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“Our European Union is not in a good state. There is not enough Europe in this Union. And there is not enough Union in this Union.” While this assessment by Commission President Jean-Claude Juncker may be sobering, it nevertheless clearly points the way forward: national governments, the European Parliament and the European Commission – they all need to work together to come to grips with the greatest challenges facing our continent. Security, migration, growth, jobs, climate change, scarcity of resources: policy-makers will not be able to manage these tasks on their own. They need a strong, globally competitive economy which creates jobs, offers immigrants prospects on the labour market, helps to shape climate change, makes efficient use of resources and leads the world with its innovations. Without a strong economy, there cannot be a strong Europe.

President Jean-Claude Juncker has oriented the European Commission around ten growth-relevant policy priorities to set Europe firmly on course for the future. Commission, Parliament and Council have agreed a work programme on this basis. We do not agree with each and every proposal but the direction is right. With its fact sheets, German business takes a stance on the main competition-relevant initiatives and sets out in compact form its own ideas for a growth-friendly EU policy.

Energy, Climate and Environment policy need to tie in more closely with an EU-wide strengthening of the industrial base. The EU must take decisive steps towards a fully connected Digital Single Market. The Commission should drive the negotiations on a comprehensive Transatlantic Trade and Investment Partnership (TTIP) forward with energy. The route of integration and structural renovation in the Eurozone already embarked on must be pursued. This is also a question of social provision, which depends on economic prosperity, investments and global competitiveness – so that new jobs are created and people, in particular the young generation, have durable employment prospects.

For us, European integration is not a “project” – it is an absolute necessity for Europe to help shape the future as a world region alongside the USA and China on an equal footing. To that end, we need a European Union that integrates, renews and helps to shape tomorrow’s world.

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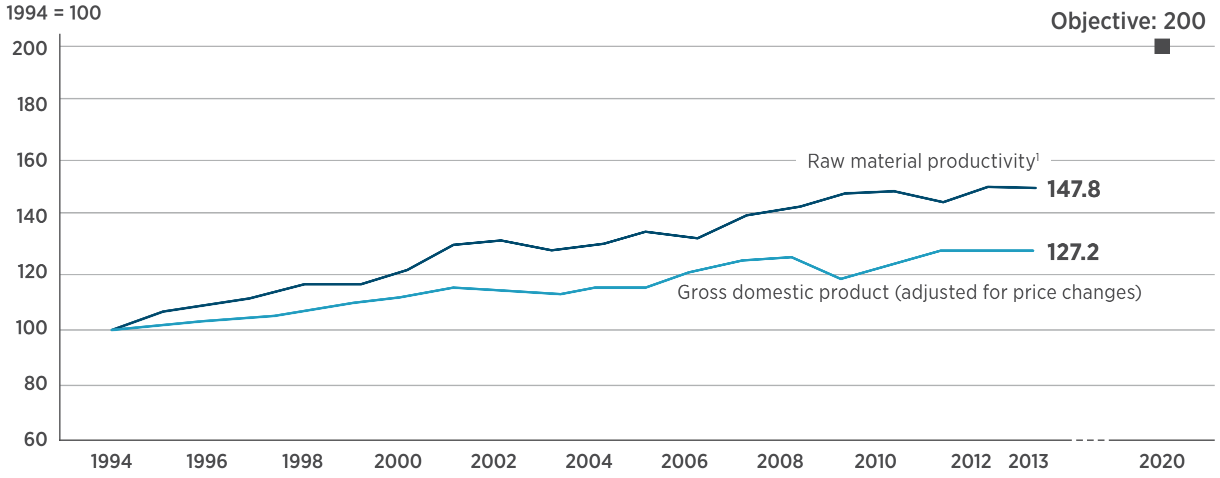
Package on the circular economy

WHAT IS AT STAKE?

The European Commission has presented a package of measures with which it seeks to strengthen the concept of the circular economy. Alongside prevention and better recovery of waste, raw materials should be used more efficiently, recycling of products improved and the marketing of secondary raw materials increased. To this end, the European Commission has announced a series of initiatives.

A functioning circular economy contributes to the long-term availability of raw materials and hence to industrial value creation. Waste recovery, resource efficiency and the use of raw materials from primary and further sources must be better linked.

INCREASE IN RAW MATERIALS EFFICIENCY IN GERMANY



Raw materials productivity (direct material input/GDP) in Germany increased by more than 47 % between 1994 and 2013. This can be attributed to a large extent to the commitment of companies. The Federal Government aspires to a 100 % improvement by 2020. The EU plans for the circular economy can make an important contribution to this.

[1] abiotic

Source: Federal Statistical Office, 2014

PRIORITIES OF GERMAN BUSINESS

German industry supports the circular economy. It can contribute to a sustainable and secure supply of raw materials through a lifecycle assessment. Industrial companies themselves have optimised raw materials use in many areas. A good **circular economy policy** calls for a measured approach so that industry remains globally competitive and can drive resource efficiency and environmental protection forward through its products.

Industry champions safe, affordable, efficient and high quality waste management. When **European waste legislation** is reviewed, it is necessary to give priority to **uniform implementation and application of existing law** in EU Member States.

For the development of circular economy, the following aspects are important:

- **Environmental protection** through use of the best available technologies and infrastructures
- **Cost efficiency** through modern and affordable standards
- **Security of supply** through use of locally available raw materials as well as materials and energy recovery from waste
- **New business fields** through promotion of innovation and appropriate framework conditions
- **Reliable and uniform framework conditions** through implementation and consistent enforcement of environmental legislation in all EU Member States

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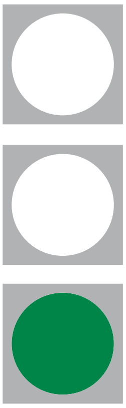
Digital Single Market

WHAT IS AT STAKE?

The European Digital Single Market must be driven forward with ambition. In particular, digital business models depend on a large market due to network effects. With more than 500 million inhabitants, Europe reaches a market size which can more than keep up with Asia and the U.S.

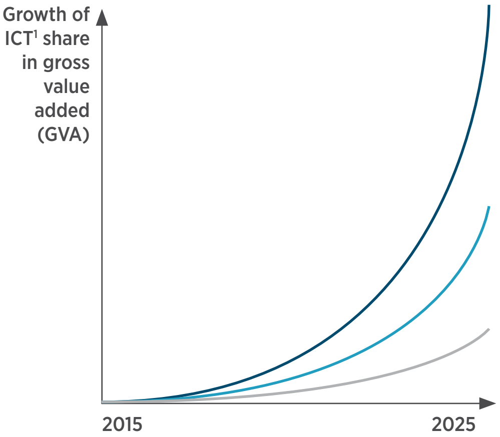
A functioning Digital Single Market can lead to additional gross value creation of € 1.25 trillion for European industry over the next ten years.



A fully connected Digital Single Market is a precondition for making optimal use of the potential of digital innovations in the EU.

INDUSTRY 4.0 OFFERS ENORMOUS GROWTH OPPORTUNITIES

European industry's value creation and effect of digitisation waves



1ST WAVE: € 412 BILLION GVA[2]	• Automotive industry • Logistics	▶ **Disruptive to high impacts on entire industry**
2ND WAVE: € 429 BILLION GVA[2]	• Mechanical engineering • Electrical engineering • Medical technology • Energy technology	▶ **High to medium impacts on individual segments**
3RD WAVE: € 159 BILLION GVA[2]	• Chemicals • Aeronautics and space technology	▶ **Evolutionary to small impacts (likely)**

[1] Information and communications technology

[2] Annual actual gross value added (2013) in EU-15 countries plus Norway and Turkey

Europe's core sectors will be caught up one after the other in three digitisation waves. The first wave will affect the areas of automotive industry and logistics. The growth potential here is expected to be strongest until 2025. This sector alone generates gross added value of € 412 billion a year. For the development of Industry 4.0 solutions in particular SMEs need guidance through flagship projects and centres of excellence.

Source: Roland Berger, 2015

PRIORITIES OF GERMAN BUSINESS

Europe needs a **strong Digital Single Market**, from which particularly digital business models can benefit. Policy-makers must now set the course for a digital industrial strategy for Europe.

Modern broadband networks are the basis for innovative digital services. Rollout across the continent must be driven forward with ambition. The regulatory framework must give investment incentives. The European Commission's investment plan can provide important support in this regard.

Trust in data protection and IT security is essential for the success of connected business models. A high level of **IT security** and constant further development of **data protection legislation** are therefore crucial. This is also confirmed by the report commissioned by BDI from Noerr LLP on legislative challenges in the digitalised economy.

International norms and global standards should be driven forward. For a seamless information flow in an "Internet of everything", interoperability and integration of technologies are central.

With the digitisation of the economy, a new flexible **working world** will also emerge. Education, vocational and job-related training will have to adjust to changed requirements and in particular promote IT skills.

