

AmCham EU Agenda for Action Scorecard report 2015

Key findings and recommendations



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SPEAKING FOR AMERICAN BUSINESS IN EUROPE


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1 Executive Summary

As the representative of American business in Europe, the American Chamber of Commerce to the European Union (AmCham EU) has issued an Agenda for Action identifying five key action areas that, if implemented, will accelerate economic growth and vitality in the European Union over the course of the next five years.

Agenda for Action's five key action areas

I - Build skills for the future

If Europe is to compete in an ever-changing global environment, policies need to be in place to ensure its citizens are well-equipped to meet the needs of the future marketplace. This will require investment in training and skills development at every stage of workers' lives to remain relevant to the needs of society and the economy.

II - Drive integration to create an attractive internal market

Europe needs to complete the Single Market, particularly in the areas of services, the digital market, energy and transportation. Efforts also need to be made to improve harmonisation of policies and regulation. The objective should be to make Europe an attractive destination for investment and a hub of economic growth and innovation which contributes to global regulatory and industrial standards.

III-Embrace revolutionary change for industrial leadership

Europe has built a strong industrial foundation and now is the time to capitalise on its expertise across all sectors including pharmaceuticals.

IV - Develop new models of innovation and entrepreneurship

Innovation and entrepreneurship have been hailed as great drivers of growth. The next generation of entrepreneurs needs to be supported and encouraged through incentive programs. At the same time, fresh models of partnership between governments, businesses and the wider civil society need to be developed and promoted. The objective should be to foster dynamic and flexible thinking to generate economic opportunities for the future.

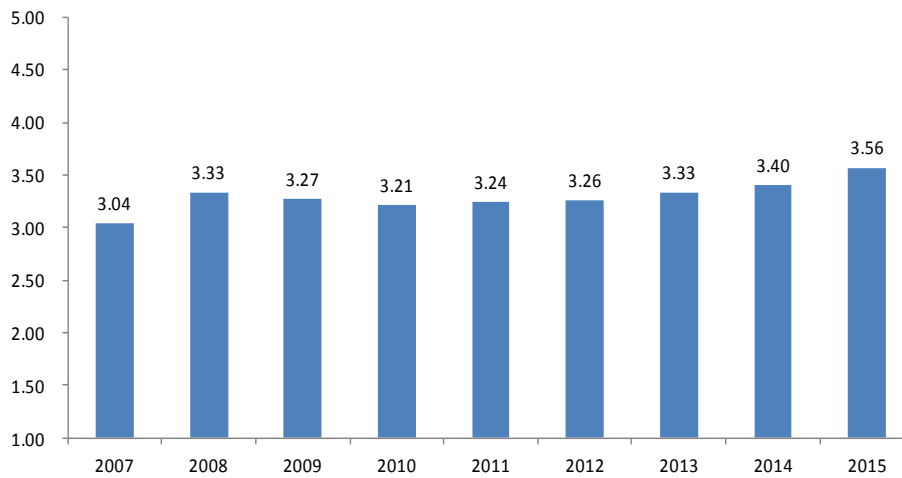
V - Lead by example towards global integration

Europe needs to remain a global hub for trade, investment and ideas, while taking advantage of the global economic landscape more systematically. The objective should be to ensure that European industries can compete successfully in an increasingly integrated global economy. The Transatlantic Trade and Investment Partnership (TTIP) agreement offers the opportunity to enhance cooperation between the EU and the US and the possibility of establishing regulatory standards which will have a profound impact on the way business is conducted globally for decades to come.

The scorecard uses Agenda for Action's five key action areas to measure Europe's performance over time. The performance of each action area is measured by five indicators, both quantitative and qualitative. For each action area, there are three quantitative indicators, which are chosen from credible public sources. In addition, there are two qualitative indicators, which are based on survey responses of AmCham EU members. Indicators are weighted equally and combined into a composite Index.

This report is a supporting document to AmCham EU's annual scorecard which gives a more detailed analytical insight into the indicators in each of Agenda for Action's key action areas.

Figure 1 Overall indicator for Europe between 2007-2015.¹



Source: London Economics (2015)

In 2015, the overall indicator for Europe reached its highest ever level rising to 3.56.

The increase is driven by improvements in four out of five of Agenda for Action's key areas, with scores rising in Building Skills, Global integration, Innovation and Entrepreneurship & Industrial Leadership.

The overall positive picture partly reflects underlying improvements in macroeconomic conditions across Europe in 2015 with economic growth projected to be higher (1.8 %) and unemployment to be lower (9.6%) relative to previous years²

Business sentiment proved to be especially positive: across the survey of AmCham EU members, scores increased or remained stable across all indicators showing that firms were generally more positive in 2015 than in 2014 across all five of Agenda for Action's key areas. Scores based on responses from consulting and financial services firms stood out as being particularly good.

European performance was particularly strong in the area of building skills, showing that European countries are taking steps to resolve unemployment problems and fill skill shortages.

Nevertheless, the picture remains mixed at the country level: performance in Western and Central European countries was generally stronger than in Eastern European countries.

Moreover, European policy-makers still face difficult challenges in implementing policy to foster skills, innovation & technology and further European integration.

¹ Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

² Infac forecasts, spring 2015. http://ec.europa.eu/economy_finance/eu/forecasts/2015_spring_forecast_en.htm

Key findings

- In 2015, the composite indicator measuring Europe's performance across the Agenda for Action's five key action areas reached its **highest ever level since the scorecard began, rising to 3.56 out of a total score of 5.0**. The increase is driven by improvements in four out of the five action areas.
- **Europe has continued to play a key role on the global stage**, with performance improving in the fifth action area of Lead by example towards global integration. For AmCham EU members, **European regulation appears to be less of a barrier to industry than in the past**.
- European countries also displayed **notable improvements in building a more skilled workforce**. This is a key step towards solving the unemployment challenges facing several European countries. Improved workforce skills, alongside growth in economic activity, are key to maintaining the momentum behind the projected decreases in unemployment for 2015 and 2016.1
- The EU experienced a **continued rise in broadband penetration**, suggesting that it is keeping step with the pace of global digital and technological change. Nevertheless, broadband penetration still remains substantially lower in much of Central and Eastern Europe, relative to Western Europe.
- Finally, **attitudes towards entrepreneurship are increasingly positive across Europe**. Firms reported greater satisfaction with innovation policies, demonstrating that Europe is **enhancing its efforts to foster innovation and entrepreneurship**.

Proposals for policy-makers

- Despite improvements in the key action area Building skills for the future, there **are still large skills gaps across European countries**. Levels of life-long learning and educational enrolment in Science, Technology, Engineering and Mathematics (STEM) subjects are still too low in a subset of EU countries. More could be done by policy-makers to close these substantial gaps.
- **Although the importance of further European policy integration is recognised in Brussels**, the analysis based on both qualitative and quantitative indicators suggests that **too little concrete change has been achieved** in this area and more focus is needed.
- Survey data suggests that more could be done in the areas of tax and economic policy and that **governments could still provide more support to innovation**. This analysis implies that policy, both at the EU-level and at the Member State-level, could be better tailored to the needs of companies.
- At the European level, survey data suggests that policy-makers should **increase efforts to encourage entrepreneurship and start-up activity**. Moreover, the quantitative analysis shows that there are large discrepancies in the levels of new business ownership across countries.
- Finally, the indicators on trade and global integration suggest that **European policy-makers could be doing more to make Europe a more attractive destination for investment**. Tariffs and regulatory barriers to trading with countries outside the EU continue to present challenges to companies.

Summary for the breakdown of overall change from 2013-2014

Table 1 Changes in individual indicators from 2013-2014

Indicator	Comment
I-Build Skills for the future	
European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage	There was an increase in the extent to which companies were in agreement with this statement suggesting the efforts of European governments are helping to reduce gaps in skilled labour. ³
Students at ISCED levels 5-6 enrolled in the following fields: science, mathematics, computing, engineering, manufacturing, construction	Students enrolled in these fields as a % of all students increased in most European countries. ⁴
My company is able to attract talent with the right skills	The extent to which companies agreed with this statement remained stable between 2013-2015.
Spend on education	Spending on education as a % of GDP across European countries remained stable ⁵
Lifelong Learning	The % of 18-64 year olds participating in education and training across Europe remained stable from 2013 to 2014. ⁶
II-Drive integration to create an attractive internal market	
Labour productivity per hour worked	Labour productivity increased across Europe. ⁷
Complexity of doing business in Europe has reduced in the last year	This indicator remains unchanged with most firms continuing to feel that changes are not being made to reduce the complexity of business. ⁸
My company sees more opportunity in EU markets	The score based on responses to this statement was stable between 2014 and 2015. ⁹
Transposition Deficit	The % of Single Market directives not yet notified to the Commission in relation to the total number of directives that should have been notified was steady between 2013 and 2014. ¹⁰
Intra-EU direct investment reported by EU Member State	There were decreases in foreign direct investment outflows towards the EU with the average level of Intra-EU direct investment falling by 16% between 2011 and 2012. ¹¹
III-Embrace revolutionary change for industrial leadership	

³ The percentage of firms which *agreed* or *Somewhat agreed* with this statement rose from 36% to 48% from 2014 to 2015.

⁴ Data up to 2012; the average level of student enrolment rose from 26% in 2011 to 30% in 2012.

⁵ Data up to 2012

⁶ Between 2012 and 2014, the average level of lifelong learning rose from 16.9% to 18.3%.

⁷ Data up to 2013; between 2012 and 2013, the average level of labour productivity across Europe rose from 105 to 106.

⁸ 52% of firms reported no change in this indicator between 2014 and 2015.

⁹ Indicator score changed by only 0.01 between 2014 and 2015.

¹⁰ Score for this indicator was 1.89 in 2013 as compared to 1.81 in 2014 on this indicator.

¹¹ Data up to 2012

European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner	There was a substantial increase in the proportion of firms in agreement with this statement between 2014-2015. ¹²
Broadband penetration rate	The broadband penetration rate steadily increased between 2012-2014. ¹³
Tax and economic policies create an enabling environment for Competitiveness in advanced manufacturing	Overall, responses to this statement were stable between 2014-2015.
Employment in high- and medium-high-technology manufacturing	The share of the workforce in high and medium high-technology manufacturing remained stable.
High-tech exports	High tech exports as a share of total exports were stable. Although, trends did diverge at the individual country level.
IV- Develop new models of innovation and entrepreneurship	
European innovation policies had a positive impact on my company in the last year	Between 2014-2015, there was a decrease in the proportion of firms disagreeing with this statement fell from 26% to 10%.
Entrepreneurial Attitudes and Perceptions- Entrepreneurship as desirable career choice	The % of 18-64 year olds who agreed with the statement that <i>In their country, most people consider starting a business as a desirable career choice</i> increased. This was driven by substantial improvements in attitudes in France, UK and Germany. ¹⁴
Entrepreneurial dynamism and start up activity has increased in Europe	The average level of the percentage of 18-64 year olds in agreement with this statement remained steady from 2012-2014.
New Business Ownership Rate	The % of 18-64 population who are currently an owner-manager of a new business was steady across Europe.
Gross Domestic Expenditure on R&D (GERD)	The share of GDP spending on R&D remained steady across Europe.
V - Lead by example towards global integration	
Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners	From 2014-2015, there was a drop in the proportion of firms disagreeing with this statement. ¹⁵
Europe has become a more attractive destination for investments for companies in the last year	Between 2014-2015, there was an increase in the proportion of firms in agreement with this statement. ¹⁶
Inward Direct investment flows	Inward investment flows increased on aggregate. This increase is the result of substantial changes in Austria, the Netherlands, Italy and Germany.
Foreign students	Foreign students increased in most countries. ¹⁷

¹² Increased from 30% in 2014 to 52% in 2015.

¹³ Consistently rising by 3% between 2012-2013 and 2013-2014.

¹⁴ Across Europe, entrepreneurial attitudes increased by 3% between 2013 and 2014.

¹⁵ Between 2014 and 2015, the proportion of firms giving the responses *Disagree* or *Somewhat Disagree* fell from 36% to 18%.

¹⁶ Between 2014 and 2015, the number of respondents responding *Agree* or *Somewhat Agree* to the statement rose from 16% to 22%.

¹⁷ Data up to 2012.

Trade in goods and services

There is no clear trend in the trade of goods and services measured as a % of GDP which reflects highly divergent trends across countries.

Methodology

For each action area, the indicator scores are based on five equally weighted indicators: three quantitative indicators, which are from public sources and two qualitative indicators, which are based on an annual survey of AmCham EU members.

Please note that as there is a time lag associated with the availability of quantitative indicators, **the indicators scores for each year are based on the qualitative scores from that year and the quantitative scores from the latest available year.**¹⁸

The data for the quantitative indicators is sourced from multilateral agencies and international organisations (Eurostat, OECD, UNCTAD, GEM consortium). Due to a lack of up-to-date data and missing data for some indicators, the following imputation methods were used to compute indicator scores:

- 1) In cases where the data point is missing at the beginning of the series from 2006, we have assumed it is the same as the closest year available.
- 2) If there was a clear upward/downward trend in the data for the past five years, missing data points was imputed using a compound annual growth rate (CAGR) of the past five years.
- 3) If there was no clear upward/downward trend, missing data was imputed using an average of the past five years.

In this report, it has been flagged whenever the data changes were not available up to 2014.

The data is then standardised in two ways: it is normalized first and then converted using a variable scoring method to a 1-5 score. This is done for each indicator for 23 EU countries from 2007-2015.¹⁹

We normalize the indicators first to give each indicator the same distribution so that all the individual indicators are comparable and use a variable scoring method (Min-Max Transformation) to convert these scores to a 1-5 scale.

In turn, indicator scores may be revised over time as new observations may alter how existing observations are standardised and scored.²⁰

The indicators weight countries according to their relative GDP size. As a result, larger countries will have a more substantial impact than smaller countries on the size of indicators. For instance, if Germany improved its performance on all quantitative indicators by 10% relative to its 2014 scores, then the increase in the overall score for Europe between 2013-2014 would be double its

¹⁸ As the qualitative survey was only started in 2012, scores from 2007-2011 were computed using the qualitative scores from 2012.

¹⁹ Croatia, Bulgaria, Cyprus, Luxembourg and Malta were all removed from the computation of final key performance indicators. Croatia, Bulgaria and Cyprus were left out due to missing data while Luxembourg and Malta were removed as they were significant outliers for the theme Lead by Example towards global integration.

²⁰ There was a substantial change in the magnitude of scores between 2014 and 2015 due to a change in the treatment of missing and extreme value: while extreme values were included in the sample range in 2014, they were removed in 2015.

actual figure. However, if we performed the same 10% change in Poland then most of the indicators would be unaffected and the impact on the overall indicator would be marginal.

As such, while large percentage changes in small countries may seem significant they are likely to have only marginal effects on the key performance indicators.

Please note that Croatia, Bulgaria, Cyprus, Luxembourg and Malta were all removed from the computation of final key performance indicator scores. Croatia, Bulgaria and Cyprus were left out due to missing data while Luxembourg and Malta were removed as they were significant outliers for the theme Lead by Example towards global integration.²¹

Survey of AmCham EU Members

The qualitative scores are provided by responses to a survey sent out to AmCham EU members that can be found in Annex 2.

The survey of AmCham EU members attracted 51 responses in 2015 compared with 48 responses in 2014. Around 20% of the firms that responded in 2014 responded in 2015.

As shown in the table below, the breakdown of respondents by sector remains reasonably stable between 2014 and 2015.

Table 2 Summary of survey responses in 2014 and 2015.

