

Commentary of the Union of Entrepreneurs and Employers on Ursula von der Leyen's State of the Union Address

The State of the Union Address touched upon key issues that will shape our reality in the years to come. The fact that the President of the European Commission, Ursula von der Leyen, noticed the problems of the internal market and proposed the creation of a new strategy for the Schengen Area, which will undoubtedly improve the quality of the regulatory environment for entrepreneurs, should be assessed positively. Nevertheless, the introduction of a European minimum wage or the excessively rapid increase in climate goals may adversely affect the condition of the Polish economy and the competitiveness of European industry. With this in mind, the Union of Entrepreneurs and Employers reminds that the improvement of the global position of the European Union will not take place without an increase in its economic importance.

On 16th September 2020, the President of the European Commission, Ursula von der Leyen, delivered her first State of the Union Address, an annual speech to the European Parliament at the September plenary session. Without any doubt, the announcement of an increase in climate targets by 15 percentage points from 40% to 55% by 2030 drew the most attention. Still, the President in her address raised many important issues such as health, social rights, industry and the common market, and digitisation. Moreover, in her speech, the President raised important geopolitical issues, this commentary, however, will focus on issues related to the economy and the internal market.

The coronavirus pandemic and the resulting economic challenges have left their mark on the priorities of the European Commission (hereinafter referred to as "EC"). Madam President began her speech thanking the care workers, nurses, and doctors for their dedication, as well as all other workers who continued to perform their duties even when the lockdown was most severe. **These events according to the President showed the great fragility of our society, but also the importance of humanity. Moreover, they constitute a new starting point for the European Union** (hereinafter referred to as "EU") **whose task for the coming years is to rebuild the economy**, and the driving force of economic growth will be the Next Generation EU Recovery Fund. Speaking of the Recovery Fund, President von der Leyen assured that thanks to the unique model of the social market economy, the EU can achieve stability and prosperity.

The first part of the speech was dedicated to strengthening the EU's activity in the field of health. The President referred to the introduction of export restrictions on medical goods and breaks in supply chains during the pandemic and stressed that it was cooperation with European industry that allowed us to ensure the right amounts of strategic goods. In this regard, von der Leyen considered it crucial to build

a stronger health union and supported the European Parliament's demands to increase health spending in the future Multiannual Financial Framework (hereinafter referred to as "MFF"). Among the President's proposals, there were, among others, the postulate of making strategic reserves. **The Union of Entrepreneurs and Employers supports initiatives aimed at strengthening the EU's economic position and independence vis-à-vis partners from other parts of the world. However, we believe that one should be cautious about expanding EU competences and that expansions as such should only take place where action at the EU level brings added value.**

The second subject to be addressed was related to jobs and workers' social rights. The President of the EC recalled the creation of the SURE programme, under which EUR 100 billion will be allocated to national short-term work programmes and similar measures to protect jobs, employees and the self-employed from the risk of dismissal and loss of income. Furthermore, Ursula von der Leyen called for "dignity of work" to be ensured by establishing a European minimum wage. Importantly, the President decidedly emphasised that she was a supporter of collective bargaining systems and that all European solutions would respect national traditions. In our view, to support entrepreneurs during the pandemic is necessary and beneficial. **Nevertheless, the Union of Entrepreneurs and Employers has consistently opposed the idea of introducing a European minimum wage. We believe that the minimum wage – if at all – should be regulated on a regional, not national, and certainly not a European level.** In our previous [studies](#), we also questioned the EU's competences in this area.

The economy and the common market were the third issue raised by the President of the EC in this year's address to the European Parliament. Following a 12% fall in EU GDP in the second quarter of this year, the time has come for a rebound, but the economies of the member states still need support, said Ursula von der Leyen. The Recovery Fund will be of key importance in this process, as will also be the strengthening of the EU internal market. ***"We must tear down the barriers of the single market. We must cut red tape. (...) And we must restore the four freedoms – in full and as fast as possible,"*** said the President of the EC and added: ***"We will work with Parliament and member states to bring this high up our political agenda and we will propose a new strategy for the future of Schengen."*** Then, von der Leyen announced an update of the industry strategy and a reform of the competition framework. In our opinion, support for enterprises in a crisis is needed, but in the long run, a good regulatory environment is the most important factor for business performance. The Union of Entrepreneurs and Employers has consistently emphasised that in order to maintain the competitiveness of European enterprises, the EU should focus on reducing red tape and administrative burdens, especially for SMEs. **Therefore, we welcome the declaration of the President of the EC and stress that any new EU strategies – be they on industry, climate protection or digitisation – must be accompanied by a regulatory policy aimed at improving the business environment in the EU.**

