Perspectives on Europe
Policy priorities for the new European Commission 2019-24

Christiane Cunningham and Sophie Flores
The more than 450 million citizens of the European Union are at the start of a policy cycle, as new political leaders emerge, with new plans. In a survey, Deloitte partners from across Europe give insights into what the new European Commission should focus on from a business perspective.

At EU level, the new European Parliament term started on 1 June, with over 60 per cent of its members new; the new European Commission, headed by President-elect Ursula von der Leyen, is expected to step into its role as from 1 November; and, finally, the new President of the European Council, Charles Michel, will take office as from 1 December.

We surveyed Deloitte partners across Europe, asking them to give their perspective on what EU policymakers should focus on from two different points of view: first, to help the European economy as a whole; and, secondly, to help the industries and sectors in which the partners questioned specialise. This structure for the survey also enabled us to get a sense of the current perspective of European businesses as a whole and of a range of different sectors and industries.

The overarching messages were as follows:

- innovating and investing in digitalisation of the economy emerged as the No. 1 policy priority for the European Union

- increasing coordinated EU-level interaction with other parts of the world also scored highly, with calls for a single EU voice in trade and foreign policy

- reducing differences between member states was cited as important in a number of areas, including financial services, digital services, taxation (including tax competition between member states), citizens’ rights and the rule of law

- public-private partnerships and platforms comprising a range of different actors were identified as a way to make progress in many areas, such as sharing of intellectual property, new technologies and information to combat financial crime and help the transition to a low energy, low resource use economy.
We will comment on these top five priorities, in order of ranking by the survey respondents, dealing first with those identified from a general business perspective and then top five priorities identified from a sector viewpoint that we have not already mentioned, and help to place the views in context by drawing on the opinions of a number of think tanks.

Innovation and investing in digitalisation — crucial for EU competitiveness

Innovation and investing in the digitalisation of the economy was the No. 1 priority identified by respondents. Most commented that digitalisation was crucial if the EU is to remain competitive with other regions in the world such as the United States and Asia. It is also a priority highlighted by some EU policy think tanks, such as the Centre for European Policy Studies (CEPS):

The future of Europe is deeply connected to the future of European industrial innovation and the latter is fundamentally dependent on digitisation.¹

In the political guidelines for the next European Commission issued since by Ursula von der Leyen, making Europe fit for the digital age is one of her six headline ambitions.²

Many of the main levers in the area of innovation are in the hands of member states though the European Commission (EC) has a key role to play in strengthening coherence between member state policies. Note that under the initial EC multiannual financial framework proposal for 2021-27, of the total EU budget (equal to 1.11 per cent of EU member states’ gross national income), only 8 per cent is allocated to research and innovation.

Survey respondents’ suggestions about how to translate this priority into action included innovation incentives for individuals and corporations; improving research and innovation funding for start-ups and artificial intelligence; and an EU framework that facilitates fair access to digital assets and the sharing of intellectual property between academia, individuals and corporations.

Many respondents also commented on the need to advance the Digital Single Market, digital economy and digital transformation by setting clear rules and
The European Union’s place in the world: A single voice in foreign and trade policy

From a broader business perspective, the need for the European Union to have a single voice in EU trade and foreign policy was the second-most important priority for the incoming European Commission in the view of 21 per cent of respondents. International trade policy is an exclusive EU policy, unlike foreign policy where member states are each sovereign.

Respondents emphasised the need for a coherent foreign policy to enable the European Union to act as a defender of European interests and to increase its bargaining power and competitiveness in dealings with other major international players. Acting as a bloc could allow the European Union to leverage its economic power. This aligns with some think tank calls for the European Union to develop an economic sovereignty strategy, to link economic and geopolitical considerations, without retreating from globalisation.3

In foreign policy, forming a single EU voice would require a high level of coordination between member state governments as, unlike in trade, the European Union does not have the authority to act on their behalf. The EC and the European External Action Service (EEAS) would no doubt have an important role to play in this process.

Migration: Including burden-sharing among member states

Migration ranked as the third priority by respondents from a broader business perspective, with views ranging from the need to protect and secure the European Union’s borders and guarantee safety for EU citizens, to a humane, sustainable, united EU strategy, helping refugees and supporting the more exposed countries. Responses covered different interconnected areas where respondents consider that EU policies and legislation do not provide an adequate response, such as border security, asylum seeking and economic migration. Several respondents emphasised the need for burden-sharing among the member states.