	2014	2015
Total responses	48	51
Number of individual companies that responded	46	42
Breakdown by broad sector		
Automotive	6%	6%
Consulting & Financial services	13%	22%
Consumer Goods	15%	10%
Energy	4%	8%
ICT	17%	16%
Legal	4%	4%
Manufacturing	21%	16%
Pharmaceutical	8%	4%
Other	13%	14%

²¹ In particular, for the [Inward direct investment flows](#) and [Foreign Students](#) indicators.

2 I - Build skills for the future

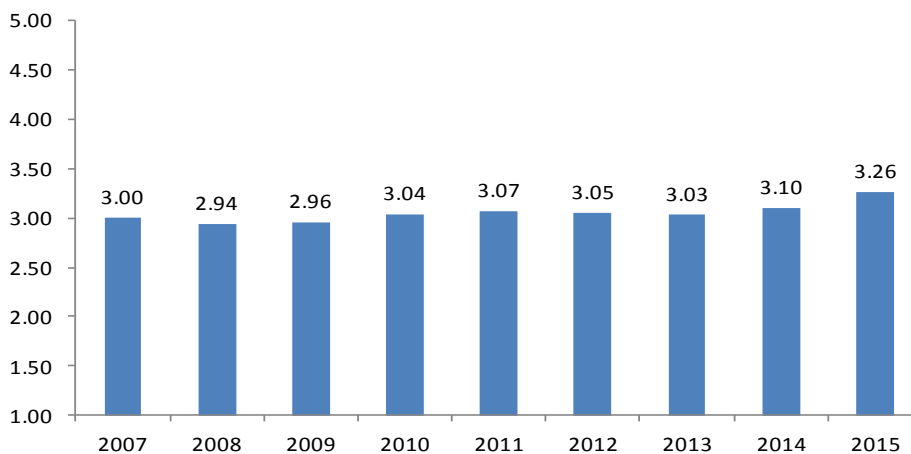
If Europe is to compete in an ever-changing global environment, policies need to be in place to ensure its citizens are well-equipped to meet the needs of the future marketplace. This will require investment in training and skills development at every stage of workers' lives to remain relevant to the needs of society and the economy.

The Build Skills for the future KPI is based on the following indicators.

Table 3 I - Build skills for the future

Indicator	Measure	Source
Students at ISCED levels 5-6 enrolled in the following fields: science, mathematics, computing, engineering, manufacturing, construction	Students enrolled in these fields as a % of all students	Eurostat
Spend on education	Measured as % of GDP	Eurostat
Lifelong Learning	% of 18-64 yr. olds participating in education and training	Eurostat
My company is able to attract talent with the right skills	Survey Based	AmCham EU Survey
European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage	Survey Based	AmCham EU Survey

Figure 2 I - Build skills for the future between 2007 and 2015.²²



Source: London Economics (2015)

²² Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

Overall, we observe an increase in Build skills for the future across Europe between 2014 and 2015. With average levels of unemployment across Europe still about pre-crisis levels²³, this result is encouraging as building skills should help to solve the problems of persistent unemployment across Europe.

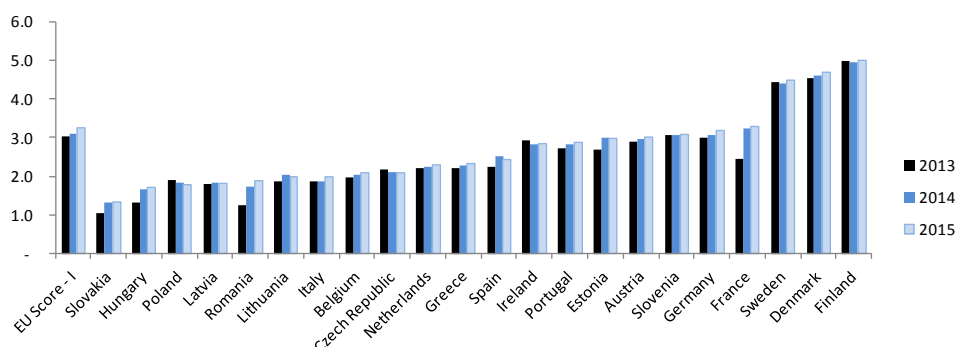
In context, the magnitude of the increase from the quantitative indicators is equivalent to a country the size of Spain either increasing student enrolment by 20% (from 27% to 29%) or increasing spending on education by 30% (from 4.7% to 6%) or increasing lifelong learning by 50% (from 3.8 % to 7.6%).

In absolute terms, the leading countries at Building skills for the future are the Nordic countries: Finland, Sweden and Denmark all stand out as having high scores across all indicators.

As to the survey results, there is an improvement in the qualitative score driven by increases in the proportion of firms agreeing that *European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage*.

In terms of levels, the survey results show that in 2015 less than 10% of firms did not agree with each of the statements regarding Build skills for the future. **Hence, most firms appear able to attract sufficient talent and feel that European governments are investing in the workforce.**

Figure 3 Build Skills for the future indicator across Europe from 2013-2015.



Source: London Economics (2015)

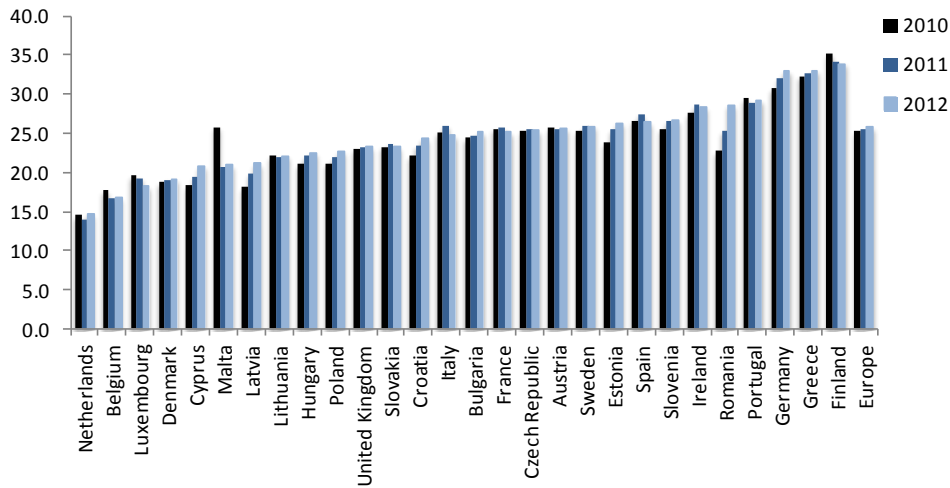
2.1 Students at ISCED levels 5-6 enrolled in the following fields: science, mathematics, and computing, engineering, manufacturing, construction - as a % of all students.

For data up to 2012, we observe a steady increase in the percentage of students enrolled in the above fields.

²³ http://ec.europa.eu/economy_finance/eu/forecasts/2015_spring/statistical_en.pdf.

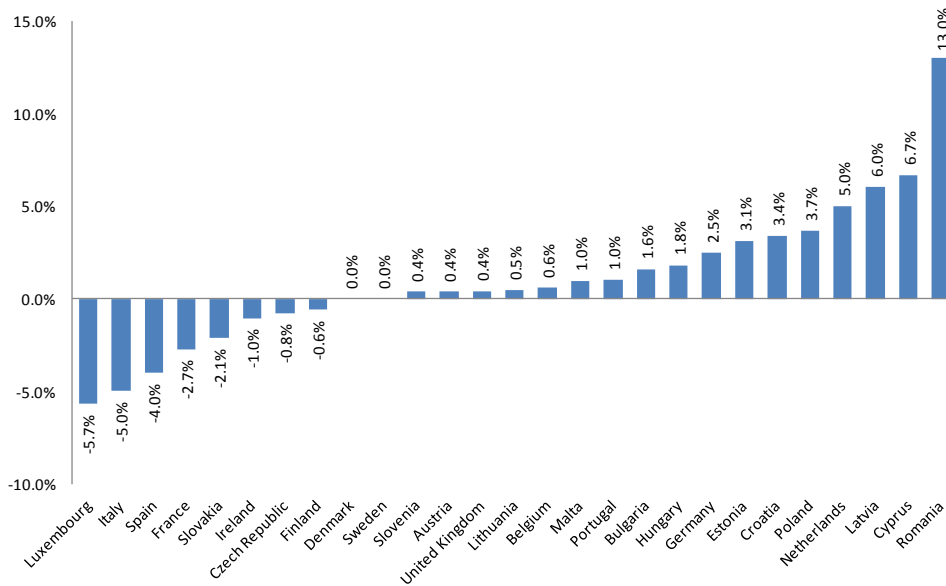
5 year average level of unemployment between 8.2 & 9 % between 2000-2010 relative to 9.6% projected level in 2015.

Figure 4 Students at ISCED levels 5-6 enrolled in the following fields: science, mathematics, and computing, engineering, manufacturing, construction (as a % of all students) from 2010-2012.



Source: Eurostat (2015)

Figure 5 % Change in students at ISCED levels 5-6 enrolled in the following fields: science, mathematics, and computing, engineering, manufacturing, construction between 2011-2012.



Source: Eurostat (2015)

2.2 Lifelong Learning (% of 18-64 yr. olds participating in education and training)

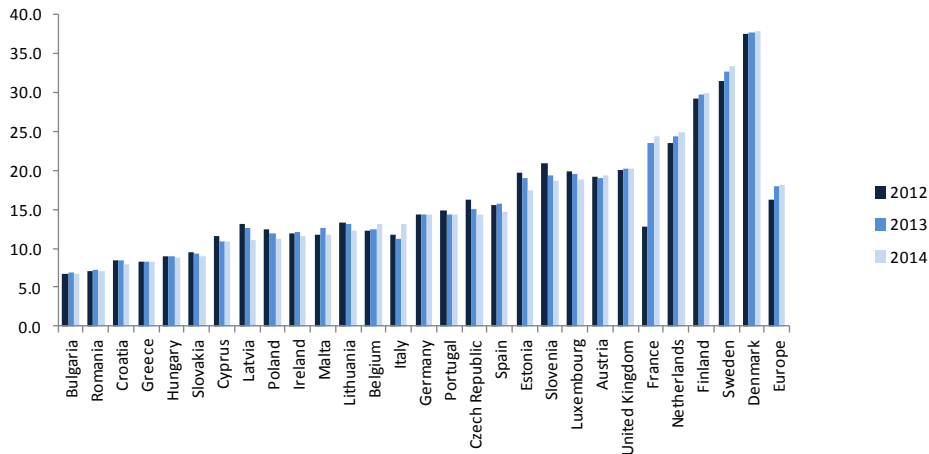
The average level of lifelong learning remained stable between 2013-2014.

However, this result reflects divergent trends across countries. On the one hand, there were substantive increases in lifelong learning across a small set of western European countries i.e. Italy,

France and Denmark. While on the other hand, lifelong learning fell across all the Eastern European countries alongside Spain, Ireland and Greece.

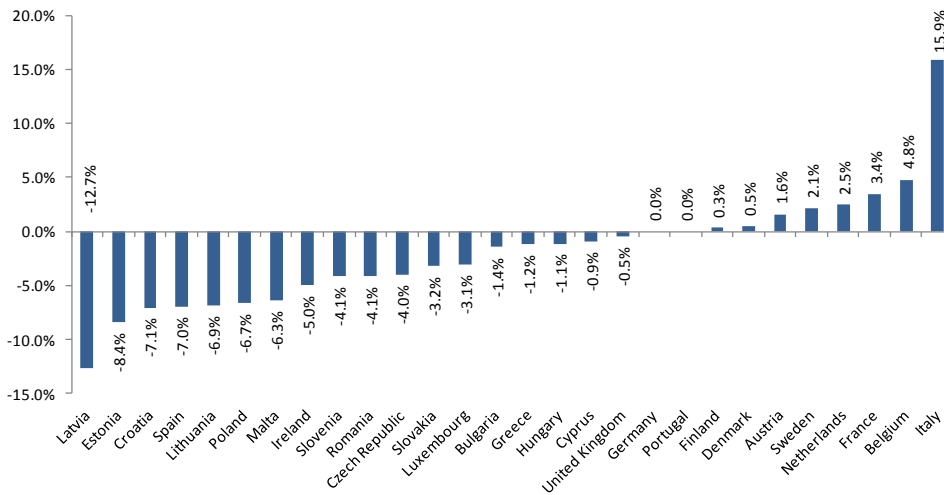
In absolute terms, there is a stark gap between lifelong learning across different European countries: while in Denmark over 35% of 18-64 participate in ongoing education and training, this is less than 10% in countries such as Bulgaria, Romania and Greece.

Figure 6 Lifelong learning in Europe from 2012-2014 (% of 18-64 year olds participating in education and training).



Source: Eurostat (2015)

Figure 7 % Change in Lifelong learning in Europe between 2013-2014.



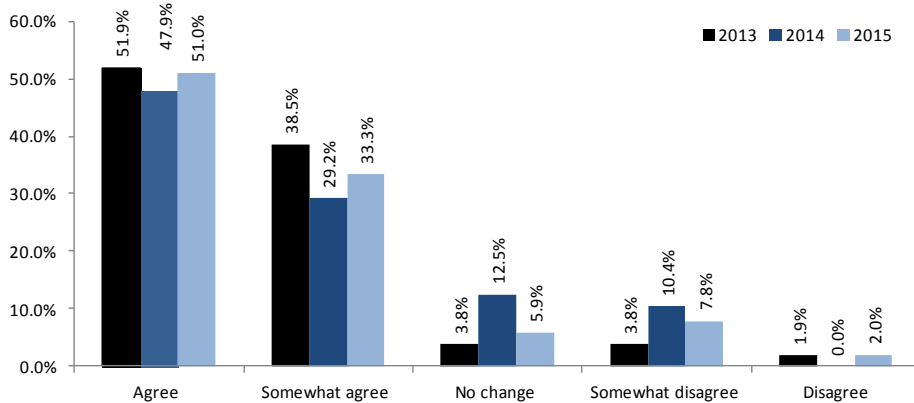
Source: Eurostat (2015)

2.3 My company is able to attract talent with the right skills

The extent to which companies agreed with the statement *My company is able to attract talent with the right skills* remained stable between 2013-2015.

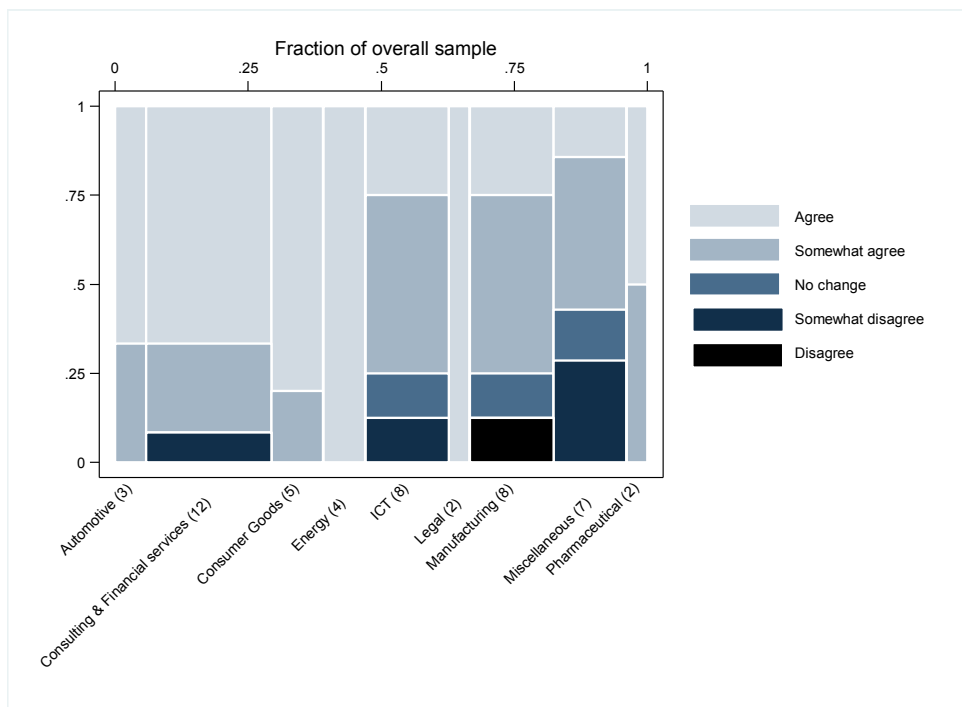
In general, it appears that most companies feel they are able to attract talent with the right skills although the breakdown of the survey results by sector indicates that there may be a skills gap in the Manufacturing and Computing sectors.