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Energy Union

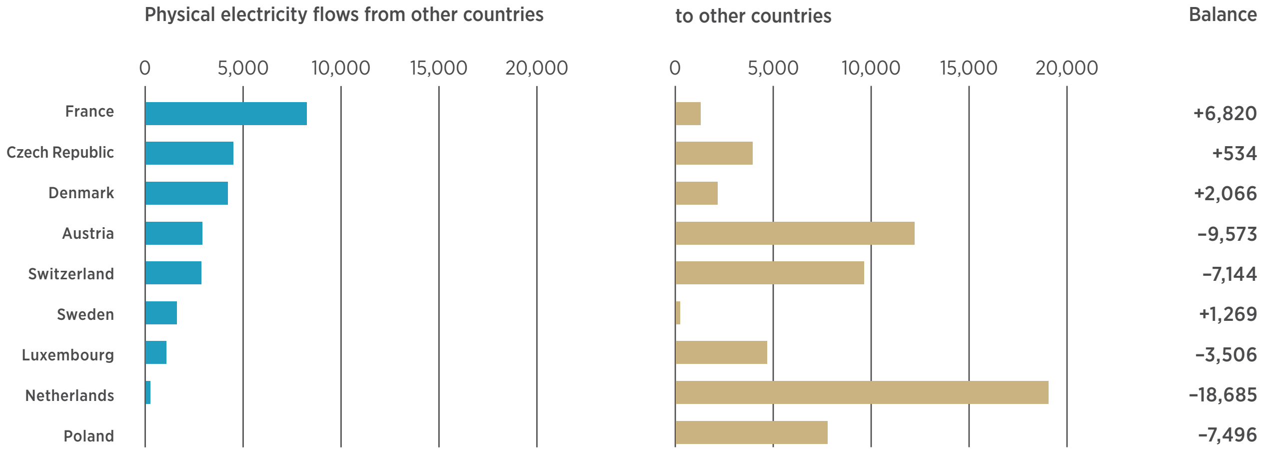
WHAT IS AT STAKE?

The European Parliament estimates that completion of the Energy Single Market could deliver € 50 billion a year in efficiency gains.

An Energy Union with a new electricity market design is of decisive importance for completing the Energy Single Market and ensuring security of supply across the EU.

GERMANY IS NOT AN ISLAND GEOGRAPHICALLY, NOR IS IT ONE ELECTRICALLY

Electricity exchanges with neighbouring countries, 1st to 3rd quarter 2015 (electricity volumes in millions of kilowatt hours)



Electricity imports and exports flowing into and out of Germany every year on their own show how strongly the German energy landscape is interwoven with European neighbours. Hence, many energy policy issues must be understood as European tasks and should also be addressed at that level.

Source: BDEW, 2015

PRIORITIES OF GERMAN BUSINESS

The **Energy Union** is not an end in itself. It must give responses to high energy costs in Europe and the current concerns about security of supply. We can best come to grips with this together, not with state-operated purchasing consortia but rather with deeper integration of energy markets. In concrete terms, we can implement the Energy Union initially with cooperative arrangements on regional, cross-border markets which eventually merge into a European electricity market.

Completion of the Energy Single Market with implementation of the Third Energy Single Market Package and development of corresponding infrastructures should constitute an absolute priority. Existing electricity capacities should be used to contribute to security of supply. National or regional **"energy self-sufficiency"** is inefficient and counterproductive for the security of supply. German industry calls for cautious solutions integrated at European level; no overhasty introduction of a capacity market.

Energy costs should not be burdened with **taxes** which are destined to finance other policy measures. Rather, the gap in energy costs as compared with other economic regions should once more be closed through a reduction in the taxes and charges levied on energy so that Europe can preserve its industrial competitiveness.

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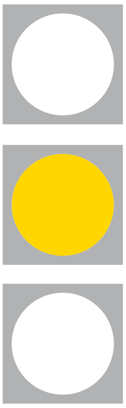
Reform of the European Emissions Trading System (EU ETS)

WHAT IS AT STAKE?

Reform of EU ETS must give balanced consideration to climate, industrial and employment policy aspects. For cost-efficient climate protection, companies need fair framework conditions and long-term planning certainty. Growth must not be punished. On the contrary, the EU wants to increase the share of industry in GDP back to the level of 20 % with its “Mission Growth”. For this, companies which are exposed to international competition must be effectively and durably protected against carbon leakage.

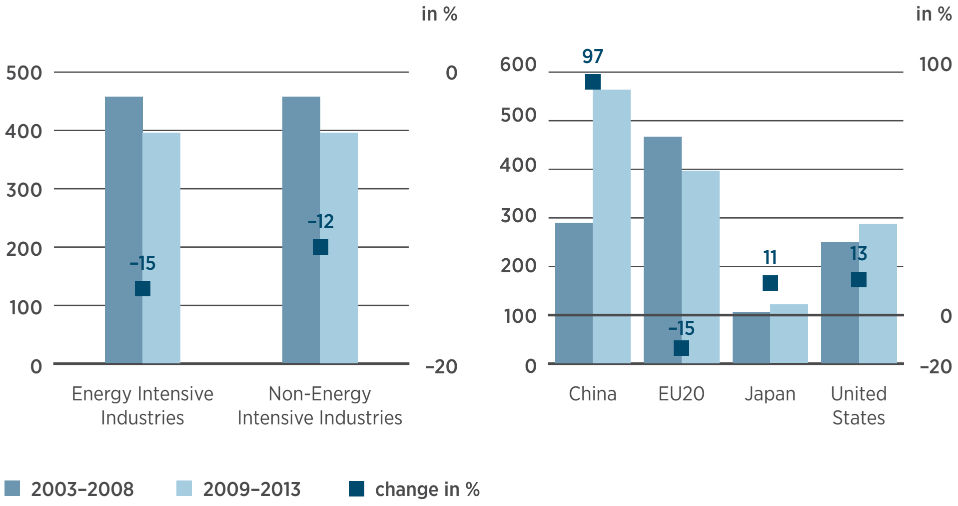


We need an economically convincing reform of the European Emissions Trading System for the 4th trading period (2021–2030). It is already clear that the system will be tightened up, which will lead to greater burdens on companies.

ENERGY-INTENSIVE COMPANIES ARE PROGRESSIVELY EMIGRATING: GROWING EVIDENCE OF INVESTMENT LEAKAGE

Comparison of average investments in energy-intensive and non-energy-intensive sectors in Europe, in € billion

International comparison of average annual investments in energy-intensive sectors, in € billion



Source: European Commission, Competitiveness Report, IHS, 2014

Since 2000 a yawning gap of around € 20 billion in negative capital investments has developed in energy-intensive sectors.

Recent studies confirm that energy-intensive industries are increasing their foreign direct investments while allowing the capital stock at home to shrink.

In Germany we are seeing that depreciation is being replaced by investments at the rate of just 87 %.

PRIORITIES OF GERMAN BUSINESS

The ETS reform must reliably preserve the **competitiveness** of European industries and once more make Europe more attractive for investments. Separate national burdens on ETS-covered companies are unquestionably counterproductive.

It is necessary to **increase the industry cap** (emission ceiling) if there is to be any chance at all of achieving the EU Mission Growth.

Benchmarks must be **technologically feasible**. A flat-rate reduction in the benchmarks should be rejected since the corresponding efficiency improvements are not possible across the board. The carbon price increases that can be expected will also drive electricity prices higher, hence there must continue to be **effective electricity price compensation** for our industries.

The most **CO_2-efficient installations** must not have to bear **any additional** and unilateral ETS-related **burdens**. More effective carbon and job leakage protection is absolutely essential also after 2020 as long as competitors are not exposed to comparable burdens.

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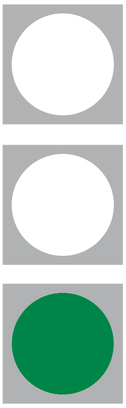
Completion of the Single Market for citizens, consumers and companies

WHAT IS AT STAKE?

The European Single Market is one of the most important elements of the European Union. However, its completion is still hampered by inconsistent design as well as inadequate transposition in the Member States.

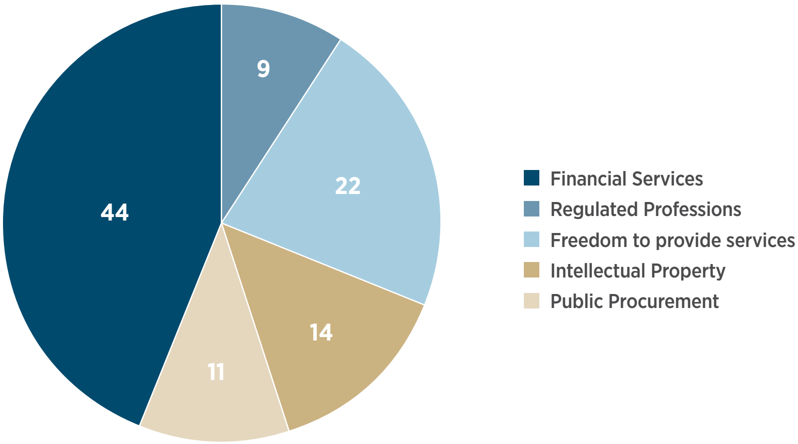
Efficiency gains of € 235 billion a year could be achieved through completion of the Single Market.



The Single Market is an indispensable core component of the EU to the benefit of EU citizens, consumers and companies which particularly deserves to be promoted.

INADEQUATE TRANSPOSITION AND ENFORCEMENT OF THE EU SINGLE MARKET REDUCE ITS POTENTIAL

162 pending Treaty infringement proceedings in the EU in the Single Market area in 2014, in %



The European Single Market is the largest market in the world. More than 162 Treaty infringement proceedings were pending in 2014 in the area of Single Market alone. Inadequate transposition of Single Market provisions reduces its potential.