‘More EU’ also seems to be the direction that research papers recommend in this area, asking the EC to adopt and implement a ‘Migration Union’ based on more intra-EU solidarity and supervision, including a fully-fledged EU Asylum Agency and European border and coastguard, facilitating legal channels for migration and implementing the UN Global Compact on Migration.4

As with foreign policy, action in this area is expected to require a high level of coordination between member states and also potentially with local authorities which have competence in relevant areas.
Taxation and the Customs Union: Strong support for eliminating/limiting tax competition within the European Union

Taxation and the Customs Union were identified as a high priority for future EC work, ranking fourth by respondents from a broader economic perspective (and second from the point of view of respondents’ own business area or sector). This is consistent with the high level of public interest in tax in the European Union and the quantity of EU tax legislation proposed by the 2014-19 Juncker Commission mandate, although this was not part of the EC’s initial list of priorities in 2014.

Tax is currently a matter decided by the Council alone and by unanimity. While the recent EC proposal to subject certain tax matters to qualified majority voting in the Council has proved unpopular among some EU member states, it may be brought back to the negotiating table, or member states may agree to allow a number of member states to together adopt tax legislation that applies to them alone.5 Indeed, taxation, including areas such as environmental taxes, has been highlighted as a potential battleground for the next Commission.6

A key message from respondents is that the European Union should seek to reduce or even eliminate tax competition between EU member states. Various potential solutions were proposed, ranging from eliminating unfair competition between member states to a call for a single tax system for companies and individuals in the single market (or at least in the eurozone). This message might seem surprising but it reflects certain respondents’ view that if the European Union is to be competitive with other regions and maintain a common currency, its members need to avoid using tax policy to compete among themselves.

Other key messages from respondents regarding taxation relate to the need to adapt to new business models. The European Union should become more competitive with other regions of the world, with VAT simplified and made more consistent across the European Union, in order to help small and medium-sized enterprises.

Future of the European Union: A strong and more transparent European Union, focused on fewer issues, with more impact

A wide range of ideas about the development of the European Union and how it needs to change ranked as the fifth priority for future EC work.

The overall message was the need for increased transparency and accountability about what the European Union does and its impact. A picture of a ‘preferred’ European Union emerged: one that is strong, stable, more transparent and accountable, better at communicating with citizens, especially about how the EU budget is spent, and focused on fewer issues, with more impact.

A key message from respondents is that the European Union should seek to reduce or even eliminate tax competition between EU member states.
Negative observations include the dominance of large countries, the lack of a comprehensive communications strategy, excessive bureaucracy and the sentiment that the European Union is distant from citizens.

**Banking Union and financial regulation: Completing the EU banking market for a more resilient and competitive European financial sector**

Banking Union and financial regulation was the third priority identified by respondents from a sector/business-specific perspective, with many calling for sector consolidation, a reduction in legislative fragmentation and increased supervision as fundamental steps towards an integrated, competitive and resilient European banking market.

Many measures were introduced in the European Union in the wake of the financial and economic crisis in order to continue the process of economic governance reform and make the financial system more resilient. Most progress towards Banking Union was achieved before 2015. Agreement has been reached on the Single Resolution Fund but there is still a lack of political support among member states for the eurozone deposit insurance scheme proposed by the EC. Member states are caught in a polarised debate on potential mutualisation of losses. Alternatives such as a reinsurance scheme could be considered going forward, according to one think tank.7

Completing the Banking Union was identified by respondents as a potentially important step towards the creation of a competitive banking market, as well as a key measure to strengthen banks’ ability to respond to a financial crisis and contain the resulting economic and political risks. Other priorities respondents identified include strengthening banks’ balance sheets by reducing non-performing loans and regulating the shadow banking system.

The role of financial sector rule-makers is seen as crucial. Respondents feel they need to regulate a fast-developing and innovative industry promptly in order to protect citizens and ensure fair markets while allowing businesses to progress and flourish.

Though not complete, it was noted that the Banking Union is functioning, which is already a remarkable achievement. Further progress is seen as being needed to make the financial system more resilient and competitive.8

**Environmental policy and sustainable development: Need for transition to a low-energy and low-resources economy**

Environmental policy and sustainable development ranks fourth from a sector/business perspective. Most respondents call for a transition to a low-energy and low-resources economy, taking into consideration all energy sources and the latest technological developments.