Figure 8 Change in responses to the statement *My company is able to attract talent with the right skills* between 2013-2015.



Source: AmCham EU Survey (2015)

Figure 9 Breakdown of company responses to the statement *My company is able to attract talent with the right skills* by sector in 2015.



Source: AmCham EU Survey (2015)

2.4 European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage

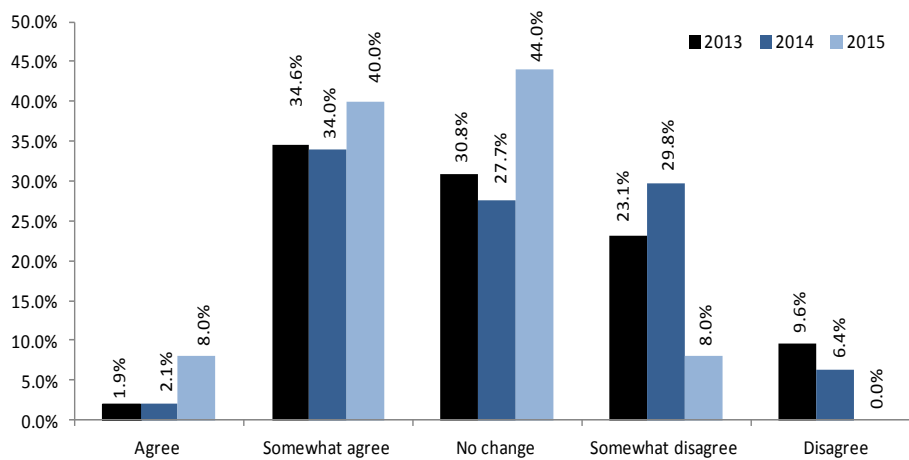
There was a substantial improvement in the extent to which companies agreed or somewhat agreed with the statement European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage between 2013-2015.

Interestingly, the figures below suggest that between 2014 and 2015 these improvements have been made in the ICT and Manufacturing sectors which were identified in section 2.3 as the areas in which there appeared to be the greatest skills gap.

Despite the improvements, only 8% of firms agreed with the statement suggesting that most firms do feel that there is room for even more substantial investment.

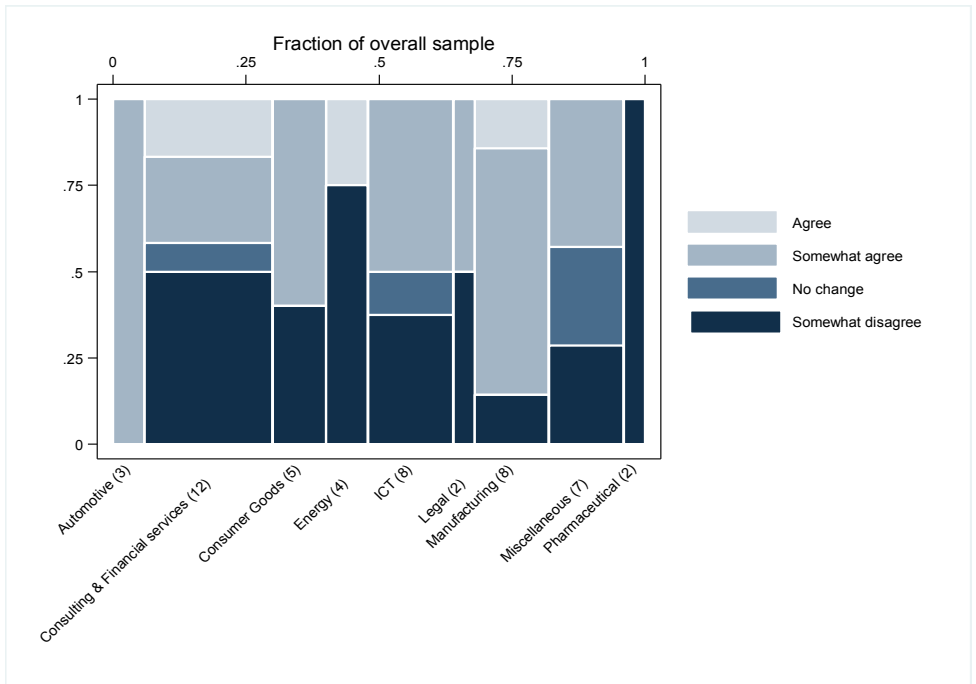
Interestingly, there was no correlation between how individual companies responded to this statement and their responses to the statement regarding whether their own companies were able to attract talent with the right skills. (See Annex I)

Figure 10 Change in responses to the statement *European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage between 2013-2015.*



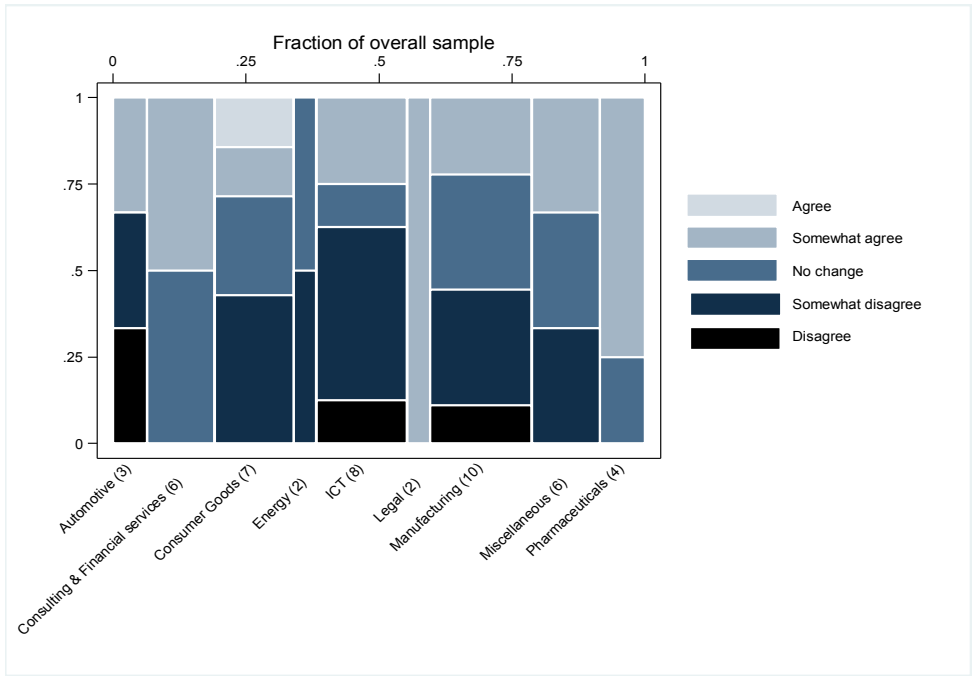
Source: AmCham EU Survey (2015)

Figure 11 Breakdown of company responses to the statement *European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage* by sector in 2015.



Source: AmCham EU Survey (2015)

Figure 12 Breakdown of company responses to the statement *European Governments are investing to build relevant talent pools to create a real and sustainable competitive advantage* by sector in 2014.



Source: AmCham EU Survey (2015)

3 II - Drive integration to create an attractive internal market

Europe needs to complete the Single Market, particularly in the areas of services, the digital market, energy and transportation. Efforts also need to be made to improve harmonisation of policies and regulation. The objective should be to make Europe an attractive destination for investment and a hub of economic growth and innovation which contributes to global regulatory and industrial standards.

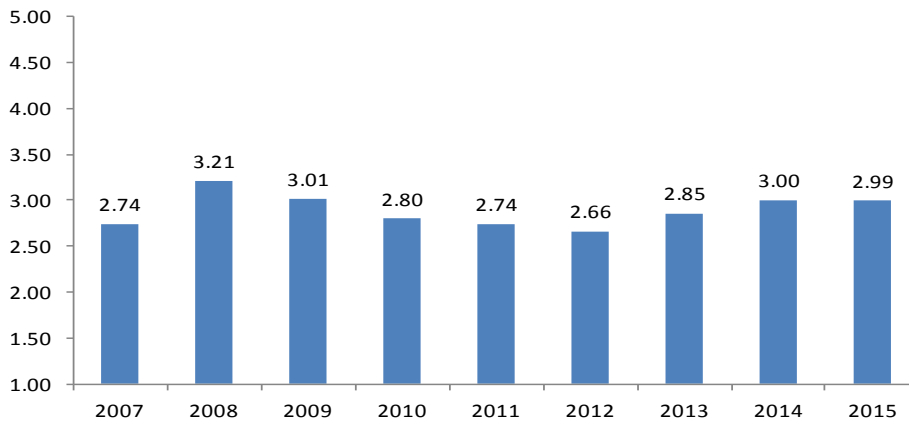
The Drive integration to create an attractive internal market KPI is based on the following indicators.

Table 4 II - Drive integration to create an attractive internal market

Indicator	Measure	Source
Labour productivity per hour worked	Real output per unit of labour input	Eurostat
Intra-EU direct investment reported by EU Member State	Foreign direct investment outflows towards the EU	Eurostat
Transposition Deficit	% of Single Market directives not yet notified to the Commission in relation to the total number of directives that should have been notified	Eurostat
Complexity of doing business in Europe has reduced in the last year	Survey Based	AmCham EU Survey
My company sees more opportunity in EU markets	Survey Based	AmCham EU Survey

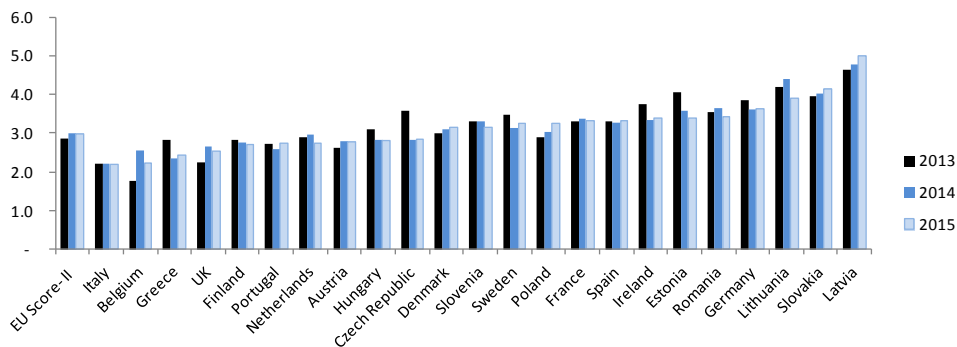
The Drive integration to create an attractive internal market indicator remains steady between 2014 and 2015. This is both at the level of the quantitative indicators and qualitative survey results.

Figure 13 II - Drive integration to create an attractive internal market between 2007 and 2015.²⁴



Source: London Economics (2015)

Figure 14 Drive integration to create an attractive internal market scores across Europe from 2013-2015.



Source: London Economics (2015)

3.1 Labour productivity per hour worked

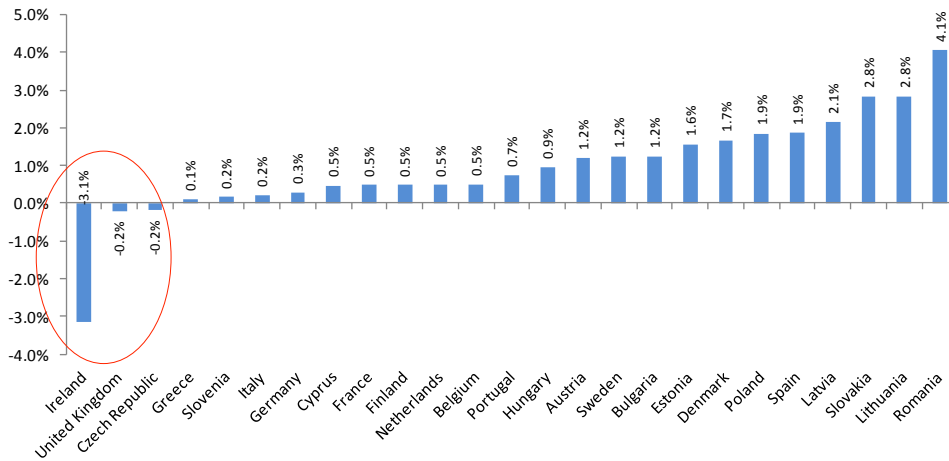
Between 2012 and 2013, Europe displays an increasing trend in labour productivity which seems to be reflecting a general trend across Europe. The magnitude of this increase is equivalent to the impact of a country the size of France increasing its labour productivity by 5% (from 105 to 110).

This is general trend may be due to be the result of increased growth across Europe.

The only exceptions were the UK, Ireland and the Czech Republic.

²⁴ Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

Figure 15 % Change in Labour productivity per hour worked between 2012-2013.



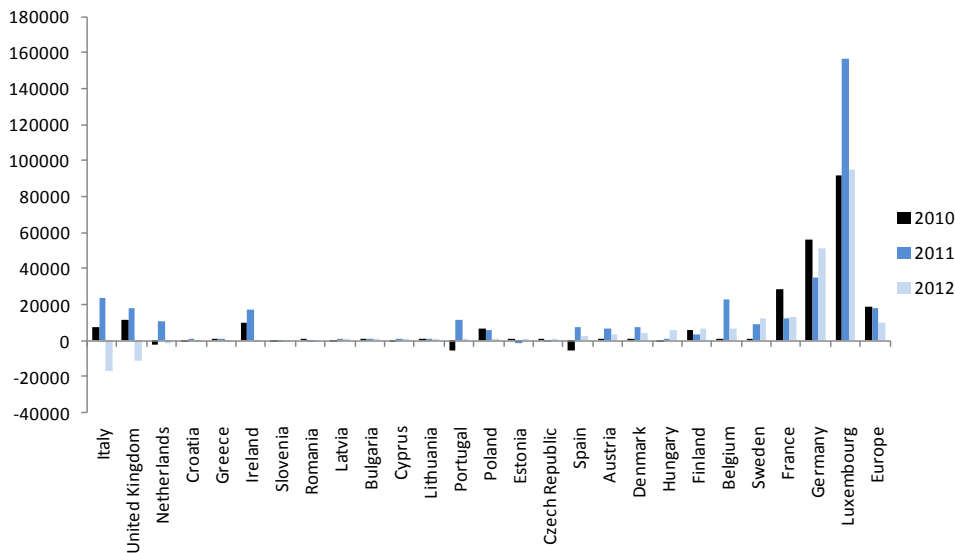
Source: Eurostat (2015)

3.2 Intra-EU direct investment reported by EU Member State

There is a fall in the intra-EU direct investment indicator. This is reflecting substantial falls in intra-EU investment in the UK, Italy, Netherlands and Ireland in 2011-2012.