Source: European Commission, 2015

PRIORITIES OF GERMAN BUSINESS

A further **deepening** of the **Single Market** must be actively driven forward through stringent transposition, correct application and effective enforcement of Single Market provisions. In this regard, better use must be made of the opportunities of digitalisation, highly innovative companies of all sizes must be promoted and freedom to provide services as an important component of industrial value creation must be exploited more extensively.

A **certain legislative framework** for transfer of a company's seat is just as overdue as a better functioning administration and less red tape for companies which are active across borders. The Commission must also focus more closely on **the particular features of family businesses**. The possibilities of special rules for **social and labour market** services must be used in an appropriate way. The effectiveness of the **Single Market for Public Procurement**, which is in the fundamental interest of citizens and taxpayers, must not be frustrated through procurement being overburdened by requirements related to unconnected secondary objectives. Attempts to circumvent Single Market and tender award rules – e.g. illegal awards without a tender procedure and demands for a quid pro quo in return for a tender award – must be firmly combated.

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Labour Mobility Package – revision of the posting of workers directive

WHAT IS AT STAKE?

The European Commission plans several legislative measures in the field of labour mobility. Among other things, the posting of workers directive (96/71/EC) is set to be partially reviewed. In particular, it is planned to introduce a fundamental principle whereby the same pay is applicable for the same work at the same location.

German business takes an extremely critical stance on a revision of the posting of workers directive. The planned fundamental principle encroaches deeply into the negotiating autonomy of the social partners. This restricts the freedom to provide services and is also not covered by the EU's regulatory competence.

NUMBER OF POSTINGS TO GERMANY FROM EU MEMBER STATES, EEA STATES AND SWITZERLAND IN 2010–2014

- There are a large number of postings to Germany from a wide range of countries.
- According to the European Commission, in 2013 more workers came to Germany than German workers were posted to other European countries.

The fundamental principle whereby the same pay is applicable for the same work at the same location creates serious new obstacles to the freedom to provide services. A minimum degree of protection is no longer the objective but rather a completely unqualified equality between workers who are themselves often remunerated at very different levels. For the largest number of postings, this would generate massive legal uncertainties. In other words, the fundamental principle is completely unworkable in practice.

Source: German Federal Government's response to a Minor Interpellation by Bündnis 90/DIE GRÜNEN, BT-Drs. 18/3520, of 12.12.2014; PACOLET, J. and DE WISPELAERE, F., Posting of workers: Report on A1 portable documents issued in 2012 and 2013, Network Statistics FMSSFE, European Commission, December 2014

PRIORITIES OF GERMAN BUSINESS

Problems with cross-border posting are not to be found in the existing legislative framework but in the sometimes deficient **enforcement of existing rules**.

Thus, "deficiencies" in the posting of workers cannot be ascribed to substantive deficits in the posting of workers directive. To promote this instrument's better practical transposition, application and enforcement, the **Posted Workers Enforcement Directive** (2014/67/EU) was adopted in May 2014. The **transposition deadline is still ongoing** and expires on 18 June 2016.

A **revision initiative** at the present point in time will undermine transposition of the enforcement directive and create new **legal uncertainty**.

The **introduction of a fundamental principle** whereby the same pay is applicable for the same work at the same location runs **counter** to the freedom of employers and workers to **agree working conditions autonomously** within the legislative framework. Such a principle would also encroach **disproportionately** into the tried and tested German bargaining system which is mostly characterised by universally applicable regional pay agreements in the various sectors.

Similarly, the **freedom to provide services** would be restricted. Moreover, the EU **lacks** the **competence** to introduce this fundamental principle (article 153 paragraph 5 TFEU).

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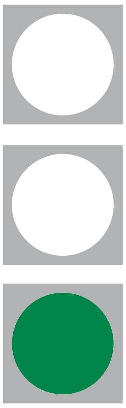
Labour Mobility Package – revision of regulation 883/2004

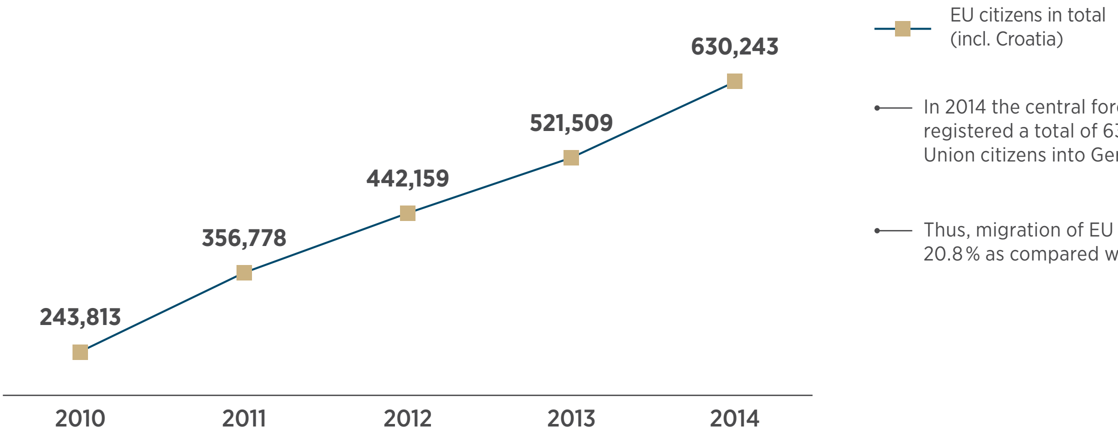
WHAT IS AT STAKE?

The European Commission plans several legislative measures in the field of labour market mobility. Among other things, regulation 883/2004 is set to be reviewed. This instrument deals with coordination of social security systems.



German business takes a broadly positive stance on a revision of regulation 883/2004. Better coordination of social security systems will promote worker mobility in Europe and remove unintended incentives which result in migration based on social security shopping. This will prevent abuse of social benefits and further strengthen acceptance of free movement of labour within the population.

NUMBER OF EU CITIZENS IMMIGRATING INTO GERMANY EACH YEAR SINCE 2010



- In 2014 the central foreigner register registered a total of 630,243 movements of Union citizens into Germany.
- Thus, migration of EU citizens increased by 20.8 % as compared with the previous year.

This means that the highest level yet was reached in 2014. At least a similarly high number of inward movements can be expected for 2015. This is associated with subsequent problems such as how to calculate the level of child allowance or of unemployment benefits.

Source: BAMF, Freizügigkeitsmonitoring 2014

PRIORITIES OF GERMAN BUSINESS

It should be examined whether the level of **child benefit** to be paid by a Member State can be aligned in the cost of living in the child's **country of residence** and reduced where appropriate. The only things that should be taken into consideration are real additional costs and/or a child's higher degree of need.

To calculate **unemployment benefits**, account should be taken not of the last pay earned in the country of the last employment, very briefly under certain circumstances, but also on the worker's earlier pay history in other countries. In this regard, the same reference period should apply as for the local workers. It should be possible not only to shorten but also to extend the four-week period before these benefits can be exported. As is currently the case, benefits should be exportable for a maximum of three months. It must continue to be ensured that a Member State's labour administration can verify after three months whether an immigrant EU citizen still has better chances of finding a job than in his or her own country.

Regarding the 24-month **maximum period for postings**, more flexibility and an extension of this period. Specifically for the posting of highly skilled workers who because of their expertise cannot be substituted by other persons, a longer posting period than 24 months is often necessary.

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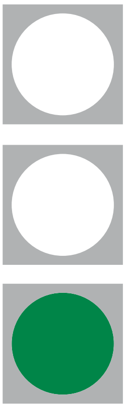
Capital Markets Union

WHAT IS AT STAKE?

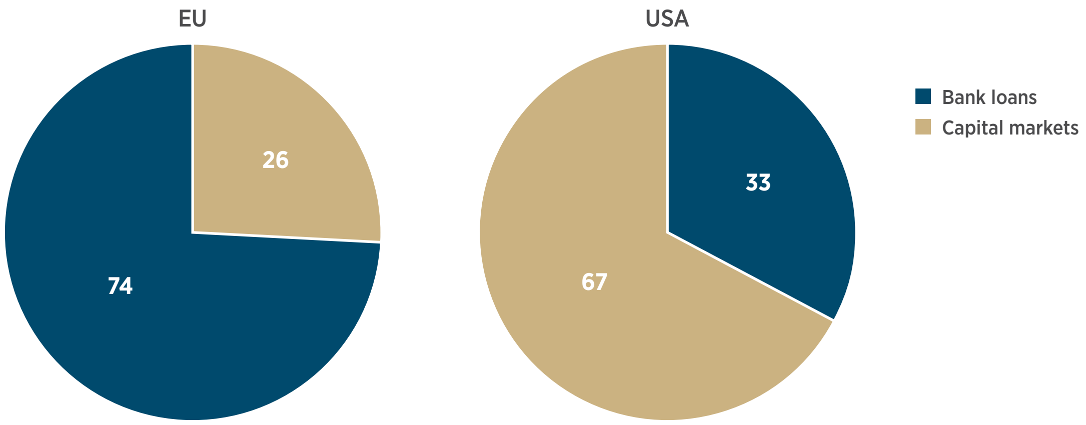
An effective Capital Markets Union reduces the fragmentation of financial markets and at the same time improves their efficiency and stability. A revival of the securitisation market alone would generate € 100 billion of additional financing resources for the real economy.



