BUSINESSEUROPE

GO FOR GROWTH
AN AGENDA FOR THE EU IN 2010-2014

BUSINESSEUROPE Priorities for External Competitiveness 2010-2014: Building on Global Europe

EXECUTIVE SUMMARY

The paper presents BUSINESSEUROPE's views on the external dimension of the EU's competitiveness strategy from 2010, and expands on Go for Growth, BUSINESSEUROPE's agenda for 2010-2014. The EU's external competitiveness policy should generate long-term growth and employment in the European economy through expanded trade and investment. This is accurately reflected in the link between commercial policy and EU competitiveness that is at the heart of the EU's current ***Global Europe*** strategy. The EU 2020 strategy should, therefore, maintain *Global Europe* while making improvements in some key areas.

The EU should:

1 Deliver new market access through **trade negotiations** and ensure that these are better enforced:

- An ambitious and balanced conclusion of the WTO's Doha Round aiming for substantial market access for EU companies to major markets should be the top priority for 2010. If this is not possible in the short term new approaches should be considered, including broad sectoral negotiations and moving ahead with such topics as trade facilitation, within the single undertaking.
- The EU's agenda for bilateral free trade agreements must be continued and intensified. Agreements must comprehensively address the barriers faced by companies.
- Agreements and other trade rules must be enforced through all effective means including dispute settlement and a revised Trade Barriers Regulation. The Market Access Partnership should be further strengthened.

2 Take a more strategic approach to its relationships with **important partner countries**:

- The EU needs comprehensive strategies for its economic relations with major partners – both traditional and emerging. These should include improved analyses of priorities and better coordination within and between EU institutions and with Member States.
- Priority countries for BUSINESSEUROPE are the United States, China, Russia, India, Japan and Brazil.

3 Pursue **enabling trade policies** that will enhance the competitiveness of the European economy:

- The EU will need to enhance its raw materials strategy and pursue a tough line to address government distortions of raw materials markets making use of all possible policy instruments. All available policy avenues must also be used to enhance the security of the EU's energy supply.
- Barriers to participation in international public procurement markets are significant for key European sectors such as energy, water treatment, healthcare, construction and transport. The EU needs to address them through the WTO, free trade agreements, strategic dialogues, action in international organisations and a reflection on reciprocal market opening.
- The EU needs a comprehensive strategy to address regulatory barriers to trade and investment, which are becoming ever more important for business. This also means addressing EU regulations that affect companies' export competitiveness.
- Green technologies, particularly in energy production, have the potential to create new business opportunities across the economy. Accordingly the EU should promote a broad global liberalisation agreement for the sector, addressing all barriers in a non-discriminatory manner.
- A similar approach would be justified for the digital economy in its broadest sense: including goods and services in the telecommunications and information technology sectors.
- The EU must ensure the full protection of intellectual property rights through stronger rules and improved enforcement.

4 Ensure coordination with **policies that have a direct bearing on EU commercial policy**:

- The EU needs a modern and efficient customs policy in which security and trade facilitation are mutually reinforcing, including a workable Community Customs Code and rules of origin. The EU should seek mutual recognition between its secure trade programmes and those implemented by relevant economic partners. BUSINESSEUROPE opposes US 100% scanning legislation.
- EU development policy should tackle economic governance as well as addressing raw materials and energy supplies. The Generalised System of Preferences and rules on procurement for EU aid projects and should also be modernised.
- EU foreign policy should take full account of the broad benefits, for stability and security, of responsible trade and investment by European business. More action should be taken on issues such as expropriation, raw materials and energy.
- BUSINESSEUROPE believes that liberalisation is the most effective way for trade to contribute to the objective of decent work. It accepts, however, that the EU seeks to foster cooperation with trade partners based on a shared understanding. It should also continue work on the issue through the International Labour Organisation and in bilateral dialogues.
- Governance questions are becoming a competitive distortion in international markets. The EU should use all contacts with partners to urge enforcement of international commitments.

INTRODUCTION

This paper presents BUSINESSEUROPE's views on the European Union's policy on international trade and investment to the new leadership in all three EU institutions. It is a contribution to the debate on the external dimension of the EU's strategy for growth and jobs between now and 2020, and expands on *Go for Growth*, BUSINESSEUROPE's agenda for 2010-2014 released on 4 February 2010 and its paper *Putting Europe Back on Track*, released on 7 October 2009.