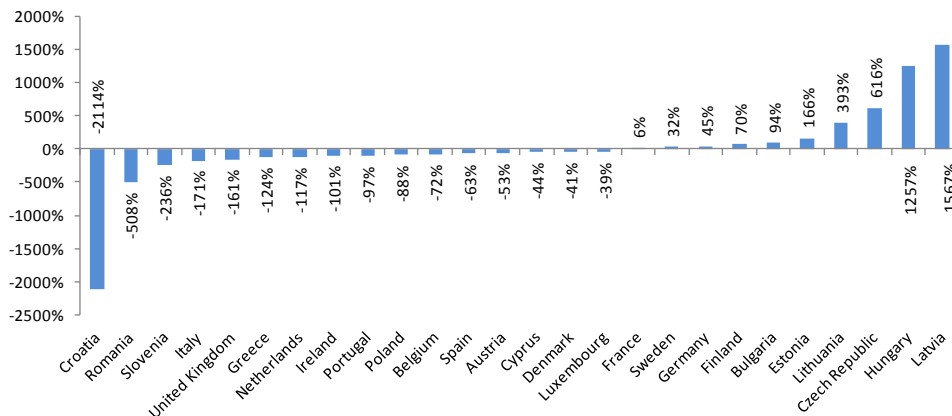
Indeed, around 40% of the fall in Intra-EU direct investment indicator between 2011-2012 can be accounted for by the changes in these four countries.

Figure 16 Intra-EU direct investment from 2010-2012 (in millions of Euros).



Source: Eurostat (2015)

Figure 17 % Change in Intra-EU investment between 2011-2012.



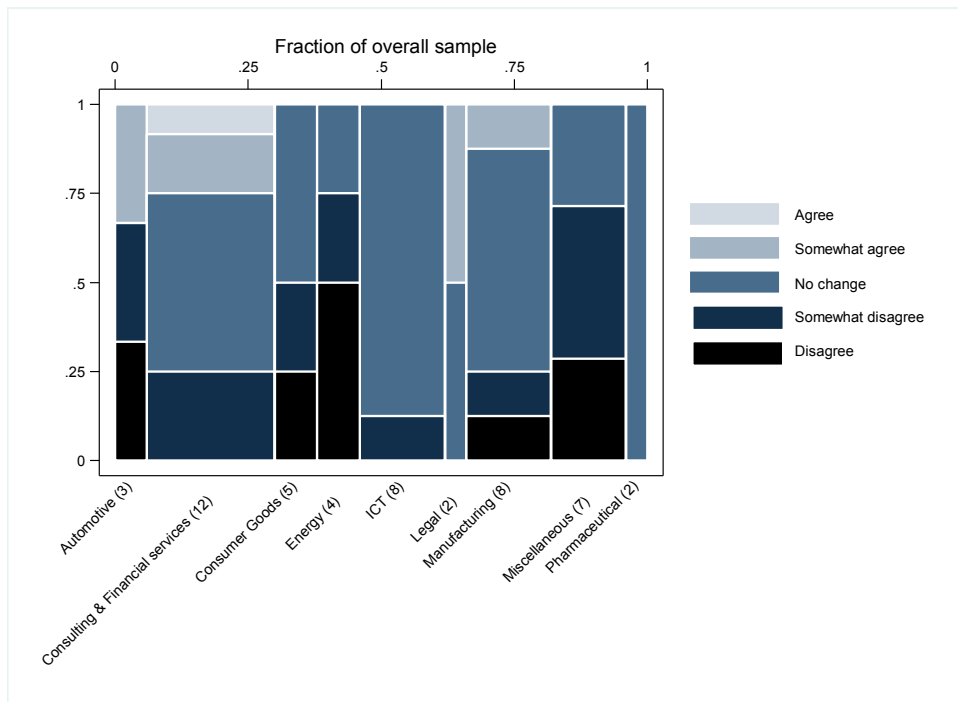
Source: Eurostat (2015)

3.3 Complexity of doing business in Europe has reduced in the last year

Overall, there was little change in the proportion of survey respondents agreeing with the statement *Complexity of doing business in Europe has reduced in the last year*.

Over half (52%) of companies surveyed report no change in complexity which suggests that there may be room for European governments to do more in this area. From the sectoral breakdown, we can infer that the biggest improvements in reducing complexity arose in the consulting and financial services sector of the economy.

Figure 18 Breakdown of company responses to the statement *Complexity of doing business in Europe has reduced in the last year* by sector in 2015.



Source: AmCham EU Survey (2015)

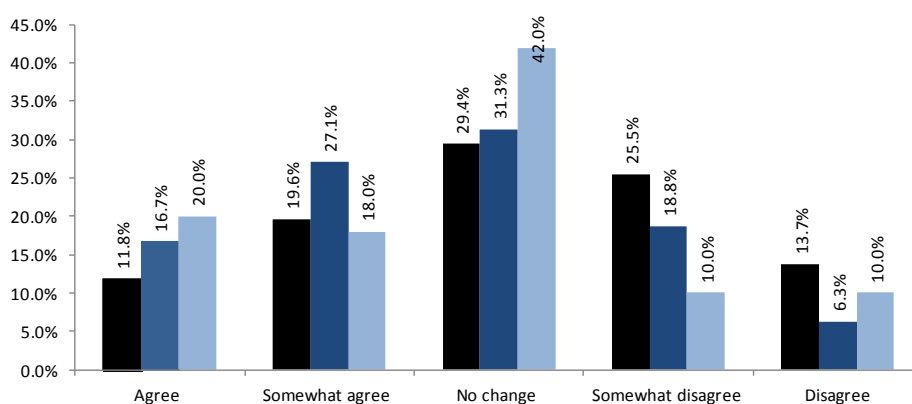
3.4 My company sees more opportunity in EU markets

Equally, there was also very little change in the proportion of survey respondents agreeing with the statement *My company sees more opportunity in EU markets*.

The breakdown by sector suggests that in many sectors fewer firms are agreeing with this statement such as in Manufacturing and Consumer goods. However, this is countered by the fact that there were a large number of responses from Consultancy and financial services firms in the 2015 survey whose responses were more positive.

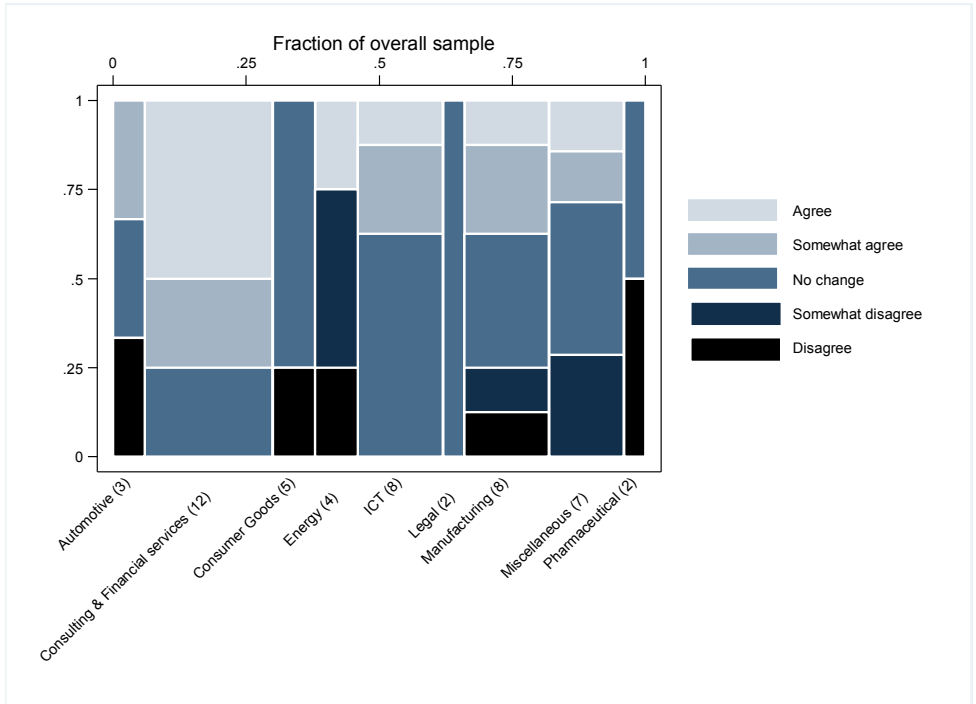
In term of levels, 20% of firms *agreed* with this statement in 2015 which implies that EU markets are offering opportunities to firms.

Figure 19 Change in responses to the statement *My company sees more opportunity in EU markets* between 2013-2015.



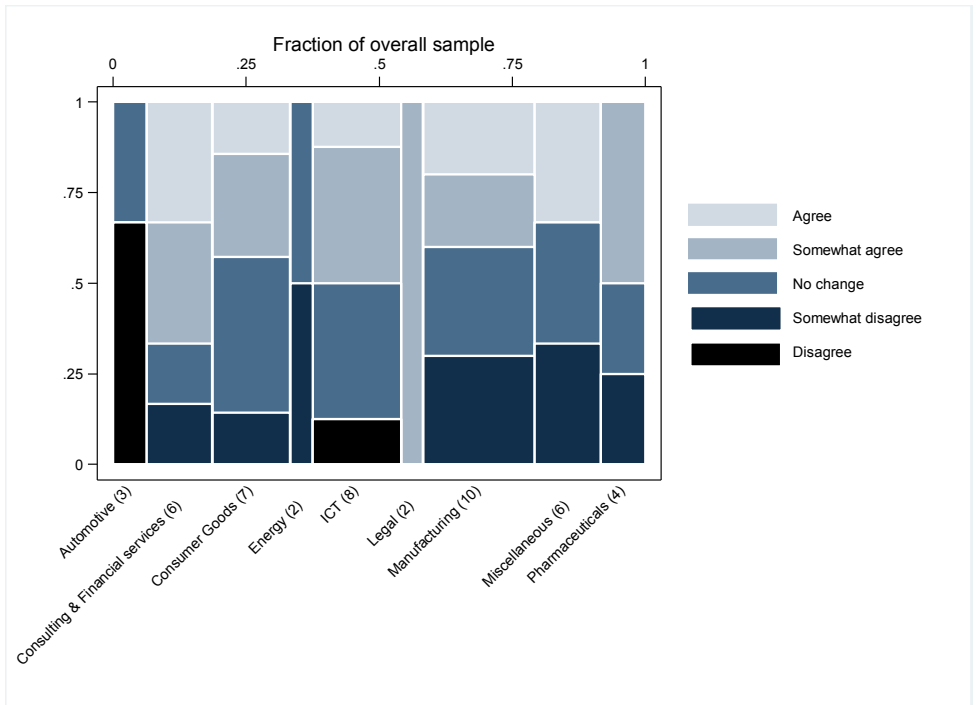
Source: AmCham EU Survey (2015)

Figure 20 Breakdown of company responses to the statement *My company sees more opportunity in EU markets* by sector in 2015.



Source: AmCham EU Survey (2015)

Figure 21 Breakdown of company responses to the statement *My company sees more opportunity in EU markets* by sector in 2014.



Source: AmCham EU Survey (2015)

4 III – Embrace revolutionary change for industrial leadership

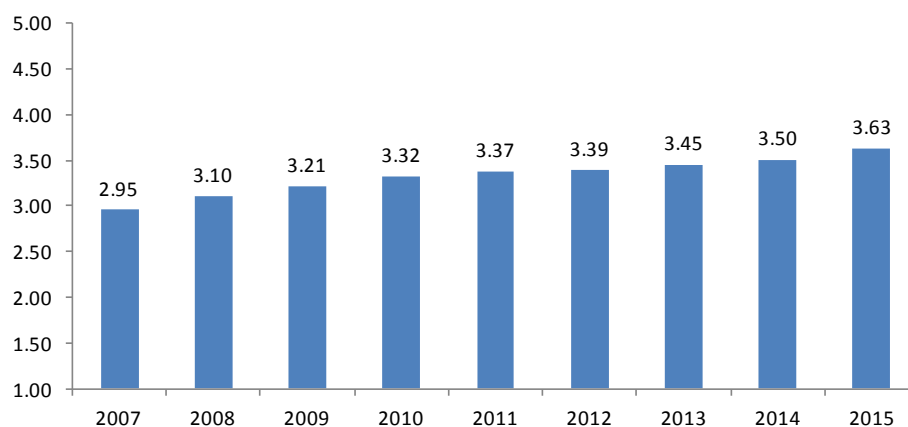
Europe has built a strong industrial foundation and now is the time to capitalise on its expertise across all sectors including pharmaceuticals, healthcare, energy, transport, aerospace, security, chemicals, biotech and digital technologies. The objective should be to establish policies to keep European industry at the cutting edge to ensure sustainable economic growth.

The Embrace revolutionary change for industrial leadership indicator KPI is based on the following indicators.

Table 5 III-Embrace revolutionary change for industrial leadership

Indicator	Measure	Source
Broadband penetration rate	Rate of fixed broadband penetration indicator includes DSL, Cable and Fibre.	OECD
High-tech exports	Exports of high technology products as a share of total exports	Eurostat
Employment in high- and medium-high-technology manufacturing	Measured as share of total employment	Eurostat
European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner	Survey Based	AmCham EU Survey
Tax and economic policies create an enabling environment for Competitiveness in advanced manufacturing	Survey Based	AmCham EU Survey

Figure 22 III-Embrace revolutionary change for industrial leadership from 2007-2015.²⁵



Source: London Economics (2015)

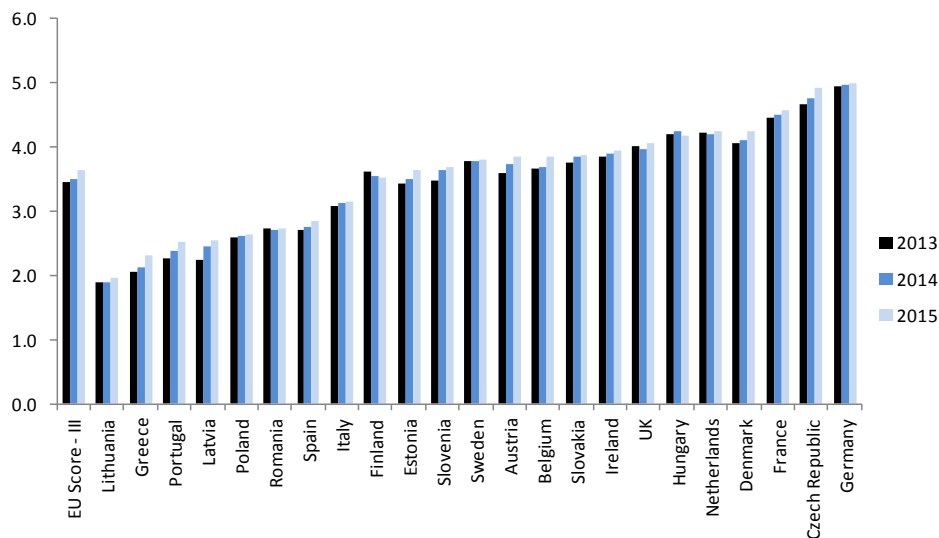
²⁵ Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

There is a slight upward trend in the Embrace revolutionary change for industrial leadership indicator. In context of the quantitative indicators, the magnitude of the increase we observe is equivalent to a country the size of Spain either increasing broadband penetration by 50% (from 27% to 54%) or tripling its share of high tech exports (from 5% to 15%) or increasing employment in high and medium high technology manufacturing by 80% (from 3.8 % to 7.6%).

In terms of the quantitative indicators, this increase is primarily driven by the change in the Broadband penetration rate.

While for the qualitative indicators, there was an increase in the score from responses to the statement *European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner between 2014 and 2015.*

Figure 23 Embrace revolutionary change for industrial leadership across Europe from 2013-2015.