The Capital Markets Union can release a considerable impetus for corporate financing, growth and job creation.

FINANCING STRUCTURE IN THE EU PRIMARILY BANK-BASED

Structure of external financing of companies in the EU and the USA, in %



Financing via the capital markets plays a much smaller role in the EU than in the USA. Hence, capital market instruments could add to companies' sources of finance in many Member States, complementing tried and tested bank loans.

Source: Deutsche Bank Research, 2015

PRIORITIES OF GERMAN BUSINESS

The Capital Markets Union will only be a success if it is not frustrated by excessive financial market regulation. **Inconsistencies** between various regulatory requirements lead to high hurdles for corporate financing.

Well regulated **securitisation markets** open up new routes into corporate financing. To strengthen markets for high quality securitisations, capital adequacy requirements for banks and insurance companies should therefore be reduced.

Uniform standards for market practices and documentation obligations could make private placings in the EU more attractive. To dismantle regulatory hurdles and costs for raising capital, publication requirements should be streamlined.

Europe needs more **risk capital**, inter alia in order to master the transformation to a digital economy. To this end, the tax and regulatory environment must be adapted.

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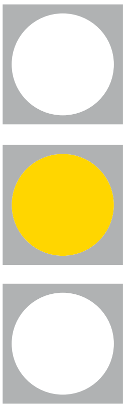
BDA BDI

Common Consolidated Corporate Tax Base (CCCTB)

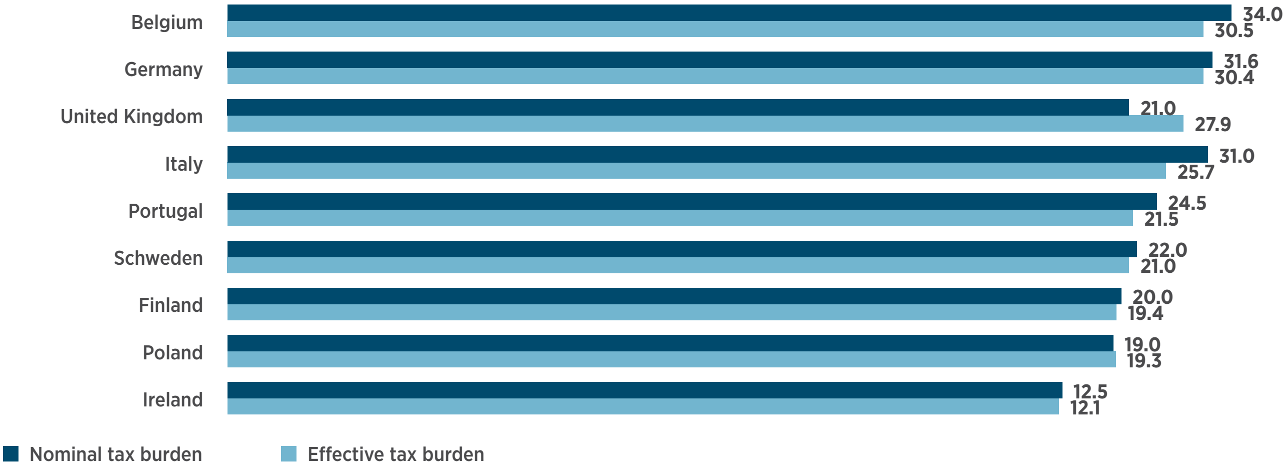
WHAT IS AT STAKE?

With its amended CCCTB proposal presented in June 2015, the European Commission wants to harmonise taxation in the single market and at the same time limit tax optimisation constructions. This would make the framework conditions for corporate taxation uniform across Europe without preventing tax competition between locations via tax rates.



CCCTB should aim to eliminate tax obstacles in the single market. The European Commission's current approach largely fails to achieve this aim: abandoning two former core elements – voluntary application and a possibility to consolidate cross-border profits and losses – does not improve the framework for cross-border business activity in the single market.

TAX DISCREPANCIES: A COMPARISON OF NOMINAL AND EFFECTIVE TAX RATES IN SELECTED EU COUNTRIES, IN %



CCCTB harmonises the tax base. As a result, it would in future no longer be possible to reduce the effective tax paid where rates are high through generous arrangements for calculating profit (example: Italy) and to increase the effective tax burden where tax rates are low through strict rules on calculating profit (example: United Kingdom). The relation of nominal and effective tax rates would be the same in all EU countries.

Source: Bundesverband der Deutschen Industrie (BDI), 2014

PRIORITIES OF GERMAN BUSINESS

The conditions set by the tax system for companies in the EU must be competitive at a global level. This is a central precondition for the creation of jobs, continuous growth and prosperity for EU citizens.

This presupposes a **level playing field with third countries** such as the USA, hence the need to coordinate the European initiative for fair corporate taxation closely with the OECD/G20 level and not to go beyond the decisions taken there.

German business supports **fair tax competition in the EU**. But this means that national tax laws with a cross-border impact must not lead to **double taxation**.

CCCTB can help to counter this. But it must not lead to an increase in the tax burden for European companies. Accordingly, companies need the right to choose whether they want to apply this provision.

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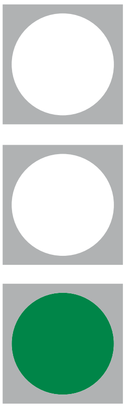
Value-Added Tax Action Plan and measures against tax evasion

WHAT IS AT STAKE?

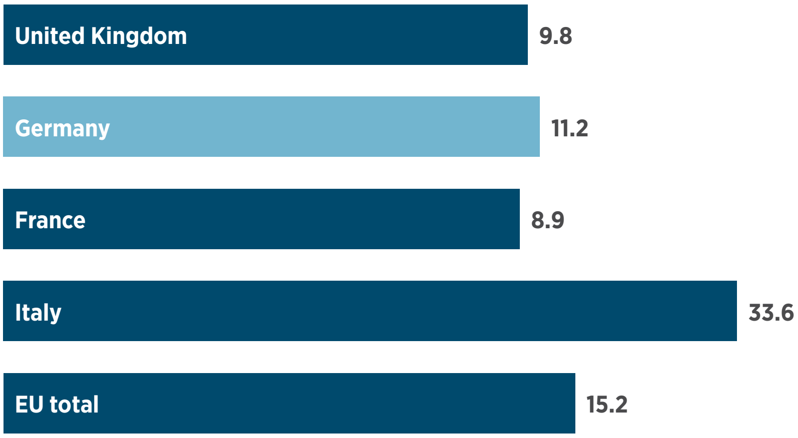
Collection of value-added tax (VAT) for the EU has exhibited a significant VAT gap for many years. It amounted to € 162 billion for 2013. The European Commission deduces from this that there is a need to reform the VAT system and to take measures against tax evasion and tax fraud.



Harmonisation of the provisions for a better and more efficient cross-border taxation system and creation of a destination-based EU VAT system are important.

VAT SHORTFALLS IN THE EU IN 2013 (ESTIMATE)

Revenue loss as a percentage of total VAT tax debt



VAT gap:
difference between amounts anticipated and actually collected

Reasons:
alongside insolvencies, statistical errors and late payments, also fraud and legal tax avoidance

Solution:
modernisation of the administration, simplification of the system, reform of the EU VAT system and measures against tax evasion

Source: European Commission-Study to quantify and analyse the VAT gap in the 26 EU Member States, 2015

PRIORITIES OF GERMAN BUSINESS

A **harmonised, destination-based EU VAT system** to reduce the current risks and costs of prosecuting companies must be created.

Measures against tax evasion must be harmonised and coordinated with international initiatives in order to avoid trends in tax policy pulling in different directions.

Objectives of the **OECD action plan on BEPS (Base Erosion and Profit Shifting)** should be intermeshed with tax policy objectives and harmonisation efforts at EU level. This also applies for the issue of exchange of information between national financial administrations.

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Common Security and Defence Policy

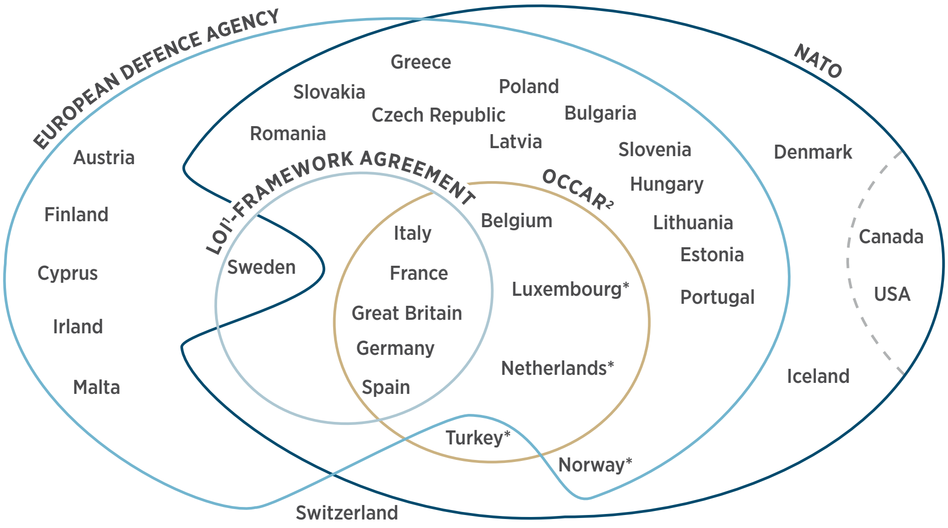
WHAT IS AT STAKE?