Respondents commented on the need to change the structure of the electricity markets and to develop electrical mobility to reach carbon reduction targets. Changes to production and consumption models were also cited, with a specific comment that the current technology used to produce
batteries cannot support increasing demand, both for safety and cost reasons.

Another cited concern, from a broader perspective, is the need to protect people’s health and our planet. Water saving was identified as a more and more sensitive issue.

Innovation and technology feature prominently as a way to address environmental concerns and sustainable development. Like foreign policy or border controls, innovation is an area where the traditional power of the European Union to legislate is of limited use. However, the EC could have a key role to play in strengthening coherence between member state policies, in providing or supporting funding and as a convener. Companies and entrepreneurs, researchers, public administration and civil society players could all play an important role in an EU ‘bottom-up’ economic strategy aimed at accelerating experimentation and the take-up of new technologies and services that have public support.

**Combatting financial crime: Better information-sharing including public-private platforms**

Combatting financial crime is ranked as the fifth priority for EC work by those respondents considering the priorities through the lens of their own sector.

How can this priority be translated into action? According to respondents, stricter and more consistent application of anti-money laundering rules within the European Union and better supervision are key. Increasing the level and effectiveness of information-sharing about suspicious criminal activity is perhaps even more important, both between the “obliged entities”, as part of an integrated industrywide solution, as well as with financial information units (FIUs). This means considering necessary regulatory and other changes to encourage better information-sharing, including via public-private platforms and across borders.

**Conclusions**

The survey results have given us insights into what matters most for respondents.

They seem to look to the EC to deliver policies that will enhance EU competitiveness, such as: supporting investment in Industry 4.0; unifying EU foreign policy, with awareness of geopolitical developments; reducing differences between member states in policies regarding financial and digital services, taxation and citizens and migrants’ rights.

Respondents emphasised the key role public-private partnerships and platforms comprising a range of different stakeholders can play.

We will be using these insights and continuing to call upon our colleagues to help guide Deloitte’s policy work in the European Union.
Endnotes


5. Under the “enhanced cooperation” procedure where a qualified majority of member states may, with the consent of the European Parliament, allow a group of at least nine member states to together agree on specific legislation that applies to that group only.


About the authors

Christiane Cunningham | chcunningham@deloitte.com

Christiane Cunningham advises Deloitte on EU legislative and policy developments and represents Deloitte towards EU policymakers and other stakeholders. Her areas of focus include audit legislation, corporate reporting and governance, tax and data security.

Prior to this role, Christiane was partner at the law firm Laga. She studied law in Belgium and qualified at the Brussels Bar.

Sophie Flores | soflores@deloitte.com

Sophie Flores informs Deloitte on EU policies and builds relationships with EU policymakers. Her areas of focus include diversity, future of work, inclusive growth and the implementation of the EU audit legislation.

Prior to this role, Sophie worked as political advisor for a member of the European Parliament in the fields of international trade and social affairs. She studied law and legal translation in France.

Acknowledgments

The authors would like to thank Marion Chaboud, Alessandro de Luca, Gregory Jullien, Helen McDonald, Agnieszka Papaj and Otfrid Weiss of the Deloitte EU Policy Centre for their help in conducting the survey and analysing its results.
Contact us

Our insights can help you take advantage of change. If you’re looking for policy insights to address your challenges, we should talk.

Leadership

Rik Vanpeteghem
Deloitte EU Policy Centre Managing Director
+32 2 600 67 18 | rvanpeteghem@deloitte.com

Karim Moueddene
Deloitte Global EU Services Leader
+32 2 749 56 08 | kmoueddene@deloitte.com

Christopher Nürk
Managing Partner Clients & Industries | HR
+49 711 165547315 | cnuerk@deloitte.de

Director

Christiane Cunningham
Deloitte EU Policy Centre
+ 32 2800 7021 | chcunningham@deloitte.com
About the Deloitte EU Policy Centre

The Deloitte EU Policy Centre (EUPC) facilitates dialogue between Deloitte professionals, business leaders and institutional policymakers. The EUPC aims to share Deloitte’s voice on issues that matter to government, business, clients and society; to be at the table with stakeholders and policymakers to inform policy outcomes; and to enable Deloitte professionals to keep ahead of policy developments. Contact the authors for more information at: EUPolicyCentre@deloitte.com.