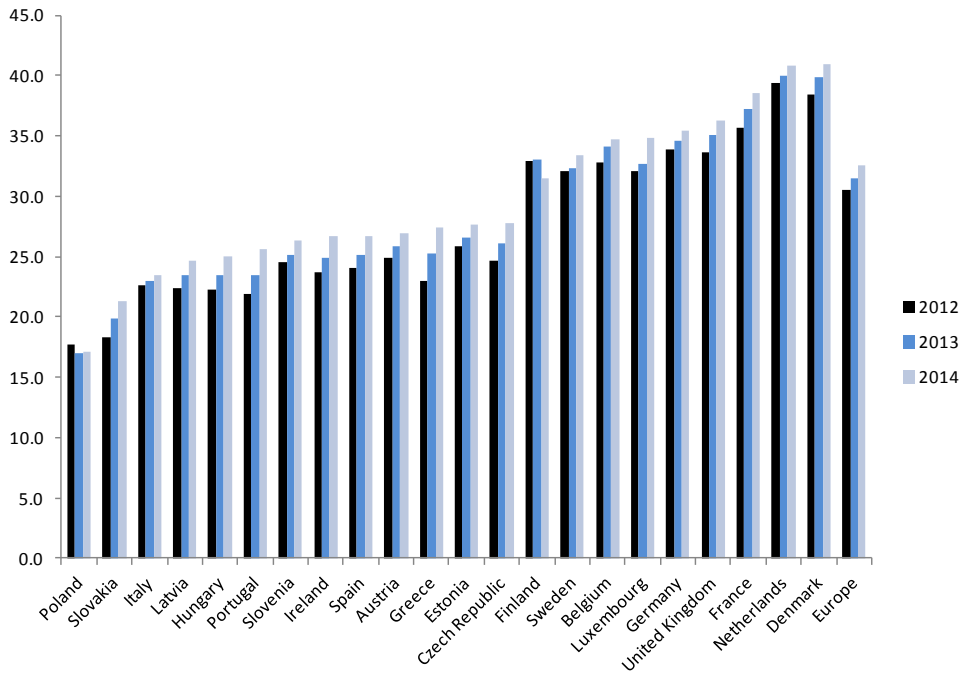
Source: London Economics (2015)

4.1 Broadband penetration rate

There is a consistent upward trend in broadband penetration across Europe. The magnitude of the change observed is substantial: it is equivalent to Germany increasing its broadband penetration by 12.5% (from 35% to 39%).

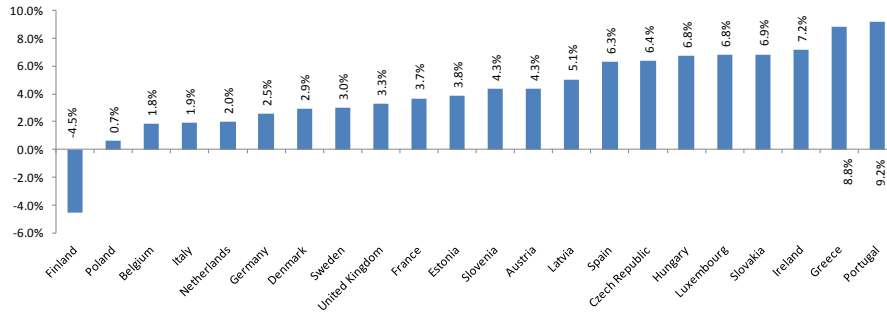
The only exception to this trend is Finland where fixed broadband penetration has been falling since 2010. However, we observe a corresponding increase in wireless penetration in Finland over this period. Thus, this decrease is reflecting a switch from fixed to wireless broadband within Finland. This finding suggests that as Europe switches from fixed to wireless broadband then wireless broadband penetration is likely to become a more relevant indicator for assessing overall penetration.

Figure 24 Fixed broadband penetration rate from 2012-2014.



Source: OECD (2015)

Figure 25 % Change in Broadband penetration rate between 2013-2014.

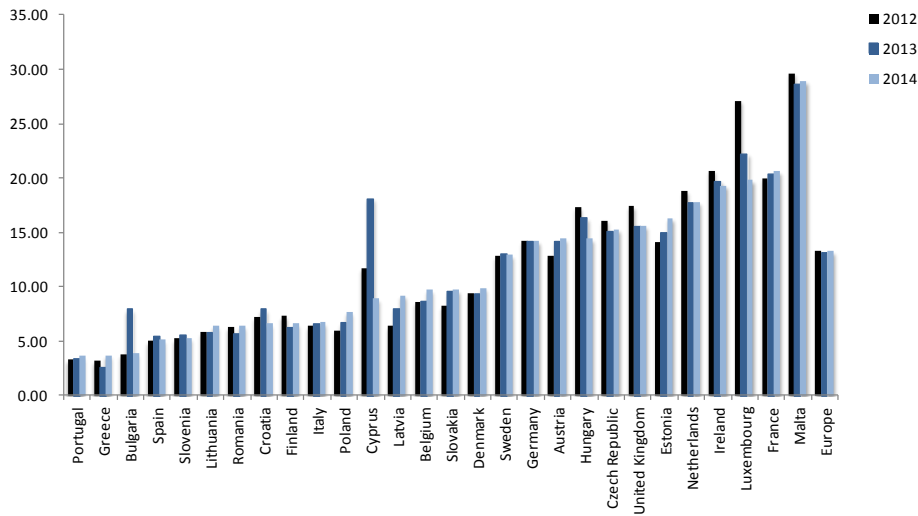


Source: OECD (2015)

4.2 High-tech exports - Exports of high technology products as a share of total exports

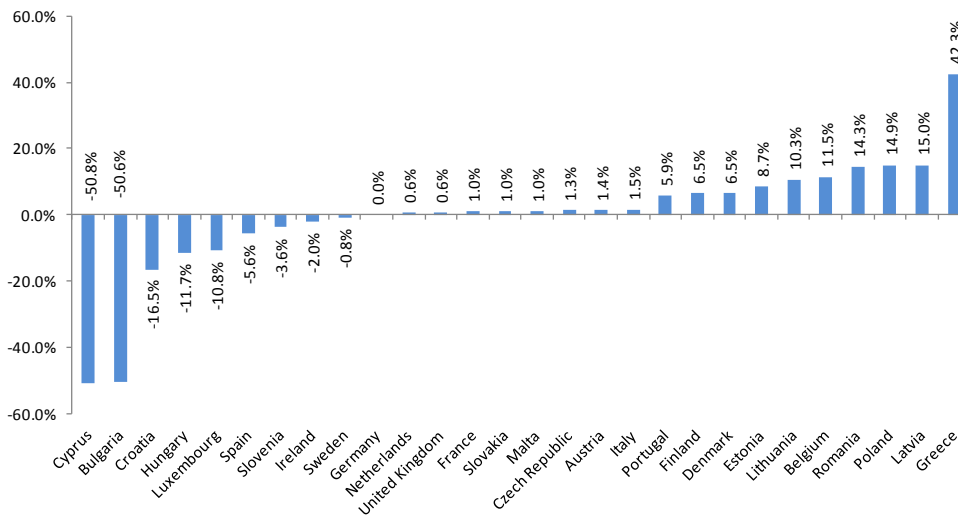
We observe a stable trend in the average level of high technology exports as a share of total exports.

Figure 26 Changes in high-tech exports from 2012-2014 (as % of total exports).



Source: Eurostat (2015)

Figure 27 % Change in high tech exports between 2013 and 2014.



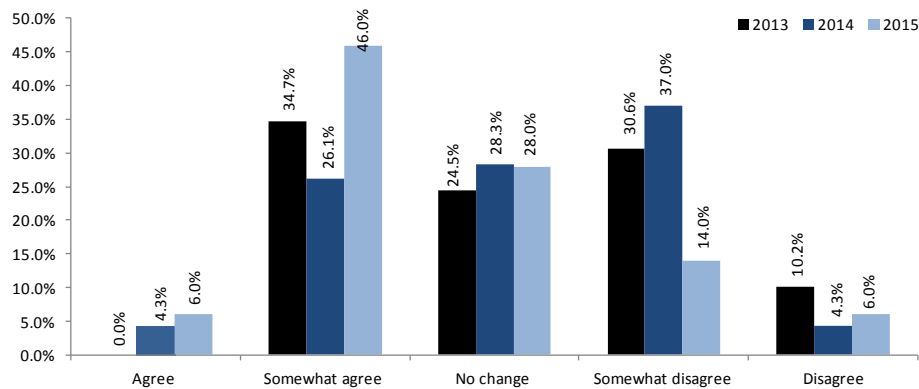
Source: Eurostat (2015)

4.3 European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner

Only a small proportion of firms completely agreed²⁶ with the statement European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner in 2015

However, between 2014-2015 they was a substantial increase in the proportion of firms agreeing or somewhat agreeing with this statement. This suggests that although European governments could be doing more in this area, they are making progress.

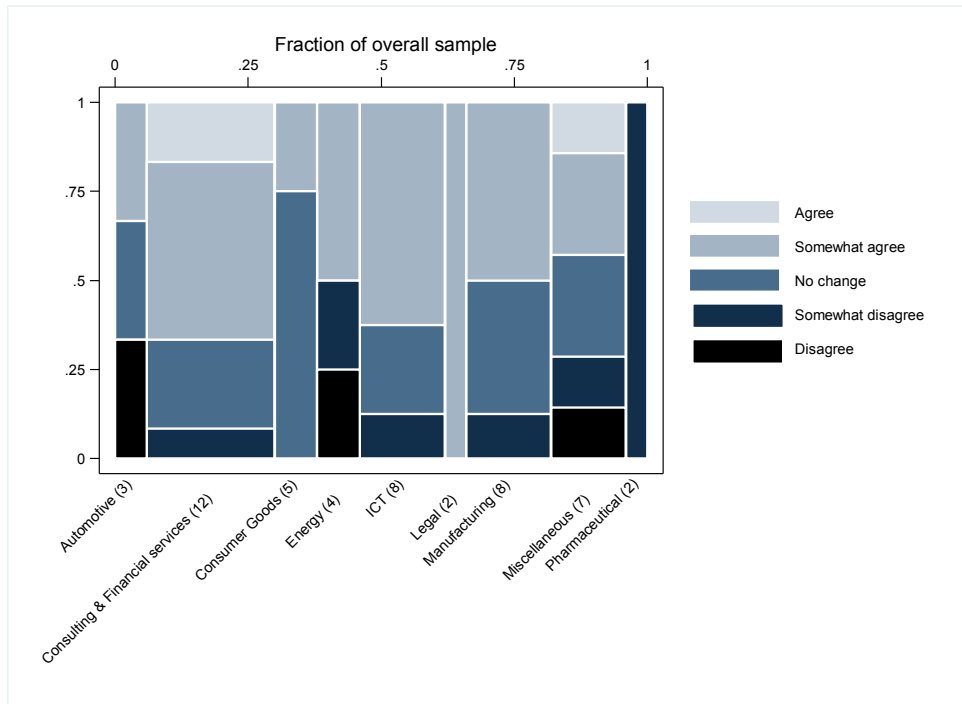
Figure 28 Change in responses to the statement *European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner* between 2013-2015.



Source: AmCham EU Survey (2015)

²⁶ 6%

Figure 29 Breakdown of company responses to the statement *European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner by sector in 2015.*



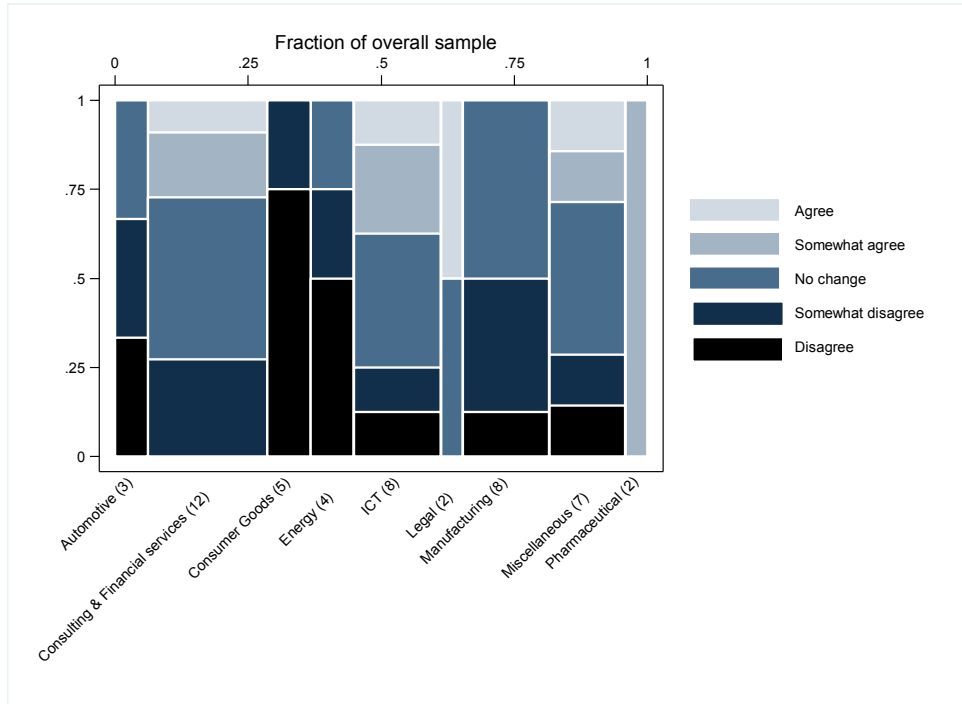
Source: AmCham EU Survey (2015)

4.4 Tax and economic policies create an enabling environment for Competitiveness in advanced manufacturing

Overall, the score based on responses to the statement Tax and economic policies create an enabling environment for Competitiveness in advanced manufacturing was stable between 2014-2015.

We can note from the sectoral breakdown below that performance on this metric was particularly poor in the energy and consumer goods sectors of the economy.

Figure 30 Breakdown of company responses to the statement: ‘Tax and economic policies create an enabling environment for Competitiveness in advanced manufacturing’ by sector in 2015.



Source: AmCham EU Survey (2015)

5 IV - Develop new models of innovation and entrepreneurship

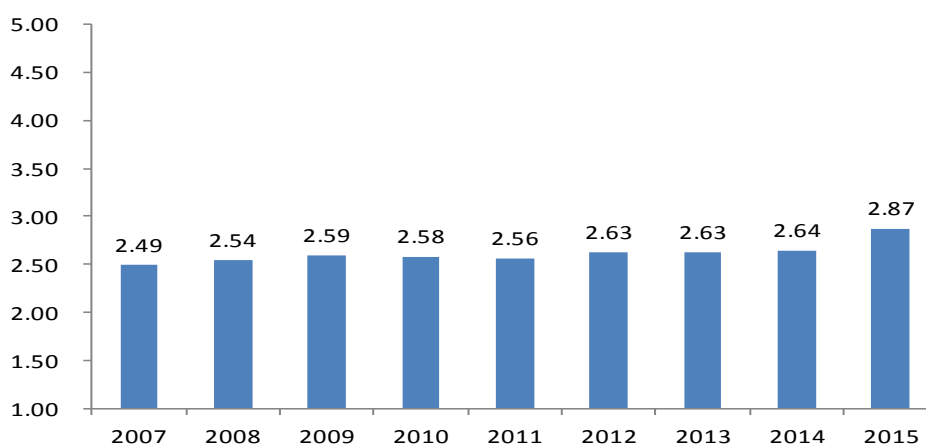
Innovation and entrepreneurship have been hailed as great drivers of growth. The next generation of entrepreneurs need to be supported and encouraged through incentive programmes. At the same time, fresh models of partnership between governments, businesses and the wider civil society need to be developed and promoted. The objective should be to foster dynamic and flexible thinking to generate economic opportunities for the future.

The Develop new models of innovation and entrepreneurship KPI is based on the following indicators.