Better use of resources: the European Parliament estimates that political progress in the areas of the Common Security and Defence Policy – visibility, capacities and industry – enable efficiency gains at a level of at least € 26 billion a year.

The European Defence Action Plan announced in the European Commission's work programme for 2016 is an important step towards the urgently needed development of the Common Security and Defence Policy.

COMMON SECURITY AND DEFENCE POLICY HAS GREAT POTENTIAL FOR EFFICIENCY GAINS

Current cooperations at European level



- Cooperative programmes at European level are diverse and often uncoordinated.
- A Common Security and Defence Policy leads to significant efficiency increases in procurement and operations, and hence strengthens security provision and the competitiveness of European companies.

[1] Letter of Intent

[2] Organisation of Joint Armament Cooperation (OCCAR)

* involved at programme level

Source: ETH Zürich, 2008

PRIORITIES OF GERMAN BUSINESS

To deploy the scarce financial resources available efficiently and to achieve economies of scale, a new approach based on a **harmonisation of demand and new forms of cooperation is mandatory**.

Correct implementation and enforcement of the **Defence Package** directives (2009/81/EC und 2009/43/EC) must be ensured by the European Commission.

The themes of **interoperability** and **standardisation** are of enormous economic importance with respect to efficiency gains.

Within Europe, **certification** and **qualification procedures** should be coordinated in such a way that the organisational and financial effort involved in national procedures is significantly reduced.

Research and development is fundamental for the sector's future prospects and must be developed at European level.

A legislative framework which guarantees **security of supply** must be developed and put in place. The model must be the agreement between the six "LoI" States.

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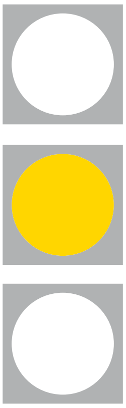
EU Aviation Package

WHAT IS AT STAKE?

The European aviation sector faces great challenges as a result of international competition.

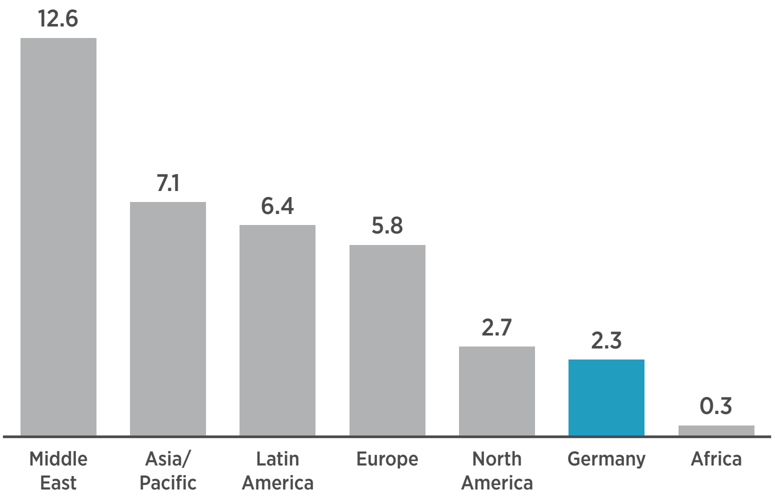
European and German airlines are falling behind through distortions of competition as well as unilateral European and national measures.



A strengthening of competition must be the top priority of the EU aviation package.

EUROPE AND GERMANY ARE FALLING BEHIND IN INTERNATIONAL COMPETITION

Growth of airlines in passenger kilometres, a comparison based on 2014 figures, in %



Worldwide air transport will grow at around 5 % a year over the longer term, but above all in other regions of the world such as Asia or the Middle East. Airlines and airports here have been reporting double-digit growth rates for years. Europe is now in terms of growth in air transport left behind.

Source: IATA, BDL, 2014

PRIORITIES OF GERMAN BUSINESS

To **strengthen competitiveness**, the European Commission must finally take decisive action. State intervention in the air transport market – be it through taxes and levies or restrictions on operations – must be verified in advance for competition-distorting consequences and withdrawn as and when necessary.

European and national **unilateral measures** should be **avoided**. With the scrapping of the German air transport tax as a competitive disadvantage, airlines could invest around a billion euro (2014: € 1.041 billion, 2013: € 978 million) in R&D in aviation.

BDI champions an aviation agreement which is structured in such a way that it opens up **fair market opportunities** for German airlines and airports.

In the case of bilateral aviation agreements, rules on illegal state aid and mechanisms for their enforcement and dispute settlement should be put in place with a view to fair competition. The **European Commission** must flank this **more strongly**.

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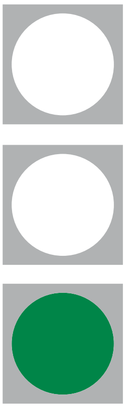
Five Presidents’ Report on the completion of European Economic and Monetary Union

WHAT IS AT STAKE?

European Economic and Monetary Union (EMU) has insufficient mechanisms for stabilising the economic development of the Member States.

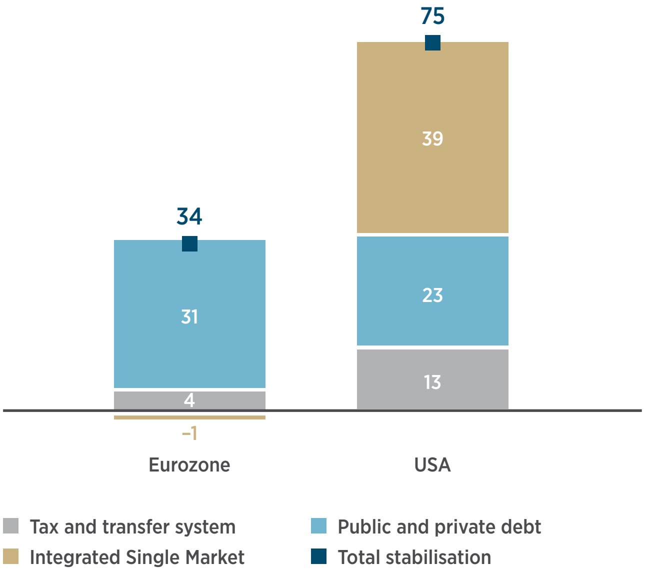
The European Parliament estimates that non-integrated capital markets and negative fiscal policy contagion effects cost the overall economy € 28 billion a year.



Economic and fiscal policy coordination within the EMU must be further deepened and rendered more binding.

FURTHER INTEGRATION AND STRENGTHENING OF THE SINGLE MARKET IS NECESSARY

Extent of stabilisation of a national economic downturn via various channels, in %



- Only 34 % of a national economic downturn is cushioned in the Eurozone. In the USA, the comparable figure is 75 %. Hence, the contagion effects in the Eurozone are considerable.
- Stabilisation through the mobility of labour and capital functions in EMU far less well than in the USA. A deepening and better integration of the Single Market is urgently necessary.

Source: IMF, 2013

PRIORITIES OF GERMAN BUSINESS

Integration in the Eurozone should be markedly deepened in areas which strengthen the **EMU stability** and **competitiveness. Structural reforms** on labour and capital markets are in first position on the list of priorities. Simultaneously, they help the Member States to converge.

Consolidation of national budgets is indispensable to restore the ability of the Member States to manoeuvre. The **European Semester** must be applied determinedly and the country-specific recommendations must be implemented consistently. Macroeconomic imbalances should be addressed with determination.

Strengthening the Single Market and above all **deepening labour and capital markets** are central to increase the European Union’s crisis resistance. The Capital Markets Union and Energy Union as well as the Digital Single Market are steps in the right direction.

In the long term, EMU needs stronger **fiscal integration** which follows clear rules and does not reduce incentives for structural reforms.

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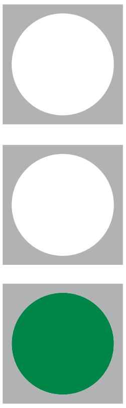
Transatlantic Trade and Investment Partnership (TTIP)

WHAT IS AT STAKE?

The conclusion of the TTIP negotiations has a high priority for German business. TTIP will provide a stimulus for growth and jobs across the entire EU. With ambitious rules for trade, investments and sustainability, TTIP can be an agenda setter for the next phase of globalisation.



The conclusion of comprehensive TTIP negotiations must continue to be a central EU priority. To this end, the political commitment must now be increased and the negotiations must be intensified. If TTIP were to fail, the EU's ability to shape the rules of globalisation would suffer massively.

TTIP BRINGS CONCRETE CHANCES FOR EUROPE

- The EU is the second largest export market for the U.S. (2014).
- Half of the U.S. stock of foreign direct investment is in the EU (2013).

The transatlantic market accounts for **approximately 47 % of global GDP**.

- The U.S. is the EU's largest export market (2014).
- Approximately one third of the EU's stock of foreign direct investment is in the USA (2012).

The U.S. is the most important export market for the EU and for Germany. Access to the U.S. market is essential for the competitiveness of the European economy. Due to intensive trade flows, the dismantling of minor trade barriers can already lead to considerable effects. Given the size of the transatlantic market, TTIP could furthermore provide an impetus for world trade generally. This would underpin European interests in world trade.

