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Press release

Munich, 9 March 2020

The Advisory Board of the Foundation for Family Businesses calls for the European Union to intensify its foreign trade activities.

The European Union needs more ambitious industrial policies to prevent its being overshadowed by the economic blocs of China and the United States. For this reason, the Advisory Board of the Foundation for Family Businesses has called for the European Commission to pursue a resolute strategy. "We have to shake off our torpor if we want to avoid being relegated from the Premier League when it comes to global trade," the board's members agreed, adding that the Commission could generate a strong wave of momentum by pursuing more active foreign trade policies and deepening the EU's domestic market. The board also noted that any steps taken to ease the EU's competition laws would be a mistake.

The Advisory Board of the Foundation for Family Businesses also expressed clear requirements of both national and European industrial strategies. "Today's economic challenges must be met in two ways: We need better business conditions for our local companies and selfconfident politics that vigorously represent European interests on the international stage," said Professor Rainer Kirchdörfer, the Chair of the Advisory Board and a member of the foundation's Executive Board.

He noted that the European Union needed no new tools or authority to take such an approach. Instead, it should keep its core areas of responsibility in mind. "We must use the existing instruments in Europe to improve business conditions for industry: We need to conclude new trade agreements and to complete the domestic market, especially in the service sector," Kirchdörfer said.

In particular, the board called for the European Union to apply more active foreign trade policies. "One area where the EU should play a more active role is foreign trade relationships," said Professor Dr Dr h.c. Clemens Fuest, a member of the Advisory Board and the President of the ifo Institute. The EU should apply the influence it has as the world's secondlargest economy to clear the way for European companies to enter foreign markets, particularly China, he added. The goal must be to create a level playing field and to facilitate market openings by both parties.

The board urged the EU to accelerate its work to conclude free trade agreements. This is the only way to end trade policy uncertainty, said Gabriel Felbermayr, a member of the Advisory Board and the Head of the Kiel Institute for the World Economy. In negotiating free trade agreements, Felbermayr said the EU should focus on trade issues: "Free trade agreements should not be weighted down with objectives that have nothing to do with international trade." Such agreements should not address social and wage policies and should take up environmental issues only if global problems are at stake.

Any exceptions to European competition law sought by individual member states would be problematic, Felbermayr said. "Efforts to amend European competition and state aid law in order to assert political priorities should be viewed very sceptically." Germany, France, Italy and Poland are demanding that the EU Commission ease rules governing the control of mergers.

Nötig sei vielmehr, den Europäischen Binnenmarkt zu vertiefen. In recent years, there has been an increase in barriers to crossborder trade with services, and Brussels must do more to eliminate bureaucratic restrictions in crossborder trade. The EU's domestic market should not be overburdened by regulations in social law. Felbermayr specifically warned against introducing a European minimum wage.

Professor Dr Dr Udo Di Fabio, a former member of Germany's Constitutional Court, noted that both German and European industrial strategy should apply the guiding principles of the social market economy. "The state may 'guide' the business community. For every individual step it takes, however, it remains bound by fundamental rights and the principle of proportionality," he wrote. "Abandoning a social market economic order" would violate Germany's constitution and EU law, Di Fabio said, warning of a creeping erosion of market economy principles. Government price regulation or investment control in a sector is not proof of a switch in systems from a social market economy to a managed economy. But repeated intervention changes the relationship between the state and the business world step by step. The faint ambience of a statecapitalistic economy may arise, possibly even a convergence with the Chinese system of massive political control of a market economy that is 'tolerated' only instrumentally and in limited terms."

Strengthening family businesses also serves the political goal of creating the same standard of living in both urban and rural areas. "The increasing inequality in the standard of living in many areas in Germany is threatening our social cohesion as well," writes Prof Dr Kay Windthorst. "Family businesses stabilise rural regions." For this reason, appropriate consideration of family companies in legislation, legal certainty, a waiver of higher taxes on capital, a highperformance nationwide digital and transportation infrastructure and assistance with training through dualstudy programmes are essential, Windthorst said.

The Advisory Board oversees the academic research of the Foundation for Family Business and offers ideas. The board's members are Economics Professor Gabriel Felbermayr, Ph.D, Professor Dr Dr h.c. Clemens Fuest and Professor Dr Dr h.c. mult. Hans-Werner Sinn as well as the legal experts Professor Dr Dr Udo Di Fabio,

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Professor Dr Kay Windhorst and Professor Dr Tina Ehrke-Rabel. The Advisory Board is chaired by Prof Rainer Kirchdörfer.

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