The *Global Europe* strategy has served Europe well since 2006. Entrepreneurs believe that its economic orientation and main components must remain in place if the EU is to continue to be competitive into the future. Certainly, changes have taken place in recent years, not least the economic crisis, the drive towards greener growth and the Lisbon treaty changes. An updated trade policy will need to take these into account. However, the EU must address these new realities while remaining fully aware of trade's primary purpose – to generate long-term growth and employment in the European economy. The EU's Common Commercial Policy must work to support EU competitiveness. It is a crucial component of the EU's 2020 growth strategy.

CONTEXT OF EU COMMERCIAL POLICY IN 2010

Recovery from the crisis

Putting the right policies in place is crucial to avoid prolonging the crisis and holding back growth. Trade can be no exception given its importance to Europe's prosperity: extra-EU trade accounts for 15% of EU GDP; European companies hold investments abroad worth 25% of GDP and foreign companies have investments here equivalent to 18% of GDP. Millions of jobs are dependent on trade and investment. Trade policy, therefore, must have an economic focus. This central point was recognised in *Global Europe* and must be maintained.

A more challenging environment for exporters and investors

European firms face a difficult situation on world export and investment markets. Competition will be intense as the slow recovery in the developed world keeps global demand levels low. In addition, though the direst predictions of a protectionist wave in response to the crisis have not been realised, many governments have introduced significant new restrictions. Given high unemployment, the pressure for protectionism will continue for some time. It will have many new ways to find expression: stimulus and stabilisation measures, though necessary, have hugely increased governments' involvement in economies. Behind-the-border regulatory barriers will therefore be of increasing importance.

Increased importance of emerging markets

The lion's share of Europe's trade and investment is and will remain with OECD countries such as the US, Switzerland and Japan. However, large emerging countries will make up an increasing share of EU international trade and investment. Average GDP growth in 1980-2008 was 2.2% in the European Union, with 6.3% in newly industrialised economies and 7.4% in developing Asia. This crisis has increased this gap.

The Lisbon treaty must strengthen Europe's voice

The Lisbon Treaty strengthens the EU's hand in trade and investment policy. The enhanced role of the European Parliament is welcome and will bring the interests of European citizens further into the debate. Europe's citizens are anxious about their economic future in the current difficult climate so it is vital that EU trade policy contribute to the expansion of European economic growth and the creation of jobs.

The Treaty also clearly places the common commercial policy within the framework of the common foreign and security policy. High Representative/Vice-President Ashton will need to be aware of the vital economic component to European security that should be taken into account in foreign policy decisions.

The treaty changes the position of investment, intellectual property rights and some service sectors to move them to European exclusive competence. The EU will need to move carefully in these fields to safeguard the existing rights of European companies and to develop an ambitious common agenda to enhance them.

BUSINESSEUROPE RECOMMENDATIONS FOR EU EXTERNAL COMPETITIVENESS POLICY

1 Negotiations

Trade negotiations are and will remain the primary vehicle that the European Union has to deliver new market opening for its exports and investments.

WTO

BUSINESSEUROPE remains convinced that an ambitious and balanced Doha Round deal is the best way to deliver trade liberalization for the world economy. The new Commission should make the WTO negotiations an immediate priority and press for a rapid, ambitious and balanced conclusion in its multilateral and bilateral contacts. Moreover, the Commission should line up with key negotiating countries in order to facilitate a deal. Key emerging countries, in particular Brazil, India and China, will have to make contributions according to their economic and political weight. Specific sectoral agreements in goods (chemicals, machinery, gems and jewellery, footwear, renewable energy) and services should be part of an ambitious Doha outcome.

Nonetheless, considering the challenges in the Doha negotiations the EU should consider parallel tracks for action within the WTO. Without undermining the single undertaking or suggesting an early harvest at this stage, the starting point for these could be existing elements of the negotiations which have wide support and could move forward before agreement on modalities, such as the trade facilitation package. Other new generation sectoral agreements could also be possibilities, such as a Digital Economy agreement to build on the existing Information Technology Agreement (see below). The proposal for a sectoral agreement on chemicals should also be seen in this light given the role of the sector as a building block for other industrial sectors.

Bilateral Free-Trade Agreements

As a vital complement to the multilateral approach the EU's free-trade agreement agenda must also be pursued with vigour.