Table 6 IV - Develop new models of innovation and entrepreneurship

Indicator	Measure	Source
Entrepreneurial Attitudes and Perceptions- Entrepreneurship as desirable career choice	Percentage of 18-64 population who agree with the statement.	GEM survey
New Business Ownership Rate	Percentage of 18-64 population who are currently a owner-manager of a new business,	GEM survey
Gross Domestic Expenditure on R&D (GERD)	Measured as % of GDP	Eurostat
European innovation policies had a positive impact on my company in the last year	Survey Based	AmCham EU Survey
Entrepreneurial dynamism and start up activity has increased in Europe	Survey Based	AmCham EU Survey

Figure 31 IV - Develop new models of innovation and entrepreneurship between 2007-2015.²⁷



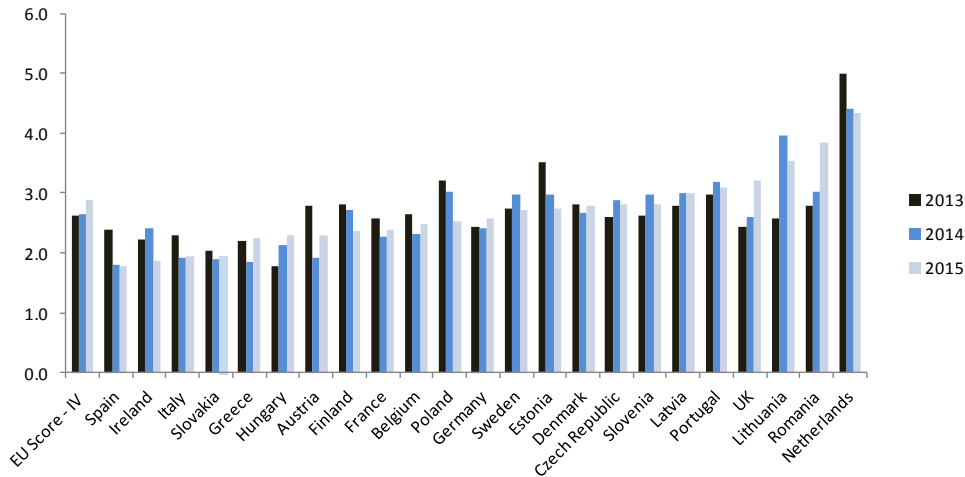
Source: London Economics (2015)

²⁷ Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

The indicator Foster new innovation and entrepreneurship displays a slight increase between 2013-2014 which is equivalent to a country the size of Germany either increasing its entrepreneurial attitudes indicator by 30% (from 52% to 67%) or increasing the new business ownership rate by 80% (from 2.3% to 4%) or increasing expenditure on R&D by 45% (from 2.7 % to 4%).

This small increase appears to primarily reflect an improvement in entrepreneurial attitudes and perceptions and improvements across both qualitative indicators.

Figure 32 Develop new models of innovation and entrepreneurship indicator from 2013-2015.



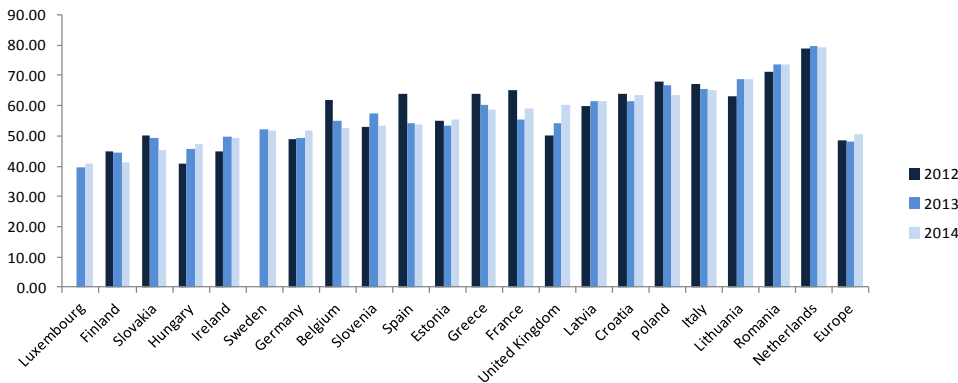
Source: London Economics (2015)

5.1 Entrepreneurial Attitudes and Perceptions - Entrepreneurship as desirable career choice

The average level of the percentage of 18-64 year olds who agree with the statement that *In their country, most people consider starting a business as a desirable career choice* slightly increased from 2012-2014.

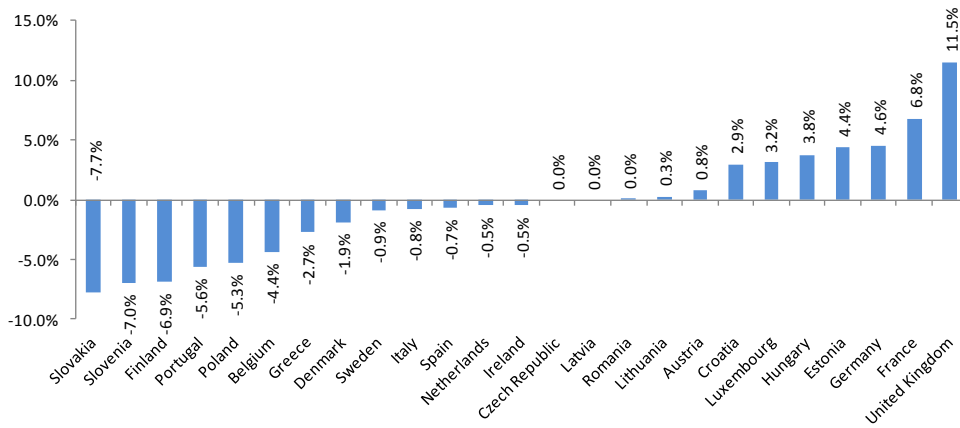
This appears to be driven by increases in entrepreneurial perceptions in France, the UK and Germany while entrepreneurial attitudes were stable or decreased in other European countries.

Figure 33 % of 18-64 year olds who agree with the statement that *In their country, most people consider starting a business as a desirable career choice* from 2012-2014.



Source: GEM Adult Population survey (2015)

Figure 34 % Change in Entrepreneurial perceptions between 2013-2014.



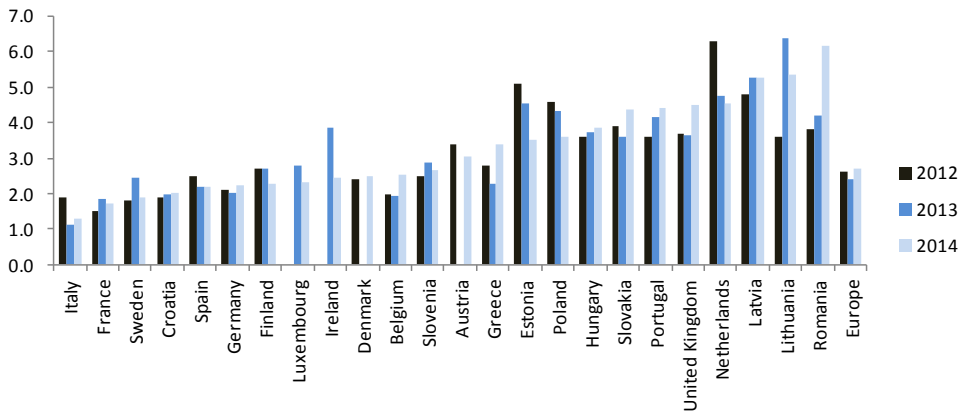
Source: GEM Adult Population survey (2015)

5.2 New Business Ownership Rate

New business ownership appears to remain steady on a European level.

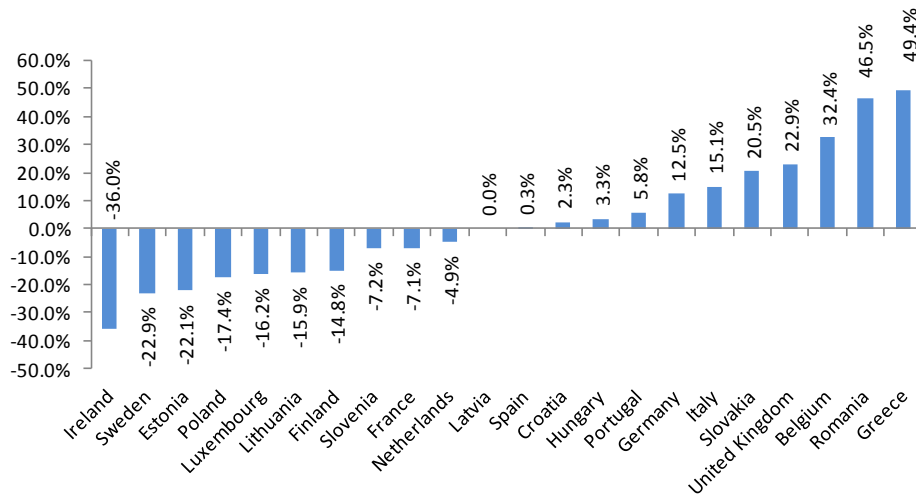
However, this reflects a heterogeneous picture at the country level with individual countries experiencing both substantial increases and decreases. Interestingly, the highest percentage increase on this measure occurred in Greece which may reflect the persistent unemployment levels there.

Figure 35 New Business Ownership rate from 2012-2014 (Measured by the % of 18-64 population who are currently an owner-manager of a new business).



Source: GEM Adult Population survey (2015)

Figure 36 % Change in New Business Ownership between 2013-2014.



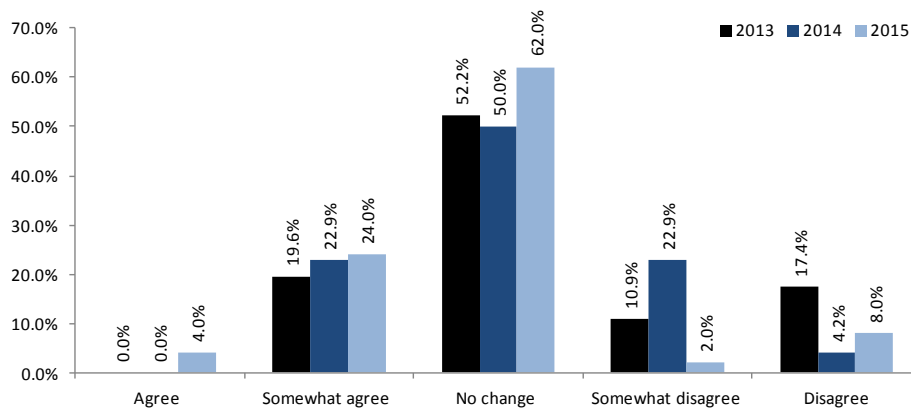
Source: GEM Adult Population survey (2015)

5.3 European innovation policies had a positive impact on my company in the last year

In 2015, 62% of firms responded that European innovation policies had not had an impact on their business in the last year suggesting that innovation policies are not impacting businesses.

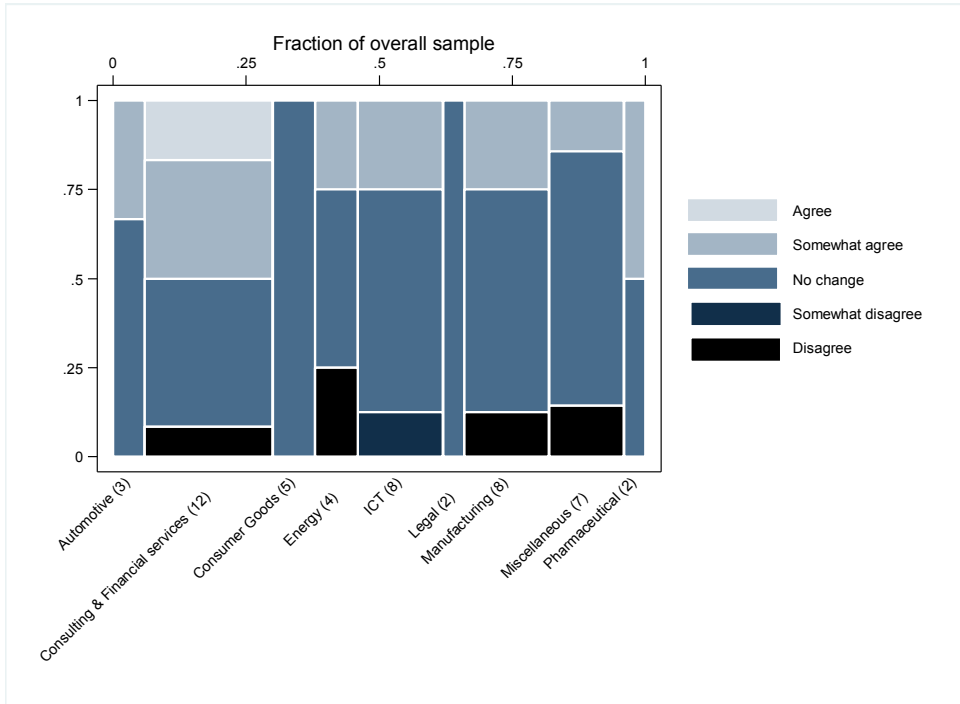
Nevertheless, between 2014-2015 there was a substantial decrease in the proportion of companies who disagreed with statement suggesting that European innovation policies are having a smaller negative impact on business.

Figure 37 Change in responses to the statement *European innovation policies had a positive impact on my company in the last year* from 2013-2015.



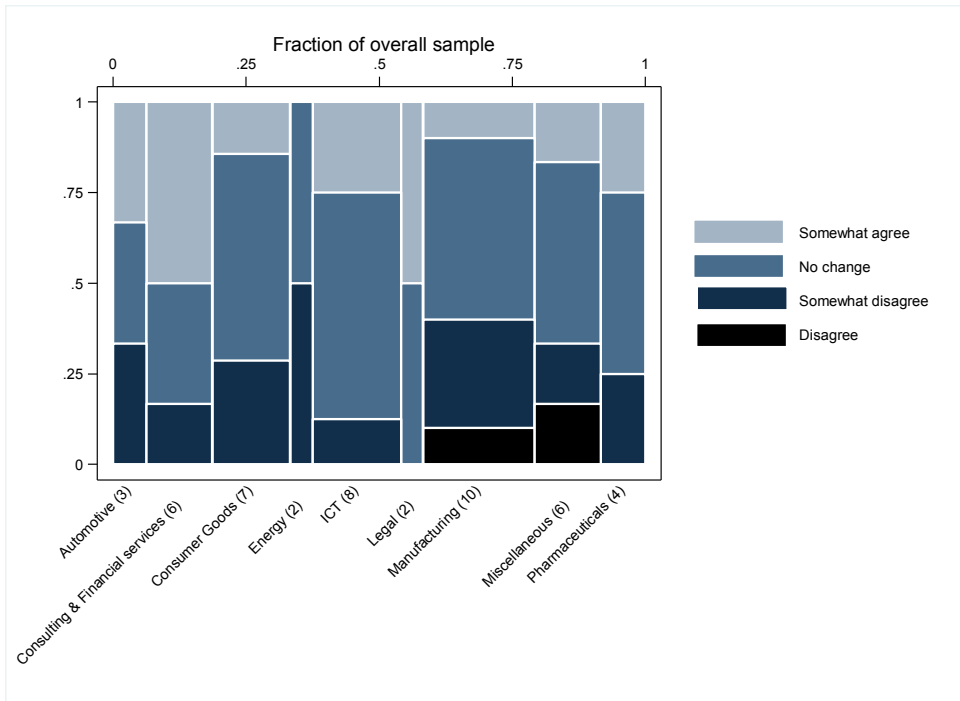
Source: AmCham EU Survey (2015)

Figure 38 Breakdown of company responses to the statement: ‘European innovation policies had a positive impact on my company in the last year’ by sector in 2014.



