature of cyberspace. Strengthen coordination between public sector and security institutions.

Previous score: YELLOW

 **Data protection:** Ensure consistent interpretation and implementation of the regulation across Europe. Avoid fragmentation during the implementation process and provide appropriate opportunities for industry input.

Previous score: RED

Develop new models of innovation and entrepreneurship

 **Intellectual Property:** Ensure robust protection of Intellectual Property (IP) both online and offline, combatting counterfeiting, piracy and the misappropriation of trade secrets. Any policy changes that result in the weakening of IP protection levels would reduce incentives for businesses to innovate and invest.

Previous score: YELLOW



Technology in agriculture and food: Encourage investment in food and agricultural technologies by the public and private sectors and ensure there is a science-based regulatory framework that facilitates innovation.

Previous score: RED



Investment in healthcare: A high functioning healthcare sector requires smarter and more focused regulation, innovative partnerships, consumer-oriented approaches to empower citizens and improved access to medicine via more flexible pricing policies.

Previous score: YELLOW



Medical devices: The regulatory system for medical devices should balance patients' safety and access to the latest medical developments, utilising decentralised marketing authorisation procedures, increased availability of information, harmonised procedures and criteria, and enhanced market surveillance utilising stakeholder involvement. The EU's medical devices directives should help to address this.

Previous score: YELLOW



Nanotechnologies and materials: Adopt an EU-wide harmonised regulatory framework that facilitates the use of nanotechnologies and materials. Regulation should be science-based, technologically suitable and legally enforceable.

Previous score: YELLOW



eHealth/mHealth: Integrated care based on interoperable ICT solutions should be prioritised. Citizens should be allowed to access their interoperable electronic health records and related services online and on mobile devices.

Previous score: YELLOW



Consistency of environmental legislation: A predictable regulatory environment requires consistency and coherence of EU environmental laws, as well as an EU-wide legislative framework for which Member States do not come forward with contradictory national initiatives.

Previous score: YELLOW



Endocrine disruptors: The EU requires a regulatory approach that is based on robust science and the evaluation of chemicals on a substance-by-substance basis. The threshold/non-threshold assessment should also be evaluated on the same principle.

Previous score: YELLOW



Circular economy: Consistent interpretation and implementation of both existing and future waste policy legislation is essential to prevent the fragmentation of the Single Market and the success of the circular economy. Due to the complexity and differences across industries, sectoral and product-specific legislation is a more effective way of transitioning to a circular economy.

Previous score: New entry

Lead by example in the process of global integration



Benefits of trade for society: Enhanced trade facilitation and market access could encourage growth, investment, jobs and innovation, and enhance consumer choice. The European Commission faces challenges to deliver on its ambitious trade agenda, amid rising scepticism of trade and globalisation. The need for better communication on the benefits of trade for society is increasingly evident.

Previous score: GREEN



Progress in bilateral trade agreements: Conclude and implement trade agreements with strategic partners and markets to promote global development. Encouraging progress has been evident in several bilateral agreements, with a promising agenda for the future. However, increasing nationalisation of trade policy could harm the EU's ability to conclude these agreements in the future.

Previous score: New entry



World Trade Organization: Support a strong World Trade Organization (WTO) that acts as an important guarantor of legal rights in international trade and investment. The conclusion of the recent Trade Facilitation Agreement and renewed momentum at the multilateral level are encouraging developments.

Previous score: YELLOW



Transatlantic Trade and Investment Partnership: Support the conclusion of a comprehensive trade and investment agreement with the United States that benefits business, consumers and citizens on both sides of the Atlantic. EU efforts to conclude the agreement have been hampered by a lack of political leadership and civil society opposition.

Previous score: YELLOW



Financial services regulation: Strengthen coordination between EU and US policy-makers in financial services regulation. Regulations should, where possible, be compatible across jurisdictions, especially where detailed regulation has been set-out by international bodies under the auspices of the G20.

Previous score: YELLOW



Trade and investment: Include state-of-the-art investment chapters in EU trade agreements. Investment protection provisions in trade agreements provide guarantees to companies that their investments will be treated fairly and on an equal footing to national companies, allowing them to invest around the world with confidence.

Previous score: YELLOW



Trade in services: Work to achieve an international agreement on trade in services that promotes fair competition and a level global playing field, facilitates customs processes and protects against forced localisation barriers.

Previous score: YELLOW



Union Customs Code: The Union Customs Code (UCC) should be implemented in a manner that ensures simplified, standardised and automated customs procedures throughout the EU.

Previous score: RED



Customs infringements and sanctions: Customs penalties should be harmonised and applied uniformly. The existing EU proposal is a step in the wrong direction, since it will unduly penalise companies even when they have acted in good faith. Sanctions should only be imposed in cases of proven gross negligence or intentional fraud. Fines should only be collected on the basis of unpaid or underpaid duties and not on the basis of the customs value.

Previous score: RED



Import VAT: VAT modernization on import shipments should simplify import VAT rules, separate import VAT accounting from customs clearance, and find the right balance between liability, control and trade facilitation. It should also avoid overcorrection of any perceived distortions.

Previous score: YELLOW



Country-by-Country Reporting: Extension of public Country-by-Country Reporting (CbCR) to additional sectors outside those already covered should only take place after: (a) a rigorous impact assessment, and (b) a review of current initiatives in the banking and extractive sectors. Account should also be taken of other CbCR initiatives undertaken by individual or groups of countries.

Previous score: RED



Merger control regulation: The reform of merger control regulation should be more streamlined, rather than expanded to include minority shareholdings.

Previous score: YELLOW



Competition policy across the global antitrust community: Enforcement of antitrust laws should be based on a sound analytical framework, consumer welfare, and procedural fairness. Antitrust laws should also avoid extraterritorial impact of local enforcement actions.

Previous score: YELLOW



EU-US Mutual Recognition Agreement on air cargo security: Ensure that the MRA is reviewed and renewed on a multi-annual basis, ensuring harmonised mutual recognition and security equivalence measures that create “One Stop” security over the long-term. The EU and the US would benefit from minimised delays in transit/transfer as well as the cost-effective application of security controls and easier flow of commerce between those major trading partners.

Previous score: New entry

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2015, directly supports more than 4.3 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