Source: European Commission, Federal Statistical Office, Eurostat, OECD, 2014

PRIORITIES OF GERMAN BUSINESS

Negotiate with ambition
A strong TTIP covers the dismantling of customs duties, access to U.S. procurement markets, intensive regulatory cooperation and a modern investment protection regime. In particular, industrial SME will have considerably better access to the U.S. market through such an agreement.

Provide fact-based information, increase trust
Public trust in TTIP has unfortunately been shaken through one-sided and sometimes false statements. German business wants to provide fact-based information about TTIP, to continue the dialogue with citizens and in this way increase trust in free trade and globalisation.

Help shape globalisation
The development of trade rules in TTIP will also strengthen the world trade system. This includes an ambitious sustainability chapter as well as clear rules for competition and the protection of intellectual property. In addition, TTIP should be designed in such a way that third countries can also benefit from the trade-creating effects of the agreement.

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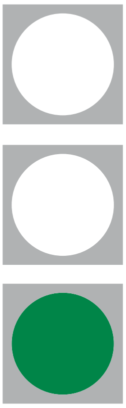
European Agenda for Migration

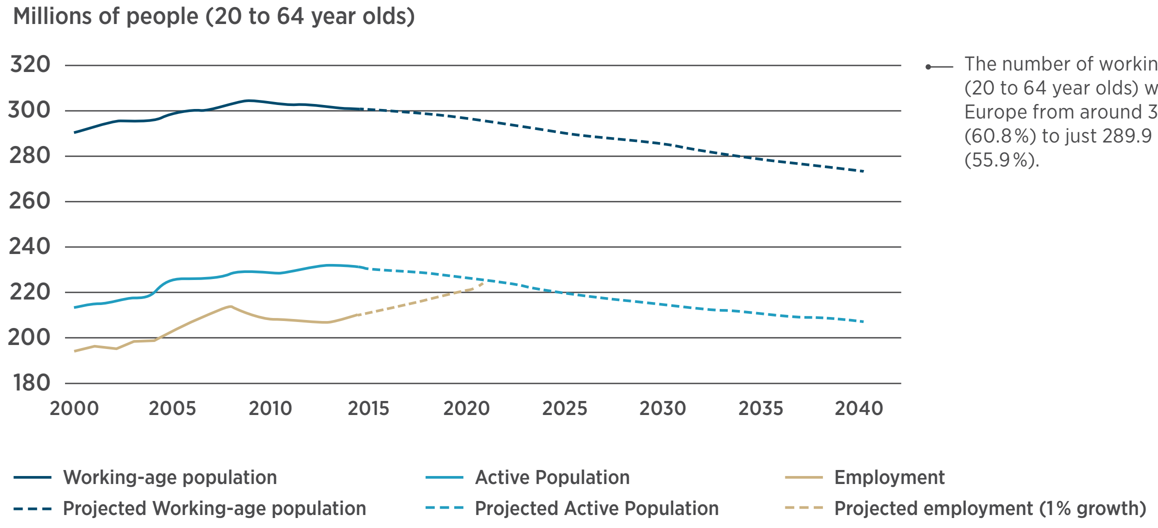
WHAT IS AT STAKE?

The European Commission presented its European Agenda for Migration on 13 May 2015. Its four pillars relate to curtailing irregular migration, better EU external border management, full application of the Common European Asylum System and development of a new policy for legal migration from third countries. Against the background of the dramatically heightened refugee crisis, the European Commission rightly concentrated on initiatives to manage this challenge in the second half of the year.



Only jointly can Europe tackle the challenge of the refugee crisis. It is important to mobilise the solidarity of all EU Member States, without exception. In the area of legal migration, the European Commission has made a significant contribution with a range of directives. These directives should now be made better known and existing instruments should be improved. The Member States must implement the directives consistently.

DEMOGRAPHY PROJECTION: EU WORKING AGE POPULATION DECLINES STEADILY



The number of working-age persons (20 to 64 year olds) will decline across Europe from around 307 million in 2013 (60.8 %) to just 289.9 million in 2030 (55.9 %).

It will not be possible to deal with existing and likely ever more serious skilled labour shortages by solely making better use of domestic potential in individual Member States and skilled workers in Europe. Ways must therefore be found to attract even more skilled workers from third countries to live and work in the EU.

Source: DG Empl calculations, 2015

PRIORITIES OF GERMAN BUSINESS

German business welcomes the European Commission's intention of reviewing the currently applicable **Dublin procedure.** The **review** of the European asylum system must aim for a **durable, fair division of the burdens of accepting and integrating refugees** between all EU Member States.

Thus, additional common measures for **better management of the factors causing refugees to flee** must be put in place. Initiatives which promote political and economic stability help to prevent people feeling driven to leave their home country.

Yet **urgently needed skilled workers** cannot be attracted via the asylum system. Rather, measures to **promote targeted and managed legal labour migration** are needed. To this end, the European Commission rightly plans a **review of the EU Blue Card directive**. Among other things, this could become more attractive if its **scope** were to be extended to further categories of **highly skilled workers**.

However, for the immigration of skilled workers only a general framework can be put in place at EU level which leaves the Member States sufficient leeway to come to grips with the **highly diverse demand situations** on labour markets and with different **labour market structures** through their individual national immigration rules.

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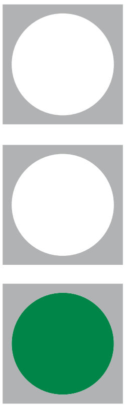
Better Regulation

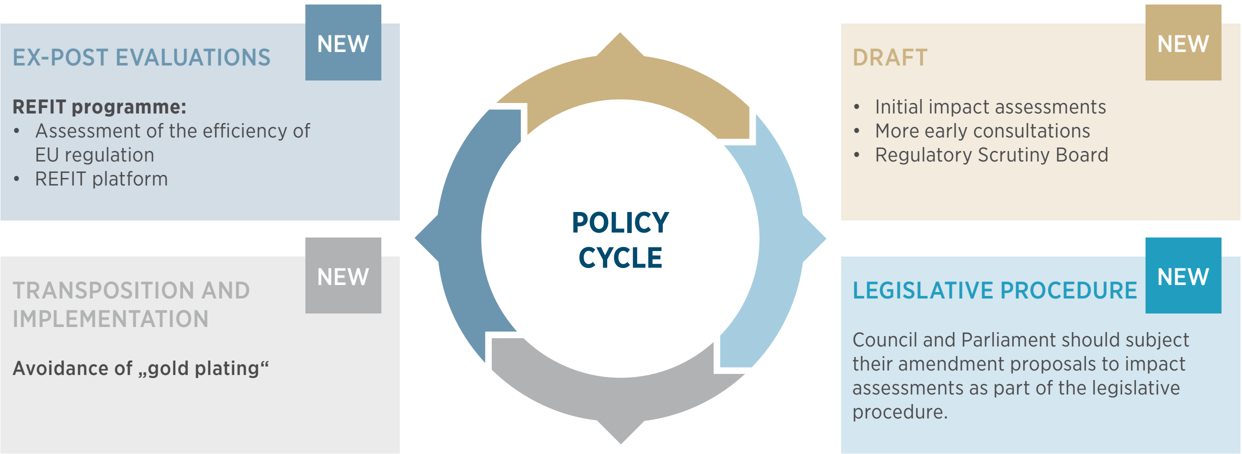
WHAT IS AT STAKE?

Against the background of global competition challenges, the European agenda for better regulation is just what is needed. It aims to bring about further simplification and improvement of the legislative framework. In this way, it makes an indispensable contribution to acceptance of the EU among citizens.



German business supports efforts by the EU institutions for better regulation and cutting red tape. Better regulation is a cross-cutting task to which all EU institutions must contribute.

HOLISTIC APPROACH, TRANSPARENCY AND INVOLVEMENT OF STAKEHOLDERS FOR ALL PHASES OF THE POLICY CYCLE



EX-POST EVALUATIONS NEW

REFIT programme:
- Assessment of the efficiency of EU regulation
- REFIT platform

DRAFT NEW

- Initial impact assessments
- More early consultations
- Regulatory Scrutiny Board

TRANSPOSITION AND IMPLEMENTATION NEW

Avoidance of „gold plating“

LEGISLATIVE PROCEDURE NEW

Council and Parliament should subject their amendment proposals to impact assessments as part of the legislative procedure.

Better regulation must be ensured throughout the entire lifecycle of a legislative instrument. Transparency and involvement of stakeholders should be guaranteed in all phases. Impact assessments and evaluations are no substitute for political decisions. They constitute a thorough and evidence-based foundation for political decisions.

Source: BDI/BDA, 2015

PRIORITIES OF GERMAN BUSINESS

Impact assessments should be carried out by an **independent body** comprising external experts. This ensures the greatest possible transparency and objectivity.

The EU institutions should verify all legislative and non-legislative proposals as well as substantive changes during the legislative procedure for their impact on competitiveness (**competitiveness check**) and capacity for innovation (**innovation principle**).

When **consulting stakeholders**, particular attention should be paid to choosing the **right target audience** and to ensuring the **right weighting** of stakeholders in terms of both quality and quantity.

The role and **autonomy of social partners** should be respected, not only in the framework of impact assessments but also in consultations. Informal trilogue negotiations should be more transparent.