The EU-South Korea Free Trade Agreement will bring significant benefits to European firms and is a key step forward for Europe's broad trade strategy. We support its ratification provided it is accompanied by strong implementing measures. These must address the concerns of parts of the business community by using all avenues provided under the terms of the agreement. The measures must ensure that both parties abide fully by their commitments - especially in the removal of non-tariff barriers and regulatory cooperation - and that safeguard procedures are enforceable and duly applied where justified. The agreement needs to enter into force by the end of the year.[1]

[1] Confindustria does not subscribe to this paragraph on the EU-South Korea Free Trade Agreement since, while largely sharing its content, not all of its concerns are reflected.

We will then need to move forward convincingly on the other major deals on the table according to the following criteria: Agreements need to deliver full access for European goods, services and investment. The full range of barriers faced by companies in these markets, including tariffs, non-tariff barriers including regulatory measures, restrictions on in trade services, investment barriers, public procurement, intellectual property rights, access to raw materials and governance issues must be tackled. The rules of origin should be simple to administer, coherent with other bilateral agreements and the reformed GSP system and based on the full consultation of affected sectors. Furthermore, the EU needs to defend the prohibition of duty drawback in all future FTAs. The EU should move forward quickly towards the conclusion of ambitious agreements with willing trade partners. Business wishes to see high quality results in all cases, but will not support long drawn-out discussions that have little hope of conclusion. If no progress is being made, negotiations should be re-evaluated. Negotiations, especially in the final phases, should be conducted in very close cooperation with BUSINESSEUROPE.

Key negotiations are with India, Canada, Ukraine, the willing partners among the ASEAN members and Mercosur. Other important negotiations requiring attention include those with other Latin American countries (Central America, Colombia and Peru) Euromed and GCC.

Looking forward, the EU will need to keep an open mind about future negotiations. Economic factors must continue to be the determinants of new discussions and ultimately companies will benefit most from liberalisation with our biggest trading partners and fast growing but highly protected economies. The choice of partners should be made in close contact with BUSINESSEUROPE and be based on serious and comprehensive analysis.

Finally, the EU has a number of existing agreements with Turkey, Switzerland and the EEA countries. The EU should look at these agreements to see whether the remaining barriers to EU exports and investment can be addressed. In addition, the EU should make clear to its new FTA partners that they should conclude parallel negotiations with these countries to avoid negative impacts for EU exports and investment.

Investment

Foreign direct investment by European companies is a vital element in their competiveness strategies. With the new authority granted by the Lisbon Treaty, the EU will need to develop a coherent policy to safeguard and enhance European investments abroad. The first step is to provide legal security to companies availing of existing Member State bilateral investment treaties. Legislation must clarify that existing treaties are compatible with the new treaty arrangements and the conditions under which new Member State agreements are possible. Following that, the EU should seek a robust outward-looking investment policy, securing the highest level of protection for its investors in key markets. Whether these negotiations form part of FTAs or stand alone, BUSINESSEUROPE should be closely consulted on all aspects.

Enforcement and Market Access Strategy

Of course, negotiations and agreements will have little value if they are not enforced. Given the continuing risk of increased protectionist measures, the European Union will need to ensure it takes all measures to ensure that existing rules are respected. This will require an improved commitment to enforcement by the European Union. Such vigorous action applies to all the EU's trading partners.

The EU needs to use dispute settlement in the WTO and in bilateral free trade agreements, where available. It should also improve the Trade Barriers Regulation through a thorough review. Finally, the EU's trade defence instruments remain a vital tool for enforcement.

In addition to these measures, the EU has a Market Access Strategy which has identified the removal of trade barriers as a specific objective of trade policy. The strategy needs greater resources to build on its success. The EU must also ensure that the new External Action Service is also a tool to take action to address these issues.

2 Strategic relationships

A number of key countries will shape the international economic system of the future: essentially Europe's traditional partners, the US and Japan, and the large emerging countries. While Europe already has specific approaches to all of these countries BUSINESSEUROPE believes more could be done to develop individual market access strategies for each. The EU is a world economic power and needs to use that weight more effectively. The strategies should include:

- detailed studies into each country, going beyond an enumeration of barriers to a full market analysis. Clear ideas about future growth sectors will enable the European Union to prioritise better its interests and use the leverage it does have with those countries effectively.
- avoidance of a silo approach to key relationships, where individual EU bodies act on their own without coordination. The Lisbon Treaty has the potential to help here. Coordination needs to happen across all of the Commission Directorates General, the Council, the Parliament and Member States.
- a clear mandate for action by the EU from Member States and the European Parliament. This would give the strategies greater legitimacy and room for manoeuvre.