Source: AmCham EU Survey (2015)

Figure 39 Breakdown of company responses to the statement: ‘European innovation policies had a positive impact on my company in the last year’ by sector in 2014.



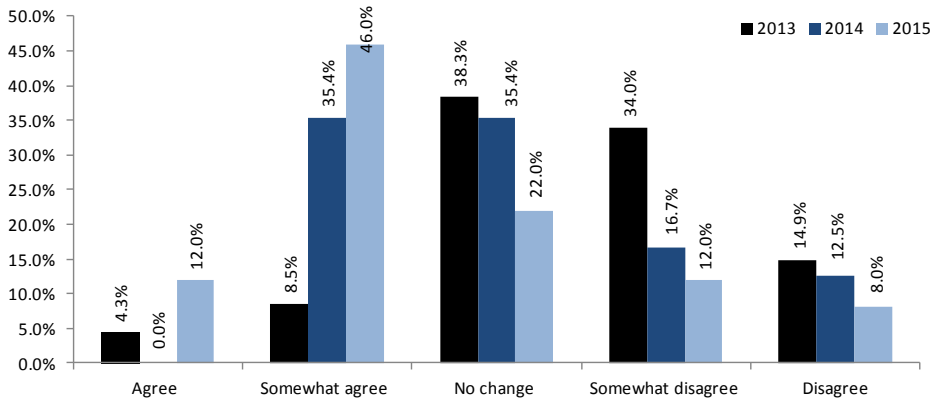
Source: AmCham EU Survey (2015)

5.4 Entrepreneurial dynamism and start up activity has increased in Europe

There has been a substantial increase in the proportion of firms agreeing with the statement *Entrepreneurial dynamism and start up activity has increased in Europe* between 2013-2015.

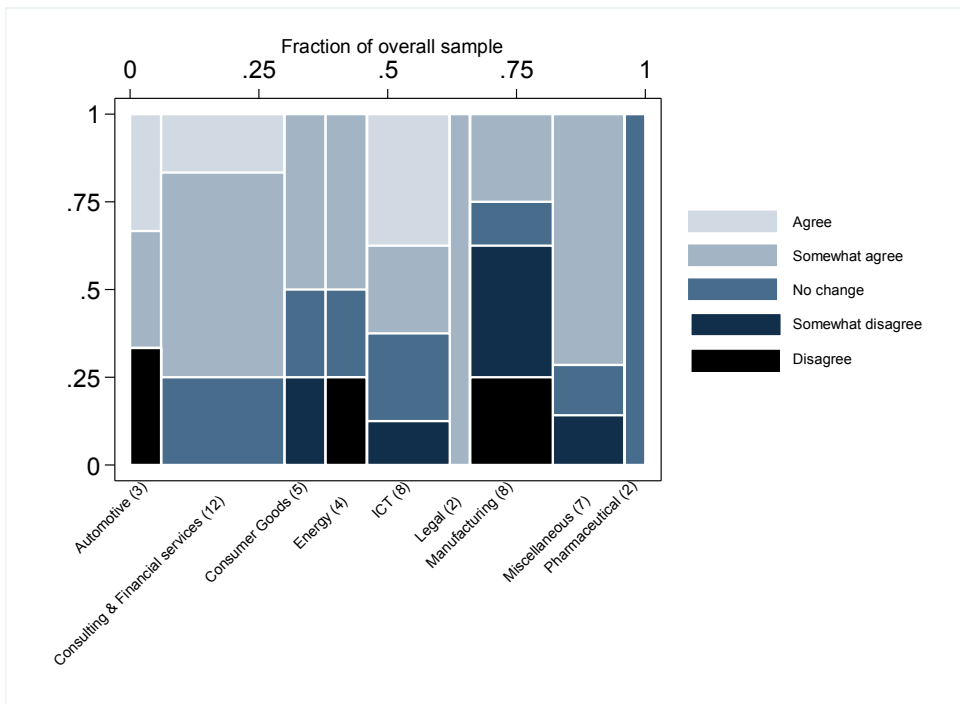
By observing the breakdown by sector, there appears to be heterogeneity across industries with the most substantial improvements being made in the Pharmaceutical, Manufacturing and Miscellaneous industries.

Figure 40 Change in responses to the statement *Entrepreneurial dynamism and start up activity has increased in Europe* between 2013-2015.



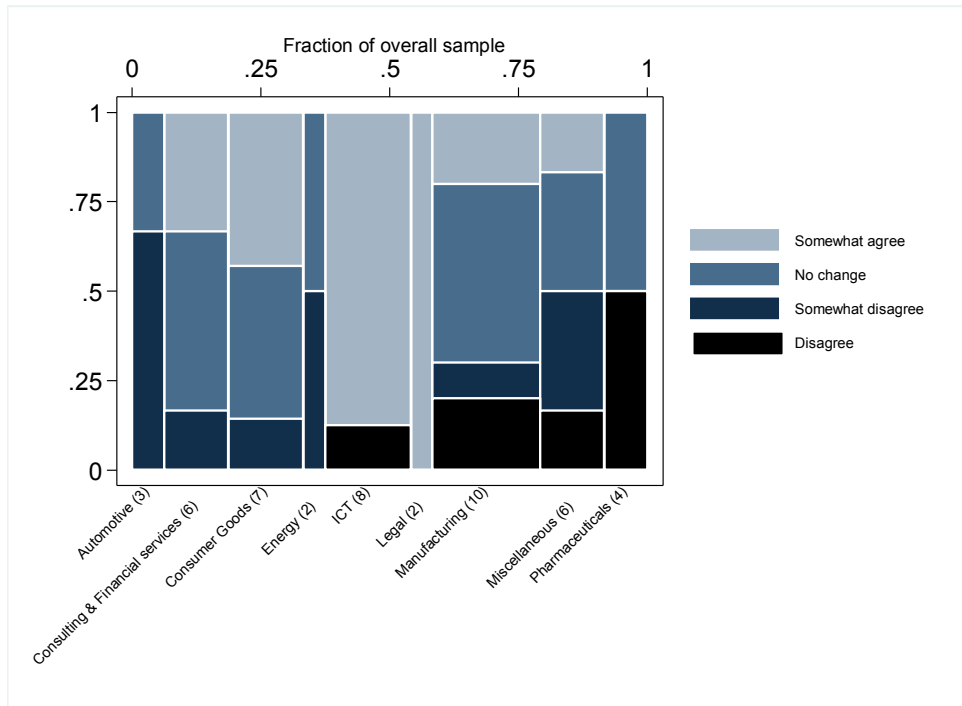
Source: AmCham EU Survey (2015)

Figure 41 Breakdown of company responses to the statement *Entrepreneurial dynamism and start up activity has increased in Europe* by sector in 2015.



Source: AmCham EU Survey (2015)

Figure 42 Breakdown of company responses to the statement *Entrepreneurial dynamism and start up activity has increased in Europe* by sector in 2014.



Source: AmCham EU Survey (2015)

6 V – Lead by example towards global integration

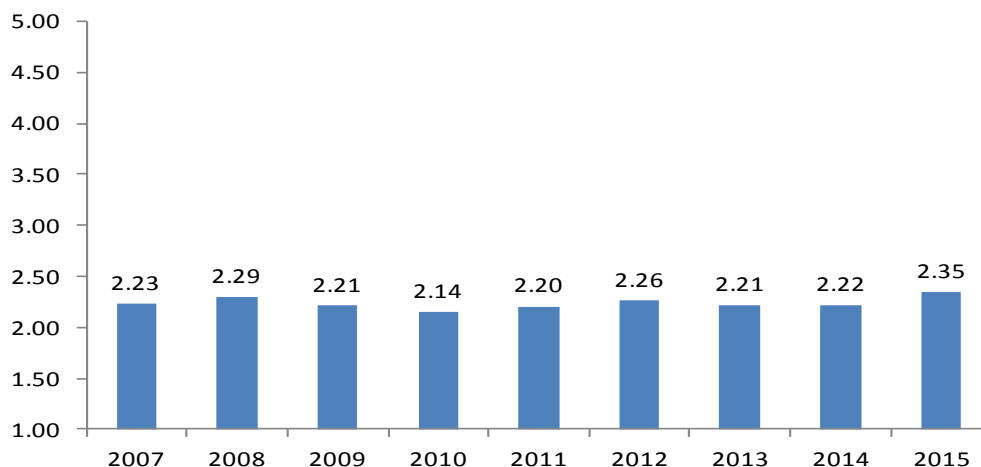
Europe needs to remain a global hub for trade, investment and ideas, while taking advantage of the global economic landscape more systematically. The objective should be to ensure that European industries can compete successfully in an increasingly integrated global economy. The Transatlantic Trade and Investment Partnership (TTIP) agreement offers the opportunity to enhance cooperation between the EU and the US and the possibility of establishing regulatory standards which will have a profound impact on the way business is conducted globally for decades to come.

The Lead by example towards global integration KPI is based on the following indicators.

Table 7 V - Lead by example towards global integration

Indicator	Measure	Source
Trade in goods and services	Measured as % of GDP	UNCTAD
Inward Direct investment flows	Measured as % of GDP	UNCTAD
Foreign students	Foreign students as percentage of student population in the host country (%)	Eurostat
Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners	Survey Based	AmCham EU Survey
Europe has become a more attractive destination for investments for companies in the last year	Survey Based	AmCham EU Survey

Figure 43 V - Lead by example towards global integration between 2007-2015.²⁸



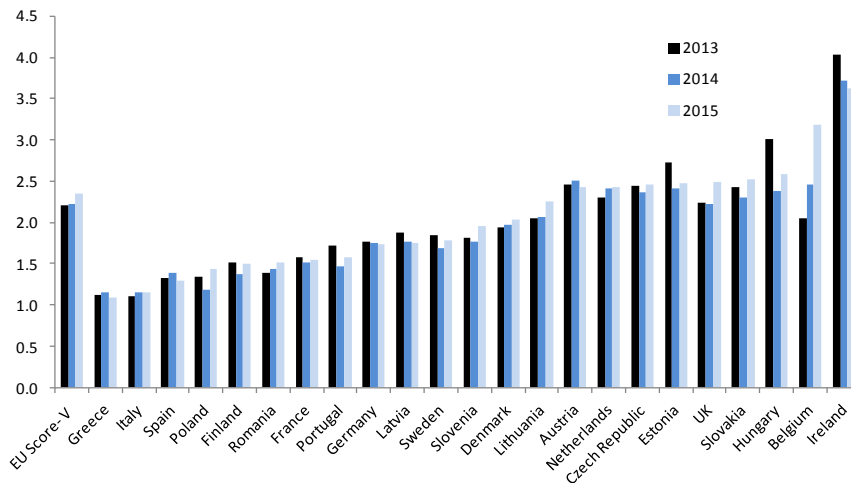
Source: London Economics (2015)

²⁸ Please note that the summary scores for each year are computed using the qualitative scores of that year and the quantitative scores from the latest available year. See Methodology for further details.

The Lead by example towards global integration indicator increases over 2014-2015. This reflects increases across all composite indicators aside from Trade in goods and services although the absolute change remains small.

In context, the magnitude of the quantitative increase we observe is equivalent to a country the size of the United Kingdom either increasing its trade in goods & services by 30% (from 62% to 80%) or tripling inward direct investment flows (from 1.2% to 3.6%) or increasing the % of foreign students by 20% (from 24 % to 29%).

Figure 44 Lead by example towards global integration across Europe from 2013-2015.

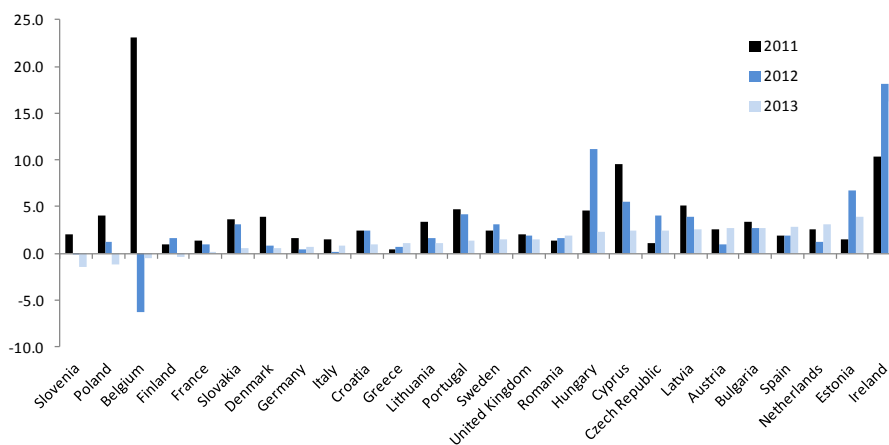


Source: London Economics (2015)

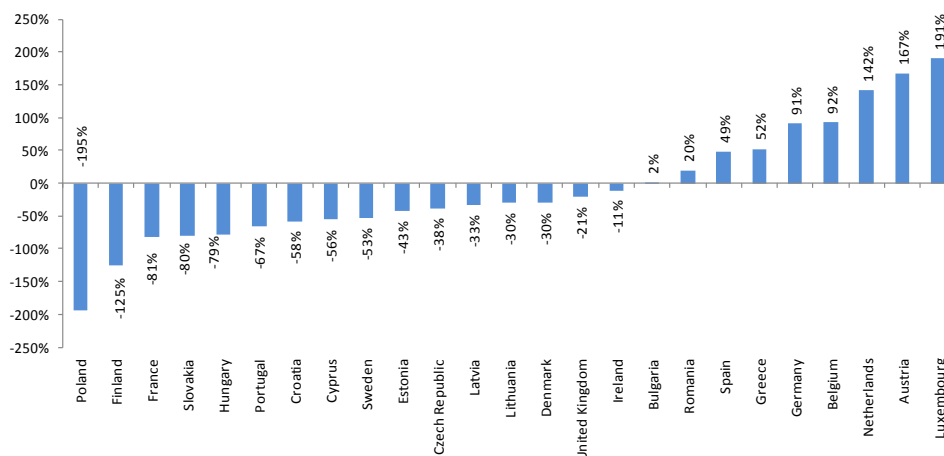
6.1 Inward Direct investment flows (% of GDP)

While Inward Direct investment flows are increasing on aggregate, they are decreasing in many European countries. In turn, the overall increase is being driven by increases in Austria, the Netherlands, Italy and Germany.

Figure 45 Inward direct investment flows from 2011-2013(as a % of GDP).



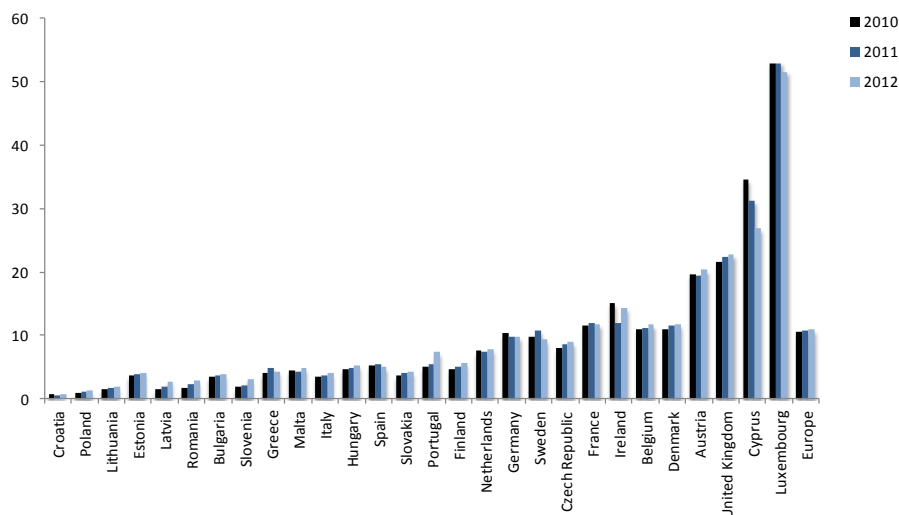
Source: UNCTAD (2015)

Figure 46 % Change in inward investment flows between 2012-2013.