Ursula von der Leyen devoted the next part of her speech to the fight against climate change. By announcing an increase in the target of reducing carbon dioxide emissions from 40% up to 55% by 2030, the President said that she “recognised that this increase from 40 to 55 was too much for some, and not enough for others”. She also added that the climate strategy must go far beyond reducing emissions. Among the initiatives that will be financed from the Recovery Fund, she mentioned, among others, investments in hydrogen and the renovation of buildings that consume excessive energy. **In the opinion of the Union of Entrepreneurs and Employers, the European Green Deal (hereinafter referred to as “EGD”) is a reality to which the Polish economy will have to adapt.** Obviously, this will require efforts both on the part of the regulator and on the part of market participants. **It is also evident that some member states are better prepared for the green transition than others.** Therefore, increasing climate goals from the Polish perspective may entail certain threats. **At this stage, it is important that President von der Leyen’s declaration of understanding is reflected in the strategy of the EC.** Additionally, as von der Leyen herself pointed out, the European economy needs deregulation and the strengthening of the internal market. Henceforth, the Union of Entrepreneurs and Employers calls the Commission to remember about maintaining the competitiveness of European industry when designing the assumptions and requirements of the EGD.

The last point analysed in this commentary touches upon digitisation. **“We must make this Europe’s digital decade,” announced the President of the EC.** To do so, she proposed various initiatives, including building a European cloud, regulating artificial intelligence, creating a European e-identity, developing infrastructure, fighting digital exclusion, and investing in supercomputers. Undoubtedly, the EU needs to step up its efforts to develop digital technology if it is to maintain a prominent position in a changing world. **Understanding the need to create regulations that provide European consumers with an appropriate level of security, the Union of Entrepreneurs and Employers draws attention to the risks that may arise from over-regulation of the digital market.** This is especially apparent in the case of artificial intelligence. There currently is a debate whether to extend its definition to automated decision-making processes that are harmless from the point of view of individual rights, and at the same time to cover these processes with potential EU regulation of artificial intelligence. If this scenario does take place, then companies using low-risk technologies will face a disproportionate regulatory burden, which will have a negative impact on their competitiveness. Concurrently, by creating one regulation, we risk that technologies that carry the risk of violation of fundamental rights, such as, for example, remote biometric identification, will be subject to standards that are too low. At this point, the Union of Entrepreneurs and Employers once again calls for maintaining an appropriate balance between the protection of individual rights and the creation of an appropriate regulatory environment for entrepreneurship. **Interventionism that is too far-reaching will not allow the European economy to achieve competitiveness and develop and will thus threaten the recovery of the EU’s global position.**

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the internal market and proposed the creation of a new strategy for the Schengen Area, which will undoubtedly improve the quality of the regulatory environment for entrepreneurs, should be assessed positively. Nevertheless, the introduction of a European minimum wage or the excessively rapid increase in climate goals may adversely affect the condition of the Polish economy and the competitiveness of European industry. With this in mind, the Union of Entrepreneurs and Employers reminds that the improvement of the global position of the European Union will not take place without an increase in its economic importance.

The State of the Union Address touched upon extremely important issues that will shape our reality in the years to come. The fact that the President of the European Commission, Ursula von der Leyen, noticed the problems of the internal market and proposed the creation of a new strategy for the future of the Schengen Area, which will undoubtedly translate into an improvement in the regulatory environment for European entrepreneurs, should be assessed positively. Equally positive is the importance that von der Leyen placed on developing technology and improving the EU's strategic resources. However, we are concerned about some of the proposals. The introduction of the European minimum wage or the excessively rapid increase in the EGD climate goals may adversely affect the condition of the Polish economy, as well as the competitiveness of European industry. **With this in mind, the Union of Entrepreneurs and Employers reminds that the improvement of the global position of the European Union will not take place without an increase in its economic importance.**