2024-2029

FOR A EUROPEAN RESET

Priorities of large French companies for the European elections and the next mandate of the European Commission

afep

The voice of large French companies

2024-2029: for a **European reset**

With 8.5 million employees worldwide, including 4.5 million in Europe, large French companies are committed to European integration. The European Union is their natural area of development, offering them a large market, a common currency in the eurozone and a high level of savings. They generate 55% of their exports and 30% of their sales within the internal market (outside France). The European Union has also facilitated their internationalisation, contributing to the opening of third-country markets, exports and investments.

The relationship between French companies and the European project is not only economic. **Companies and their Directors have a deep attachment to the values, the democratic institutions as well as the social and environmental model of the European Union, an unparalleled political construction**. They are aware that this political construction, which represents France's present and economic future, is based on the ability of Member States to free themselves from their protectionist tendencies. They are therefore opposed to any programmatic direction that would expose Europe to the risk of fragmentation. The European project must be moreover defended even more as war is on our doorstep and threatens the area of peace, solidarity and prosperity that we have created.

Large French companies are also major players in the green and digital transition, through their transformation towards a carbon-free production model and their role in supplying green and digital technologies to the entire economy and society.

Achieving the global transition of our economy while ensuring a high level of social standards requires intensifying our competitiveness vis-à-vis our main competitors in a tense global context. However, it is now clear that we are no longer collectively able to achieve the necessary balance between European ambitions and economic dynamism.

Numerous indicators show that the European Union has reached a tipping point from which it risks falling irreversibly behind the two major geographical growth areas, Asia and North America. **Europe's foundations and assets, to which large companies are deeply attached, will no longer be sufficient levers to maintain investment projects in the EU.**

The symptoms of this disconnection are increasingly tangible. The European Union is now being penalised by large gaps in growth, productivity, and R&D with these two blocs. **Our production system is lagging in terms of automation and digitalisation. The EU's trade surplus is shrinking, and investment projects are now going primarily to Asia (54%) and North America (28%), with only 10% going to the EU.** In geopolitical and geo-economic terms, the influence of the 27 is under threat.

This competitiveness gap is partly caused by external shocks, such as health or geopolitical crises (logistical tensions, the Russo-Ukrainian war, raising energy prices) or the aggressive policies of our main economic competitors (competitive distortions, perpetuation of strategic dependencies), **but it is also largely due to our internal shortcomings**.

Businesses operate in an increasingly less integrated internal market, fail to raise sufficient capital from European sources and are faced with an ever-tightening regulatory straitjacket and an accumulation of constraints since 2019.

The deluge of new reporting and compliance obligations (CSRD, CS3D, etc.), while not taking into account the functioning of companies, creates additional administrative burdens and exposes the activities of companies - in Europe and around the world - to greater complexity, slowness and legal uncertainty, without any economic, environmental or civic gain. These obligations can even prove counterproductive by slowing down the transformations in which they are already engaged. **The European Union, in its desire to assert its values beyond its territory, risks losing sight of the interests of its own companies and citizens**. Furthermore, it exposes itself to criticism of the extraterritorial nature of its legislation.

The key pieces of the *Green Deal* legislative package (review of the ETS directive, CBAM Regulation, ban on internal combustion engines) have set very demanding timetables for the reduction of greenhouse gas emissions and standards for technological transformation, **without linking them to the funding that would have enabled the quick emergence of necessary technologies, whereas our competitors have acquired them through incentive measures**.

The priority given in Europe to standards and the excess of consumer protection has long penalised our industries when it comes to becoming global and benefiting from economies of scale. Today, it threatens to **put the EU in the position of being a net user of green and digital technologies developed and supplied by companies in these other two geographical areas**. These technologies have also been partly financed by our savings, at the expense of European operators.

It is time to react.
This is why AFEP takes part in the debates leading up to the European elections and the appointment of the new European Commission by putting forward concrete proposals.