The **REFIT programme** for simplification of existing EU legislation should be strengthened.

To prevent unnecessary regulatory burden and costs, the Member States should be obliged to declare where and why national transposition measures go beyond the requirements of EU legislation (**“gold plating”**).

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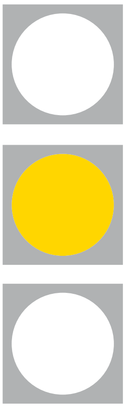
BDA BDI

EU Transparency Register

WHAT IS AT STAKE?

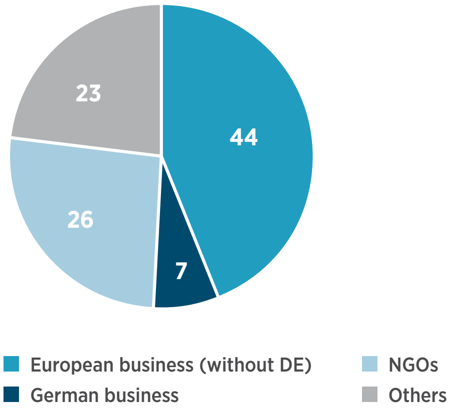
The European Commission wants to make the EU Transparency Register obligatory for interest representatives. The status quo undermines the German business world's acceptance of the EU transparency initiative: the register does not contain comparable and clearly understandable data, opens up the way to misinterpretations and reputation-damaging reporting, and punishes companies and business associations which comply with the guidelines.



The reform of the EU Transparency Register must create transparency and legal certainty, and avoid unnecessary bureaucratic effort.

GERMAN BUSINESS CALLS FOR OPEN, TRANSPARENT AND REGULAR DIALOGUE

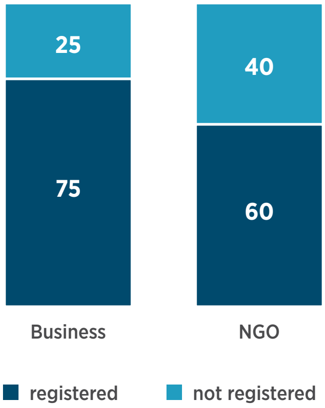
Share of all registrations, in %



German business takes the EU Transparency Register seriously. Around half of the 8,781 organisations registered are companies and business associations – more than 590 of them have their administrative headquarters in Germany.

Source: EU transparency register (version: 4.12.2015), 2015 (diagram prepared in-house)

Share of registered interest representatives, in %



75 % of all companies and business associations active in EU interest representation are registered in the EU transparency register – the comparable figure for NGOs is only around 60 %.

Source: J. Greenwood und J. Greger, The Transparency Register: A European vanguard of strong lobby regulation? 2 Interest groups and advocacy, 2013, pages 139–162.

PRIORITIES OF GERMAN BUSINESS

German business champions an **open, transparent and regular dialogue** between the EU institutions and all stakeholders. An exchange between policy-makers and stakeholders is a precondition for balanced and effective political decisions. Accordingly, BDI and BDA have not only registered in the EU Transparency Register themselves but have also actively encouraged their members to register.

To improve the **clarity of information**, in particular the structure of the register should be adapted. Companies and associations indicate precisely in the register how many persons are involved in EU interest representation and for what percentage of their working hours. On the contrary, the additional indication of the "number of persons involved" does not provide conclusive information on the actual human input, creates confusion and should therefore be scrapped.

German business calls for an improvement in the **comparability of data** in the register. **Unclear requirements** regarding issues such as **calculation of membership fees** should be avoided. Furthermore, Commission and EP should actively promote a compliance culture. Efforts should focus on ensuring that registrations are in line with the transparency guidelines. The current imbalance reduces comparability, harms the political objective of transparency and leads to one-sided blame directed at those which follow the guidelines. This creates incentives to circumvent the guidelines.

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Narrowing the gender pay gap

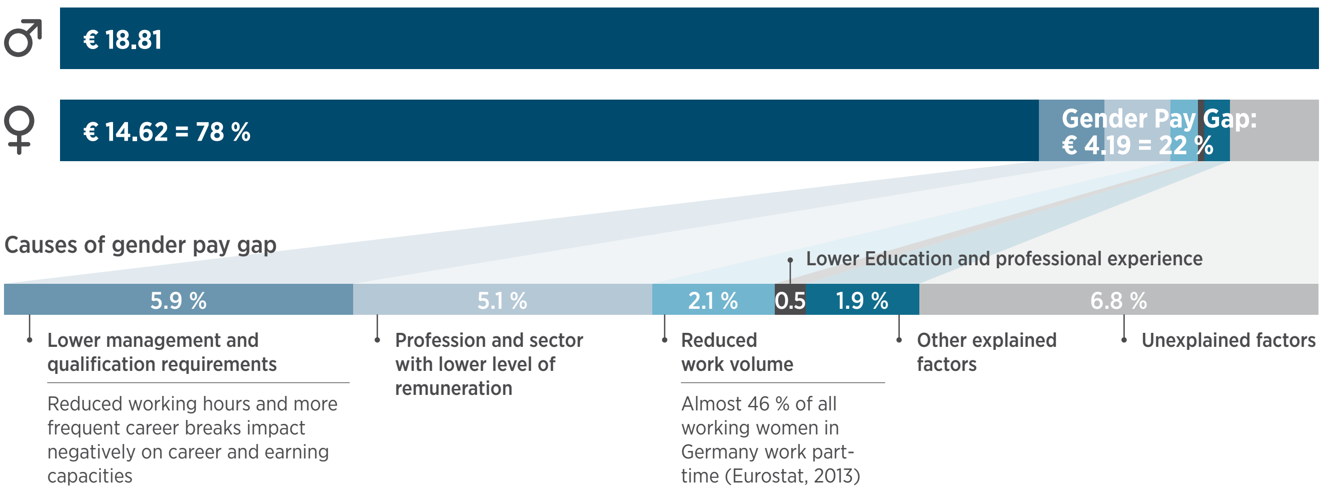
WHAT IS AT STAKE?

The European Parliament has repeatedly spoken in favour of introducing a wide range of measures on pay transparency and has aired the idea of bureaucratic and interventionist equal pay rules. In October 2015 it has once more invited the European Commission to propose binding measures on pay transparency and equal pay as well as sanctions for non-compliance.

The gender pay gap is not an expression of discrimination. The unadjusted pay difference of 22 % reduces to 7 % after structural causes are stripped out and to 2 % after family-related career breaks are taken into account. It can only be closed sustainably if the causes of different participation rates between men and women are addressed.

CAUSES OF PAY DIFFERENCES ACROSS THE GERMAN ECONOMY BROADLY IDENTIFIABLE

Average gross hourly earnings



Source: German Federal Statistical Office, 2013

PRIORITIES OF GERMAN BUSINESS

If women do the same work as men for the same employer, they are paid equally. That is not only business practice but is furthermore required by law.

German business strongly opposes additional bureaucratic and interventionist equal pay regulations because they cannot capture the **complexity of remuneration structures**. Statutory work assessment and the associated regulation would disregard specific circumstances in individual companies and sectors. In addition, they would constitute interference in **social partner autonomy** by wage-setting.

Reporting on remuneration structures would burden companies with additional bureaucratic effort instead of dismantling bureaucracy. Information demands pose a threat to serenity within companies since they could encourage envy and dissatisfaction – even if there are objective criteria for pay differences.

In order to further strengthen work and career opportunities, needs-based and high quality **childcare as well as all-day schooling** have to be further expanded, **vocational and study orientation** improved and wrong incentives in **tax and social legislation** clearly reduced.

Further efforts in human resources management as well as a partnership-based division of family work are also important.

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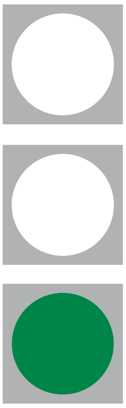
EU Strategic Framework on Health and Safety at Work (2014–2020)

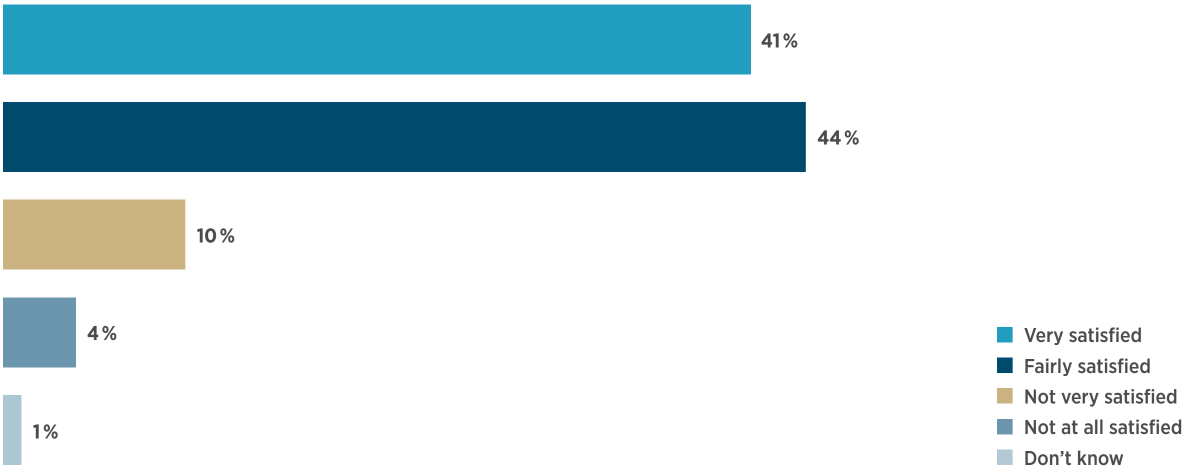
WHAT IS AT STAKE?

