EU Slipping on Economic Competitiveness, Employers Say

by and Rebecca Christie,

(Bloomberg) -- The European Union is being outpaced by the rest of the world on business conditions, a trend that hampers the economic recovery and limits future growth, according to a study from employers’ federation BusinessEurope.

“We need to significantly raise our game in order to make sure in 10, 15 years we will still have the place we want,” Markus Beyrer, the group’s director general, told reporters in Brussels on Monday.

EU energy prices are twice as high as in the U.S., it’s harder to start new companies, and the EU is the only major economy where investment in broadband infrastructure has declined, according to the BusinessEurope’s 2015 Reform Barometer report, to be released Wednesday. Meanwhile, the EU’s share of foreign direct investment flows fell to 17 percent in 2013 from more than 40 percent in 2000, according to the report.

“We further fall behind our major competitors,” Beyrer said. “In the race to attract global investment, we more than halved our share.”

EU economic output remains below its pre-crisis peak, while the financial and sovereign debt crisis continues to take a toll. Beyrer said the EU needs to keep its 19-nation currency bloc intact as part of efforts to create a stable environment for business.

“We think it would not be a good option to have Greece leave the euro zone,” Beyrer said. “It’s very important to do everything constructive to go forward together.”
More Progress

Some countries are making more progress than others on trying to improve the climate for doing business, according to the report. Employers in Italy cited good progress on starting efforts to improve its budget outlook, clean up its banks and shift the tax burden. In contrast, Sweden and Finland appear to be stepping back from making needed changes, the report showed.

EU energy policy has the potential to make a big difference, especially in areas like security of supply, Beyrer said. The EU won’t be able to do without Russian gas in the near term and needs more efforts on other sources, he said.

BusinessEurope is calling for an energy chapter in the proposed Trans-Atlantic Trade and Investment Partnership with the U.S., and also supports improved interconnections between France and Spain so that Portugal can play a bigger role in liquified natural gas, or LNG.

“We need to come to a stable situation with Russia, and at the same time we would like to diversify,” Beyrer said.

Overall on energy, “we have much higher political costs in Europe,” Beyrer said, citing renewable-energy policies that cause “market distortion” and environmental efforts that are out of sync with global standards. If the rest of the world doesn’t sign on to the EU’s ambitions for reducing emissions targets, he said it may be time for Europe to “discuss our level of ambition” to avoid economic damage.

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