This decisive election must be an opportunity to raise awareness that the EU is falling behind, and above all the **need for a radical shift in European policies to impulse a competitive reset of the EU** during the next mandate – and from its first year- **to regain its status of a leading economic power**.

Only then will the EU be able to **reduce its dependencies** and **succeed in its green and digital transitions**, which will be rich in jobs and factors of growth and social progress.

Our priorities and 9 urgent measures to be adopted during the first year of office

A domestic reset: increase the EU's internal competitiveness

Through better financing of the economy and innovation, investment facilitation, a more coherent industrial strategy, particularly in terms of competition policy, greater integration of the internal market and the easing of constraints on businesses.

- **Strengthen investment capacities in transition activities and innovation through a better channelling of European private savings**
- **Immediately launch a legislative initiative toward the simplification of compliance and reporting obligations pending on EU businesses, focusing on improved competitiveness**

An external reset: strengthen the EU's external position

Through an offensive trade policy in synergy with the industrial strategy, more assertive economic diplomacy as well as greater resilience in the face of external shocks and aggressive policies of our partners (level-playing requirements, fight against coercion and defence policy strengthening).

- **Conclude trade agreements and industrial partnerships aimed at securing critical value chains and new markets in third countries with a satisfactory degree of level-playing field**
- **Rapidly reshape our trade relations with China and, if necessary, the United States**

A reset within the twin (green and digital) transition

Prioritise the supply of affordable decarbonised energy and the roll-out of green and digital industries as well as put in place a competitiveness framework specific to the twin transition (adequate funding channels, skills, investment and innovation boost).

- **Roll out a massive infrastructure construction scheme (electricity production, distribution and storage, hydrogen, CCS, 6G)**
- **Adapt the main legal texts of the Green Deal to ensure the scaling up of European supply and leverage public procurement contracts to this end (through sustainability and resilience criteria)**
- **Attract worldwide young talents for careers in the economy of the future by strengthening the attractiveness of high-growth sectors and maintaining an international openness for workforce**

An institutional reset

Make the European institutions, policies and adoption processes fit for the enlargement of the EU by 2030, in order to maintain our regulatory agility vis-à-vis other geographical areas.

- **Facilitate the use of legal experimentations**
- **Drastically simplify and speed up procedures for granting public aids**

The domestic reset

Increase the EU's internal competitiveness

1. Let's lay the financial and industrial foundations for internal competitiveness

To close the financing gap with other regions, the EU needs to mobilise private savings more effectively. To boost investment in corporate equity, **securitisation** needs **to be developed rapidly**. We also need to **speed up the Banking Union** and complete **the unification of capital markets pragmatically**. We also need to facilitate **cross-border direct investment**, notably by eliminating discrimination against investors from other Member States and by **putting** in place **intra-European investment protection rules**, including investor-state dispute settlement.

The EU must continue to renew its **industrial strategy** by targeting the modernisation of production structures, consolidating the ecosystem approach, seeking greater integration at European level and promoting greater complementarity with **competition, energy and environmental policies to increase our resilience**. For example, we need to facilitate the acceleration of the digitalisation and the automation of production sites, involve companies more closely in the governance of the industrial strategy, and enable the creation of world-class companies capable of playing on an equal footing with their competitors in third countries and benefiting from economies of scale.

2. Let's unleash business potential by revitalising the internal market and removing regulatory obstacles

The EU must seek greater integration of its internal market. This requires, in particular, **removing new regulatory barriers** to the movement of goods and services created by the Member States themselves, fighting against intra-EU tax competition - with the elimination of double taxation or withholding taxes **-** and **mobilising the tools for economic convergence** between the 27 in terms of structural policies or budgetary policy as seen through the European Semester.

It is essential to preserve the **autonomy of companies**, which means respecting their technological choices, **their internal organisation, their international development strategies** and **their relations with their employees and stakeholders**. In particular, we need to leave more room for **contractual** and **soft law instruments**. This is particularly the case when it comes to the consideration of CSR issues in governance, social dialogue, or the assessment and management of the risks of technological leakage potentially involved in direct investments outside the EU.