US

The EU-US economic relationship is and will remain the largest in the world for the foreseeable future. The Transatlantic Economic Council should be revitalised but continue to be the main vehicle for EU-US economic cooperation on bilateral and global challenges leading to concrete results for companies. Commissioner De Gucht, in close cooperation with the European Parliament and the Council, must revitalise the body following a year of transition in 2009. It needs more resources and a broad re-commitment from the EU and US Government. In the medium term the EU and U.S. need to strengthen the TEC to speed up the drive towards a barrier-free transatlantic market. Strategic EU-US cooperation is vital if the EU wishes to foster greater alignment on global issues and achieve its own international economic goals in the future.

China

The relationship with China is crucial and it should be fully examined as outlined above. The EU-China High-Level Economic Dialogue (HED) can better foster concrete improvements for European businesses in China if priorities were better identified. This should lead to an EU-China Action Plan which should set and implement objectives and milestones to be reached within clear established deadlines. The Action Plan should be agreed jointly by the two sides and evolution reviewed at the annual meetings of the High-Level Economic Dialogue. Close involvement of business is key to strengthen the main business concerns in all approaches. The Commission should continue to regularly evaluate the EU-China relationship and push harder for China's full respect of its international obligations.

Russia

The deep economic recession in Russia has reduced medium-term growth expectations and increased regulatory risks. Russia has adopted a number of trade and investment measures to shore up its companies in the wake of the crisis – often to the detriment of EU firms. Meanwhile WTO accession and bilateral trade negotiations with the EU are stalled and Russian raw materials, including energy, remain vital for Europe's economic activity. In this light, BUSINESSEUROPE suggests creating a strategic economic dialogue with Russia to advance improvements in the business environment for companies while maintaining support for WTO and bilateral negotiations to resume normally.

India

India currently represents a small fraction of European international trade and investment but its dynamic growth and enormous population ensure that it is a strategic priority for the European Union. It should also be the subject of a comprehensive economic analysis by the European Commission. The top agenda item is of course the conclusion of an ambitious free-trade agreement that will open the Indian market. Such a deal has huge potential for both sides. India also needs to figure highly in the resource allocation for the Market Access Strategy.

Japan

In 2010, negotiations will start for a new EU-Japan Action Plan 2011-2020. Prior to its elaboration, the Commission should undertake an in-depth assessment of the achievements and shortcomings of the current Ten-year Action Plan (2001-2010). BUSINESSEUROPE advocates the creation of an EU-Japan High-level Economic Partnership Council to foster closer economic cooperation at the highest level and involving different Japanese ministries and Commission DGs. The new Action Plan should outline areas for closer EU-Japan ties and include potential pilot projects to be delivered within reasonable short timeframes and be assessed on an annual basis.

Brazil

Brazil is a key market for Europe not just because of its own stable growth in recent years but also its role as a site for many regional investments by EU firms. The principal method to advance the relationship would be the conclusion of a free trade agreement between the wider Mercosur region and the EU. However, there is much progress that can be made in the bilateral relationship, looking at issues such as technical barriers to trade, the enforcement of bilateral tax treaties and infrastructure.

Switzerland

Switzerland is an important commercial partner for the EU. Close cooperation and the smooth functioning of the more than 100 existing bilateral agreements are of crucial importance. Further market opening should also be considered.

3 Enabling policies

Trade policy should be seen as an enabling tool to enhance EU competitiveness in a variety of ways. Instead of thinking of trade policy as an end in itself, the Commission, Parliament and Member States should seek to put in place strategies to allow trade policy to facilitate growth in the wider economy.

Raw materials and energy

Access to raw materials and energy resources will be an increasing concern of EU companies over the coming years due to heightened global competition, interventionist policies by some governments and the rise of green technologies. The EU needs to step up implementation of the Raw Materials Communication to counter government intervention and open the global market for raw materials.

A coordinated EU strategy requires a strong commitment on trade, development and foreign policies to address this challenging issue. It requires negotiations and dispute settlement cases in the WTO and action in other force such as the OECD. It also necessitates a proper approach to the EU's own policies, such as on illegal shipments of secondary raw materials, the Generalised System of Preferences, and tariff liberalization for renewable feedstock for industrial use. The EU can also facilitate investments in resource-holding countries. As regards energy, the EU needs to make full use of bilateral negotiations and WTO accession agreements so that trade policy can contribute to the European energy security.