Source: UNCTAD (2015)

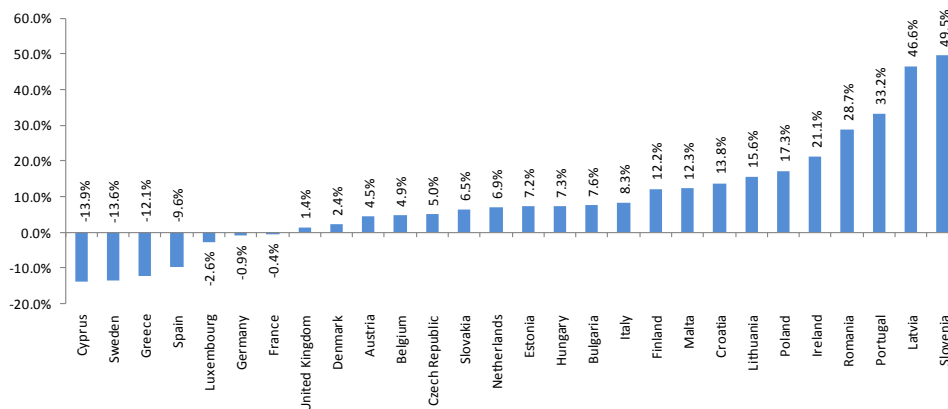
6.2 Foreign students as percentage of student population in the host country (%)

Finally, foreign students as a percentage of the student population also rose consistently across Europe in the years up to 2012 with only a few exceptions (France, Germany, Spain, Greece and Sweden).

Figure 47 Foreign students as a % of student population in the host country from 2010-2012.

Source: Eurostat (2015)

Figure 48 % Change in Foreign students as a percentage of the student population between 2011-2012.



Source: Eurostat (2015)

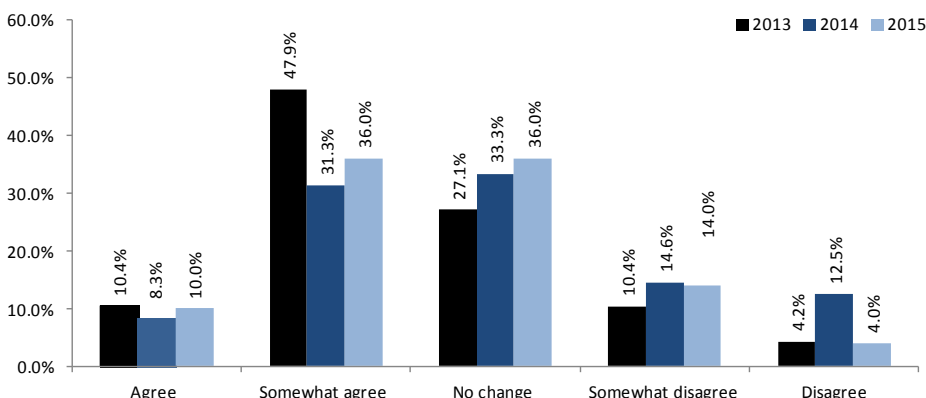
6.3 Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners

The score for responses to the statement *Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners* increased between 2014 and 2015 reflecting an increase in firms agreeing with this statement.

Sectors where scores generally improved from 2014 to 2015 were consulting and financial services and consumer goods sector. While in Manufacturing and ICT firms, performance on this indicator fell.

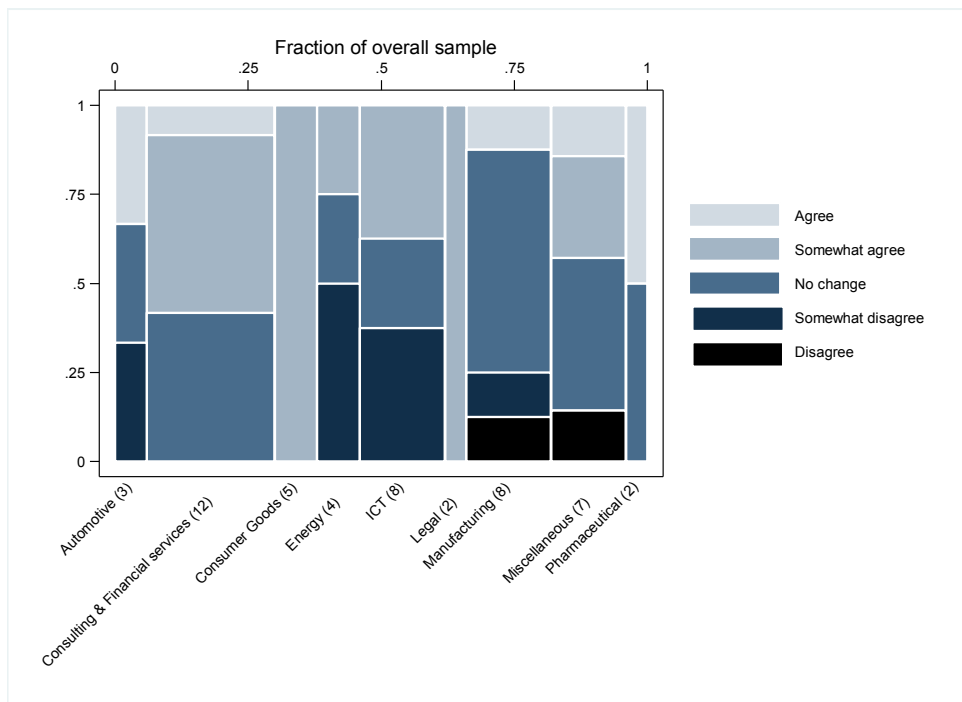
Hence, while this is an encouraging result for the efforts to move to continued European integration, it suggests that there remains heterogeneity across sectors.

Figure 49 Change in responses to the statement *Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners* between 2013-2015.



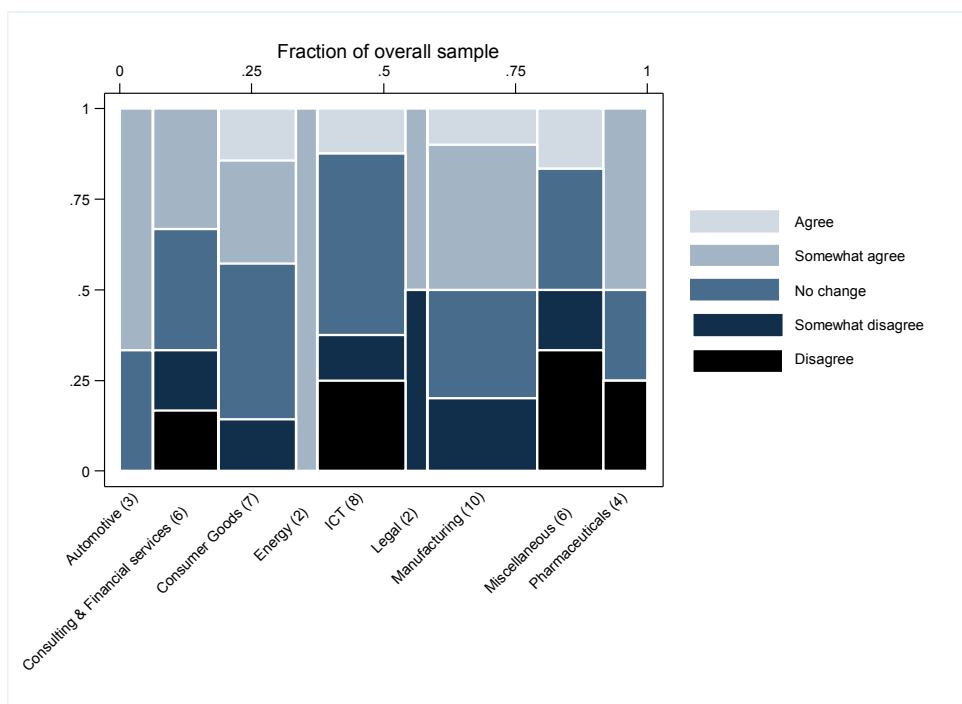
Source: AmCham EU Survey (2015)

Figure 50 Breakdown of company responses to the statement *Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners by sector in 2015.*



Source: AmCham EU Survey (2015)

Figure 51 Breakdown of company responses to the statement *Progress has been made to reduce tariff and regulatory barriers in Europe to encourage trade between Europe and major partners by sector in 2014.*



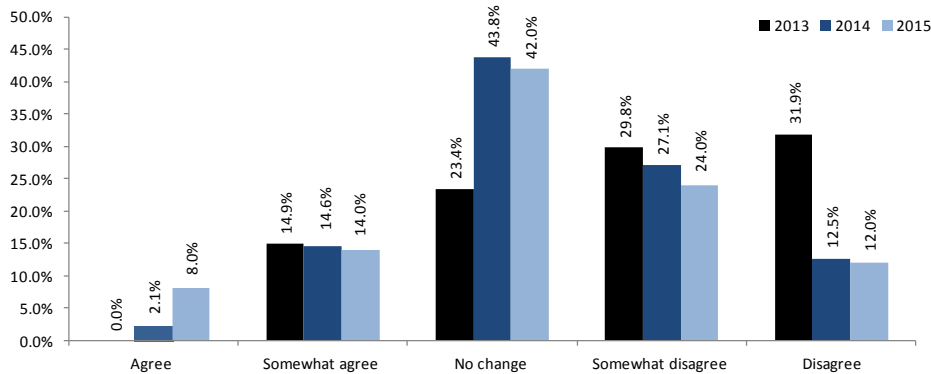
Source: AmCham EU Survey (2015)

6.4 Europe has become a more attractive destination for investments for companies in the last year

Between 2014-2015, there was an increase in survey respondents who agreed with the statement Europe has become a more attractive destination for investments for companies in the last year.

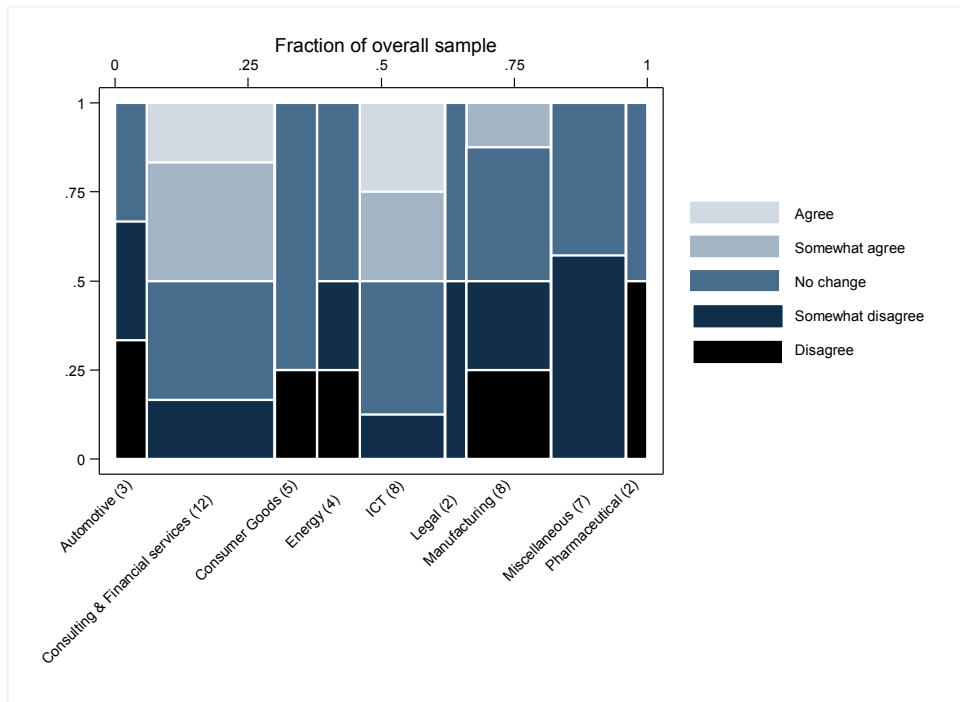
Nevertheless, as in previous years more firms are still disagreeing with the statement than agreeing which suggests that Europe is failing to improve its attractiveness. There are no sectors in which firms failed to disagree suggesting that the result on this indicator may be reflecting broad concerns across the EU.

Figure 52 Change in responses to the statement *Europe has become a more attractive destination for investments for companies in the last year* between 2013-2015.



Source: AmCham EU Survey (2015)

Figure 53 Breakdown of company responses to the statement *Europe has become a more attractive destination for investments for companies in the last year* by sector in 2015.



Source: AmCham EU Survey (2015)

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ANNEX

Annex 1 Correlations between responses in qualitative sample.

Table 8 Correlations between responses in qualitative sample across questions

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Q1	1									
Q2	-0.0844	1								
Q3	0.1697	0.0949	1							
Q4	-0.0131	0.0282	0.4066	1						
Q5	0.1509	0.1543	0.2545	0.2505	1					
Q6	0.01	0.1115	0.4457	0.2663	0.503	1				
Q7	0.3906	0.3771	0.1646	0.1871	0.4287	0.273	1			
Q8	-0.0305	0.0263	0.2701	0.3161	0.3551	0.3003	0.1312	1		
Q9	0.2526	0.0793	0.145	0	0.1148	0.2792	0.2577	0.4117	1	
Q10	-0.0206	0.0641	0.2773	0.4965	0.4149	0.3644	0.1516	0.5043	0.331	1

Annex 2 AmCham EU survey template

Please see below for the format of the questionnaire which was sent out to AmCham EU members.

CLASSIFICATION QUESTION

1. Please indicate your title/ function:

2. Please indicate the organisation you work for:

3. Please indicate your industry:

Build skills for the future

4. My company is able to attract talent with the right skills

Agree

- Somewhat agree
- No change
- Somewhat disagree
- Disagree

5. European governments are investing to build relevant talent pools to create a real and sustainable competitive advantage

- Agree
- Somewhat agree
- No change
- Somewhat disagree
- Disagree

Drive integration to create an attractive internal market

6. Complexity of doing business in Europe has reduced in the last year

- Agree

- Somewhat agree
- No change
- Somewhat disagree
- Disagree

7. My company sees more opportunity in EU markets

- Agree
- Somewhat agree
- No change
- Somewhat disagree
- Disagree

Embrace revolutionary change for industrial leadership

8. European governments are supporting innovative technologies and advanced manufacturing in a sufficient manner

- Agree
- Somewhat agree

- No change
- Somewhat disagree
- Disagree

9. Tax and economic policies create an enabling environment for competitiveness in advanced manufacturing

- Agree
- Somewhat agree
- No change
- Somewhat disagree
- Disagree

Develop new models of innovation and entrepreneurship

10. European innovation policies had a positive impact on my company in the last year

- Agree
- Somewhat agree

- No change
- Somewhat disagree
- Disagree

11. Entrepreneurial dynamism and start up activity in Europe has increased

- Agree
- Somewhat agree
- No change
- Somewhat disagree
- Disagree

Lead by example towards global integration

12. Progress has been made to reduce tariff and regulatory barriers to encourage trade between Europe and major partners

- Agree

- Somewhat agree
- No change
- Somewhat disagree
- Disagree

13. Europe has become a more attractive destination for investment for companies in the last year

- Agree
- Somewhat agree
- No change
- Somewhat disagree
- Disagree



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