The EU must **reduce administrative burdens** on businesses or, where they are deemed necessary, ensure that they remain **proportionate to the objectives pursued and the resources available**. It is particularly important to check whether, while achieving the same results, **the European legislator is not imposing additional obligations on economic players** in comparison with the standards in force in other jurisdictions. Rather than always relying on the '*Brussels effect*', one way of achieving this is to seek alignment with **international** standards, where they exist, or failing that, interoperability and/or mutual recognition arrangements between different standards. This is particularly urgent in the case of ***reporting* obligations**, which have multiplied in the EU without comparison with the standards imposed in third countries.

Finally, we must avoid a situation where certain Member States, like France, which is certainly the most active on the legislative front, anticipate legislation that should first and foremost be thought through at European level

The external reset

Strengthen the EU's external position

3. Let's make the EU a central player in the new international economic order

To achieve its full effect on external competitiveness, **trade policy** must be designed and carried out in **synergy with the needs of the EU industrial and geopolitical strategy**, with the conclusion of trade agreements, investment agreements or economic partnerships opening up new external markets for EU products, securing critical value chains (access to energy and inputs) or strengthening our geostrategic alliances.

Faced with China's New Silk Roads and the BRICS' desire to build their **own financial systems, the EU, in cooperation with its partners, must develop its own global networks of physical infrastructures** (land and sea transport) and **digital infrastructures** (cables, telecoms networks, digital payments), giving European companies a key role in the construction and management of these facilities.

The EU must also continue to be more assertive in the development of international standards by strengthening **its taxation, climate and digital diplomacy** and by seeking to influence **international standardisation procedures** as far as possible in the **key sectors for the future economy**.

4. Let's combat unfair practices by certain third countries and external security threats

The EU must continue to support the inclusion of **rules intended to combat unfair competition** in the WTO rulebook and trade agreements (rules on subsidies and state-owned enterprises, environmental, climate, social or health standards such as stipulated in the trade and sustainable development chapters or SPS chapters). It must also selectively mobilise recently adopted **unilateral** economic or environmental **level-playing field instruments** (classic trade defence, "foreign subsidies" regulation, CBAM) without creating disproportionate trade tensions, and protect **its innovations via national and international intellectual protection rules**.

The EU must also selectively strengthen **certain economic security tools** (foreign direct investment screening, anti-coercion regulation, blocking statute, cybersecurity), ensure their credibility once they have been adopted, and assume the need to revise our economic relations in depth in the event of exacerbated trade or political tensions with our main partners.

In a world where geopolitical risks are increasing, the EU must also ensure that its economic interests are protected by a **strengthened defence policy, and therefore a strong defence industry**.

The reset within the twin transition

Prioritise the supply of affordable decarbonised energy and the roll-out of green and digital industries

5. Let's prioritise the roll-out of European green and digital technologies over a strictly prescriptive approach

EU policies must contribute to providing businesses and citizens with **decarbonised energy at a reasonable price** to ensure the electrification of the industry, and to rolling out zero-emission transport modes and telecommunications networks to the standards required for emerging technologies (fibre, 6G).

To enable companies to **build up their industrial capacities** in green technologies, the regulatory framework resulting from the Green Deal will have to be made compatible with the industrial reality and financing capacities of the transition. In particular, it will be necessary to ensure that **certain obligations** are **implemented more gradually** to avoid competitiveness shocks vis-à-vis major foreign competitors and to ensure that the supply of EU companies can gradually meet the demand created by regulations (for example by revising the rate at which free allowances are phased out under the ETS Directive or by modulating the weighting of resilience and/or sustainability criteria over time for public procurement covered by the Net Zero Industry Act).