The Strategic Framework on Health and Safety at Work presented by the European Commission in June 2014 goes in the right direction. The focus of the strategic framework is on improved implementation and simplification of existing legislative provisions in the area of occupational safety and health. This approach should also be consistently pursued following the evaluation of the EU acquis in the area of occupational safety and health.



German business supports the establishment of European minimum standards in the area of occupational safety and health. However, the route to a uniform minimum level across Europe should not lead to excessive and complicated regulation.

HIGH SATISFACTION WITH OCCUPATIONAL SAFETY AND HEALTH PROTECTION IN THE EU



A total of 85 % of workers in the EU are satisfied with their occupational safety and health protection.

Source: Eurostat, 2014

PRIORITIES OF GERMAN BUSINESS

Occupational safety and health is one of the most regulated areas of European social policy. In addition to the Framework Directive on Health and Safety at Work with general provisions, numerous detailed rules exist at EU level, e. g. on workplaces, working time, physical limit values, display screen equipment and maternity leave. It is right to place the **focus on improved implementation** of existing rules in order to achieve a **level playing field in occupational safety and health** as a basis for fair competition across the European Single Market.

Effective health and safety at work is an important issue for companies. Employers take the **psychological health of employees** very seriously. A **framework agreement of the European social partners** has been drawn up jointly with the trade unions on this theme. To implement this in Germany, a joint declaration of social partners and Federal Government has been signed and the Joint German Occupational Safety and Health Strategy has been oriented on psychological health.

Different aspects of personality and ambient factors interact in **psychological illnesses**. Pressures from the world of work are never the sole cause. Statutory rules for employers would not address the **complex causes of the problem** and should therefore be rejected.

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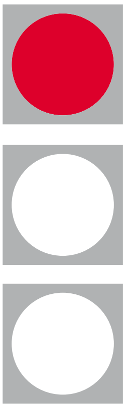
Restructuring: worker information and consultation

WHAT IS AT STAKE?

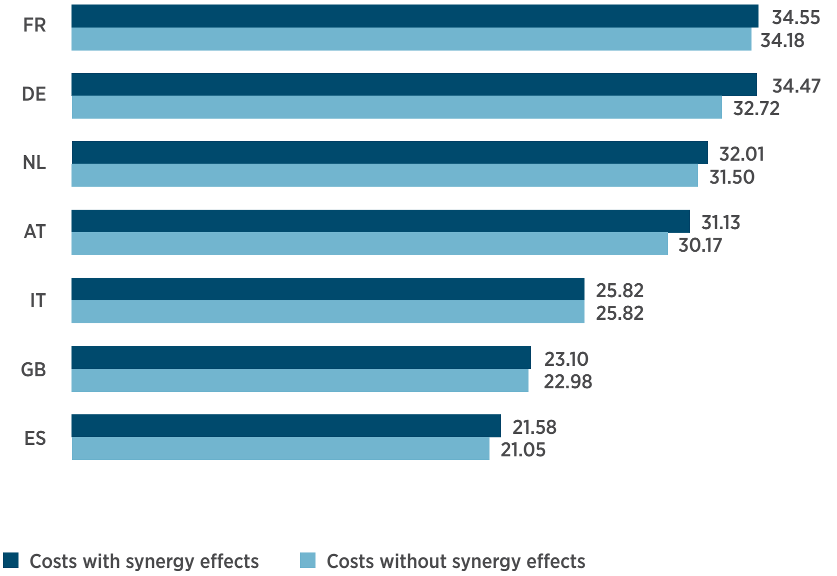
The European Parliament estimates that the introduction of an EU-wide legislative framework for corporate restructuring operations would reduce workforce attrition by 22 % and lead to macroeconomic gains worth € 3 billion. In particular, this legislative framework would comprise an extension of worker information and consultation rights. With this in view, the European Commission has already carried out the first phase of social partner consultations.



The initiative would render more difficult even absolutely necessary restructuring operations which preserve and strengthen competitiveness, and hence promote sustainable employment.

INDUSTRIAL LABOUR COSTS WITH AND WITHOUT SYNERGY EFFECTS

Figures for manufacturing industry in € per hour worked, in 2010



In an economy with a high degree of division of labour and exposed to global competition, corporate restructuring operations are indispensable. Synergy effects – such as specialisation and division of labour – reduce labour costs and help to increase efficiency and competitiveness. Thus, jobs can be secured.

Source: IW Köln, 2011

PRIORITIES OF GERMAN BUSINESS

For an employer, one of the ongoing strategic missions of any company is to assert itself in competition on the market, also in the interest of its employees. In this regard, **restructuring operations** are **of central importance** as a **measure for adjustment to the market**. They enable companies to react in a timely fashion and rapidly to economic changes. Ongoing adjustment processes enhance corporate competitiveness and contribute to job creation.

Accordingly, **restructuring operations must not be impeded or delayed through unnecessary, bureaucratic and cost-intensive one-size-fits-all EU measures**. A procedure harmonised across Europe would not be able to take into account the diversity of restructuring operations.

The **comprehensive regulatory framework that already exists** (including directives on transfer of enterprises, on worker information and consultation, on the establishment of European works councils or on collective redundancies) already ensures that corporate restructuring operations are organised to be as constructive and socially acceptable as possible. For this reason, the European Commission should refrain from proceeding with the initiative for a revision of the regulatory framework.

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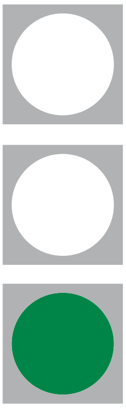
Promoting Youth Employment in Europe

WHAT IS AT STAKE?

The recently agreed “EU Youth Employment Package” is intended to combat youth unemployment which is dramatically high in many Member States. To this end, national vocational training systems will be strengthened through exchanges of experience as well as financial resources which will be made available more rapidly at EU level.

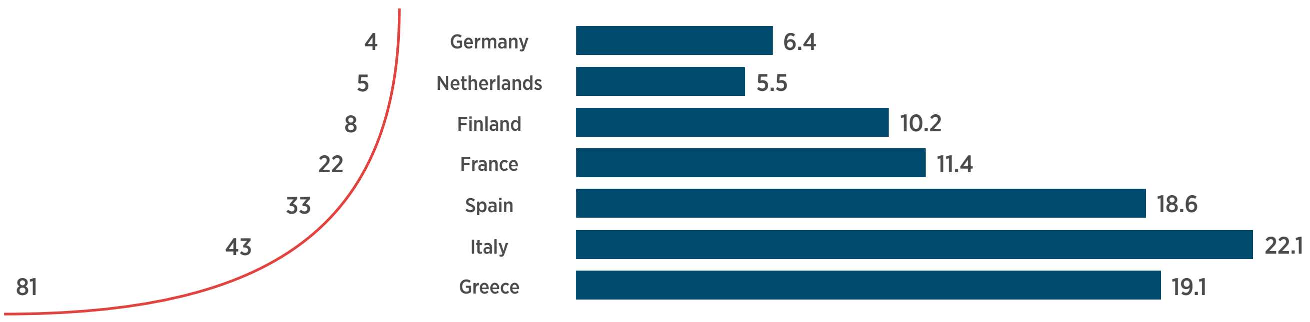


Efforts must be made to create a transition into training and employment for young people to avoid them experiencing long-term unemployment from the outset. Adequate financial resources are important for this. In addition, the structural causes of high unemployment in EU Member States need to be addressed in a targeted and sustained way.

MORE COMPETITIVENESS LEADS TO MORE JOBS FOR YOUNG PEOPLE

Ranking in the Global Competitiveness Index (2015–2016)

NEET* rate of 15 to 24 year-olds in % (2014)



Preconditions for high youth employment are a dynamic economy, flexible labour markets as well as practical skills. In Member States where necessary structural reforms on the labour market were carried out before the crisis, youth unemployment and unemployment overall are markedly lower. These Member States are also distinctly more competitive.

* NEET: “**N**ot in **E**mployment, **E**ducation or **T**raining”

Source: Eurostat 2015, World Economic Forum 2014

PRIORITIES OF GERMAN BUSINESS

A successful strategy in the fight against youth unemployment addresses not only **qualifications for young people on the supply side** but also creates the preconditions for developing employment through **greater flexibility on labour markets**.

Sustainable apprenticeship positions and jobs can re-emerge if the global competitiveness of every EU Member State is also improved and unwieldy bureaucracy is dismantled.

At European level, the **European Training Alliance** pools a wide range of measures designed to strengthen vocational training systems. **Cooperative ventures between learning locations** and **involvement of social partners** in drawing up training regulations and curricula are of outmost importance in this regard.

Financial resources made available at EU level to combat youth unemployment must be deployed with the aim of providing an impetus for **corresponding necessary structural reforms** in the Member States.

Resources can only be efficiently drawn down if the necessary **infrastructure** – in the shape of **effective labour administrations** – will be first developed in the relevant Member States.

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