Regulatory barriers

Non-tariff or regulatory measures put in place by trading partners often create the most effective barriers to market entry for European companies around the world. They include everything from health and safety disciplines to standards. The discrimination against foreign competition they cause may be intentional or unintentional. Companies do not question the need for regulation to achieve important policy goals, rather they seek transparent, proportional and science based regulation that keeps distortion of international trade and investment to a minimum.

The EU has improved its efforts to tackle regulatory barriers in recent years, both through bilateral and multilateral trade negotiations and by using bodies such as the Transatlantic Economic Council (TEC). However, while BUSINESSEUROPE appreciates these efforts we would like to see a more concrete strategy emerge. A successful regulatory cooperation strategy will require time and resources. It needs the explicit endorsement of all decision-making bodies with a role in policy areas under discussion – Commission, Council and Parliament. It also needs recognition that in some cases, in order to achieve its objectives in third country markets, the EU will need to adjust its domestic legislation. Harmonisation and/or mutual recognition should be the objective of these efforts.

This point can be further developed. Regulatory barriers to EU trade and investment are not only created by our partners. Often Europe's own regulatory regime creates huge burdens for EU industry that make it very difficult for exporters to compete globally. Global Europe clearly recognises that the EU should take these effects into account when legislating internally but this has not been fully implemented. DG Trade, along with DG Enterprise, should systematically vet EU regulatory proposals for their impact on the external competitiveness of European business. The Trade Policy Committee of the Council and the International Trade Committee in the European Parliament need to play similar roles also.

Procurement

Governments are significant purchasers of goods and services and important drivers of international trade. Although EU public procurement markets are among the most open in the world, many external markets operate restrictive public procurement practices that exclude EU companies.

BUSINESSEUROPE appreciates EU efforts in this area but is concerned about the limited progress made. In view of the persistent imbalance in openness of public procurement markets between the EU and its main trading partners. BUSINESSEUROPE recommends a proactive market access policy based upon open trade and investment and reducing discriminatory measures in third countries. At the same time, it should be considered to which extent EU public procurement markets can sustainably remain open whilst third countries maintain an unlevel playing field.

The EU needs to build on the Global Europe Strategy to tackle the main challenges that European companies are encountering in key sectors such as energy, water treatment, healthcare, construction and transport. The EU should address these challenges through the WTO Government Procurement Agreement, which can be improved by removing derogations and encouraging new accessions; bilateral free-trade agreements and strategic dialogues, where robust approaches are needed; efforts to improve procurement procedures by key international organisations and tougher enforcement by the EU of existing rules; a reflection on an improved Trade Barriers Regulation and carefully targeted restrictions on access to part of the EU procurement market to encourage partners to offer reciprocal market opening.

Green technologies

Goods and services linked to environmental purposes, principally the challenge of climate change, have the potential to create huge business opportunities in Europe. BUSINESSEUROPE believes that the concept of green goods should be interpreted in a broad sense. Many goods and inputs to green products come from traditional industries, often not considered to be environmental. Yet without those goods green products cannot be produced. Furthermore, radical improvements in energy efficiency are being made in all sectors.

EU trade policy should develop a strategy that will combine multilateral action in the WTO and bilateral negotiations to address the international challenges that face companies exporting green technologies and products. This should include strict opposition to protectionist measures such as border tax adjustments in the context of the emissions trading scheme, intellectual property rights protection, removal of barriers to services and investment, elimination of restrictions on key raw materials; regulatory and standards measures and public procurement policy.

Regarding tariff liberalisation, BUSINESSEUROPE does not support the incorporation of environmental definitions of goods and services into international trade law; its primary goal is liberalisation across the board. Nonetheless, where a sector can be delimited in a clear and non-discriminatory manner, we support sectoral tariff liberalisation in the WTO. The renewable energy equipment sector may be a candidate for such an approach.

Digital Economy

The Digital Economy, broadly defined, is another area where the EU should develop a trade policy enabling strategy. The Information Technology Agreement has shown the way to future progress. The EU should continue in its effort to expand that agreement to allow it to address the regulatory measures and standards that are creating today's barriers to equipment trade but also go further to add information technology services as a pillar of the agreement. The impact of raw materials, intellectual property, and procurement will also be vital in this sector.

Intellectual property

Strong and effective protection of intellectual property rights (IPR) is key for Europe's innovation and international competitiveness. According to the OECD, global trade in counterfeit and pirated tangible goods reached over €180 billion in 2007 and continues to grow. The EU must address the scourge of counterfeiting and piracy in its bilateral relations with key strategic partners (e.g. China, Russia, India and Brazil) and in the framework of the Anti-Counterfeiting Trade Agreement (ACTA) negotiations. It also needs to press for the adoption of the highest standards of IPR protection in the domestic legislation of its trading partners and for global patent harmonisation.