The EU must also reduce its digital dependencies and create European champions in the key emerging technologies of the future, notably artificial intelligence, quantum computing and additive manufacturing, to be deployed in Europe and internationally. This includes providing European companies with secure data storage capacities on European territory, sticking to **proportionate regulation of risks relating solely to innovative practices** (AI) and **data** processing (GDPR and Data Act) to unleash **the creativity of the EU industry and foster opportunities of cross-border e-commerce**.

6. Let's create an environment conducive to the twin transition

The EU must rapidly consolidate a regulatory framework enabling the **financing of the twin transition**, in particular, to mobilise private investment. Among other things, **the taxonomy needs to be adapted** to cover transitioning activities as well as the entire green technology value chain. We also need to further clarify that the taxonomy is meant to be mainly indicative, in contrast to the prescriptive uses developed in recent years.

European policies must contribute to **enhancing the skills of the labour force**. The mastery of basic skills and the technologies of the twin transition and the **movement of talents** within the internal market must be encouraged, in particular through the creation of reference frameworks, systems of mutual recognition of training or student/ apprentice exchanges.

The EU must help to put in place ecosystems that encourage **innovation and the protection of intellectual property on the European territory**: assessments and suspensions of regulations that are unfavourable to innovation, **support for R&D and pre-commercialisation prototypes**, mobilisation of public procurement, exchanges of researchers, etc. Regarding public procurement, it is particularly important to move towards even more harmonised award rules that give more space to tenders including innovative technical solutions.

The institutional reset

Make the European institutions, policies and adoption processes fit for the enlargement of the EU

7. Let's make the institutions, European policies and the European financial framework fit for the new challenges ahead.

The prospect of EU enlargement from 30 to 35 members requires **new ways of operating the institutions**. For example, **the setting of the College, the division of tasks between Commissioners and Directorates-General and the number of staff should be reviewed** to ensure the coherence of priority policies and the effective implementation of legislation. A similar adjustment needs to be carried out in the European Parliament regarding the division of competences between committees and the rules governing the functioning of the Parliament. **European decision-making mechanisms** will also need to be revised to avoid paralysis, particularly in the governance of agencies and regulatory committees.

Similarly, a large number of **policies will have to be adapted** to speed up the roll-out of the EU's new priorities (R&D, twin transition and defence in particular) while at the same time completing the enlargement of the EU. This review of European public policies must also be reflected in the European budget structure to finance the new priorities without excessively increasing the level of European expenditure.

8. Let’s produce consistent and effective regulation and aid mechanisms

To ensure more responsive legislation, we need to recognise a general right to innovate, by broadening the use of and making more flexible the legal framework for "**regulatory sandboxes**".

The major legislative projects of the previous mandate revealed a growing need to **rationalise and measure the economic impact** when **preparing** and **adopting legislative texts**. Upstream, greater coherence between the approaches promoted by the various Commission directorates must be sought, including by increasing the role of the Secretariat General. Furthermore, legislative proposals should not be adopted without first checking their impact on competitiveness (*competitiveness check*). During the legislative procedure, and in particular, at the trilogue stage, the services of the three institutions must also **assess the impact** of amended texts and, in particular, the consistency of texts in a same package.

Irrespective of the volume of aid that the EU or Member States grant to their companies, application and approval procedures (calls for projects, auctions) need to be **simplified to make** them **more agile** in the face of international competition.

About AFEP

Founded in 1982, AFEP brings together 117 of the largest French companies, which represent 15% of France's commercial GDP, employ 13% of the private sector workforce, and account for 20% of the mandatory corporate contributions in France.

Its mission is to contribute to the creation of an environment conducive to the development of economic activity and to make the voice of large French companies heard by policymakers in Paris and Brussels.

AFEP member companies employ 8.5 million people and are key players in the French, European, and global economies across all sectors of activity. They are fully committed to the green and digital transition, innovation, and the pursuit of better governance.

French Association of Large Companies

11 avenue Delcassé, 75008 Paris, France
+33(0)1 43 59 65 35

23 rue de la Science, 1040 Brussels, Belgium
+32(0)2 219 90 20

contact@afep.com

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