4 Relationship of trade and investment with other policy areas

Customs policy

The EU needs to ensure that the Modernised Community Customs Code delivers clear facilitation for business, in particular by making certain that integrated security provisions are workable and not excessive. It should also refrain from shifting all responsibility on to companies for incorrect declarations of origin in the revised Rules of Origin as this would lead to an unjustifiable increase of responsibilities and risk for importers without giving them the possibility to act in "good faith". Furthermore, business wishes to see consistent implementation, based on better regulation, in all EU member states of the Authorised Economic Operator (AEO) concept in order to make it an attractive tool for European companies.

On the international front the EU should further push the objective of mutual recognition of AEO with the US Customs Trade Partnership against Terrorism (C-TPAT) and other relevant AEOs. Business also continues to reject the looming and very costly US 100% container scanning rule as this will not lead to the envisaged security objectives, while creating huge costs for business. Instead the EU should work with the US towards a permanent solution on trade and security. The EU should also push for transparency and proper governance of customs procedures in its negotiations with key trading partners. It needs to work to improve implementation of GATT rules on customs valuation through all channels. Finally, the EU's rules of origin in GSP and FTAs should be simple to administer, coherent and based on consultation of affected sectors.

Development

Given the huge size of the EU development aid budget, a more coherent approach is vitally needed. Development policy should seek to improve governance in partner countries as a tool to attract investment and spur entrepreneurship. Moreover, a simplification of EU aid rules governing investment in all types of infrastructure projects is needed. Procurement rules for EU aid projects must also be reviewed to take account of lifecycle costs, quality transparency and governance issues and longer-term developmental objectives. EU development policy must also take better account of raw materials and energy security of supply. Finally, at the end of 2011 a new regulation governing the Generalised System of Preferences will be required. The new regime must ensure that trade preferences are granted to those developing country exporters that genuinely require them. A reformed graduation system should treatt the highly competitive sectors or companies of emerging economies as such.

Foreign Policy

European business expects the EU to use its competences to establish a coherent, credible and coordinated EU foreign policy which recognises the broad benefits, in terms of stability and therefore security, of responsible trade and investment led by European business, particularly in developing countries. The EU can much better demonstrate its ability to help European businesses defend their investments and assets in third countries against expropriation for instance, though established legal channels should remain the appropriate recourse in such disputes. It can also include access to resources including energy as a key component of relations with major resource countries while not sacrificing our values or exposing Europe to coercion.

Employment

BUSINESSEUROPE believes that liberalisation is the most effective way for trade to create jobs, improve productivity and boost growth. Europe's most successful industries, which create well-paid, knowledge-intensive jobs, are in export-oriented sectors.

It is clear that the interest of citizens and workers is best served by further market opening. Nonetheless, BUSINESSEUROPE accepts that the EU seeks to foster cooperation with international trade partners on this issue provided it is based on a shared understanding. The EU should also continue its cooperation in the context of the International Labour Organisation in bilateral dialogues. Within the EU, market opening creates the need for flexible labour markets and the availability of a skilled workforce to reap its full benefits. For those who are negatively affected by global competition in certain occupations or sectors, (re)training and assistance should be provided so as to enable them to seize new opportunities.

Global macroeconomic policy

Global macro-economic imbalances have contributed to the outbreak of the financial crisis, which has a major detrimental effect on trade. A lack of coordination, loose monetary policy and fixed exchange rates all favour the creation of new, dangerous asset price bubbles. Furthermore, a weak US dollar and China's fixed exchange rates risk placing the burden of adjustment on the shoulders of Europe's companies, negatively affecting their competitiveness.

The major economies need to work together to reach sustainable macroeconomic outcomes in which exchange rate policies have an important role to play. China must introduce more flexibility in its exchange rate policy to facilitate clearly stated objective of boosting domestic demand. The US meanwhile must make real its commitment to a strong dollar policy and restore domestic savings. For its part, the EU needs to deliver on a far-reaching programme of structural reforms to restore the EU's faltering growth potential. BUSINESSEUROPE calls for a more intense dialogue between European, Chinese and US authorities on this issue.

Governance

Governance compliance is becoming a new competitive distortion between EU companies and their rivals in many markets due to gaps in national regulations and weak enforcement of international conventions. The EU should encourage its partners to enforce their international commitments on governance in all discussions.

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