



Mr Darko Horvat

Minister of Economy, Entrepreneurship and Crafts
of the Republic of Croatia

11 June 2020

Dear Minister,

The Competitiveness Council ministers will exchange views on the published European Recovery Plan, over a video call this Friday. The Presidency and all the Member States were made aware of BusinessEurope suggestions for the sustained recovery of our economy before last Competitiveness Council already. They included the call for strong financial and non-financial measures.

BusinessEurope expects the EU economy to contract by around 8% in 2020 and to only approach pre-crisis output levels at the end of 2021. The Commission's Recovery package needs to be rapidly agreed and get the measures and monitoring right. The Competitiveness Council plays a crucial role in this.

Our first and preliminary assessment of the tabled European Recovery Plan can be summarized through the following key messages:

- The Commission have delivered a **recovery plan of sufficient financial weight** to potentially make a real difference to the course of the recovery, if a proper implementation is ensured at national level as well.
- It is positive to see the **Green Deal and Europe's digital capacity at the centre of the recovery strategy, but it is essential to go beyond** if we want to make this work as a growth strategy.
- The recovery package well **recognises how crucial Europe's digital capacity is** for our safety and prosperity, supporting political will with resources which have now to be put into practice.
- While upgrading and boosting the infrastructure in the Single Market take a prominent role with increased financing, which is welcome, **a bold non-financial Single Market agenda in addition to digital initiatives is still missing.**
- The Recovery Plan falls short to acknowledge that merely restoring the Single Market to the pre-crisis levels will not be enough to fuel Europe's recovery and strategic success. The Commission **misses the opportunity to suggest reform action to remove bottlenecks in the goods markets and further open the services markets** where job creation potential is greatest.
- To ensure that competition rules remain fit for today's world, the Commission is currently reviewing the EU competition framework, stressing that the **temporary flexibilities in state aid and competition should not cause long-term**

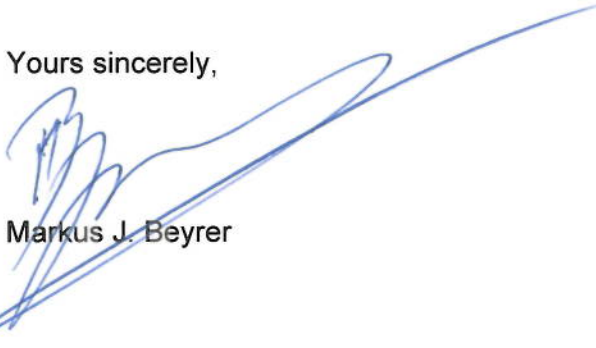


fragmentation in the Single Market. We agree that this approach should be upheld.

- We consider it **positive to use the approach of industrial ecosystems** so that the massive challenges faced by industry are assessed and recovery funds are channeled towards the broad European industrial basis. However, more information and work on the scope, analyses and governance of the ecosystems will be important.
- While the planned recovery investments in key technologies and initiatives for the green transition are welcomed (like renewables, hydrogen, batteries, carbon capture and storage, renovation wave, sustainable vehicles or alternative fuels), **incentives to support consumer demand for more low-carbon products and solutions are almost absent** or not linked to any concrete public investment figures.
- Some proposed initiatives would put additional burden on businesses, and hence risk damaging investment incentives for businesses and therefore working directly against other aspects of the recovery plan. Among others, for example the proposal for a new own resource “based on operations of enterprises” which “draw huge benefits from the EU Single Market” risk creating an unnecessary and inefficient administration and enforcement structure both for businesses and tax authorities, given the likely overlap of any levy with either corporate tax or VAT. Finally, **there should be no signal that our Single Market is becoming a “fee-based trading area”**.
- BusinessEurope calls for a **relaunch of the European Semester**, with a new focus on implementation and ensuring that all EU support for Member States’ public borrowing is accompanied by a commitment of Member States to implement sustainable growth and employment enhancing structural reforms. This is indispensable for the Single Market initiatives to fully deliver the benefits they are designed for.

BusinessEurope stands ready to discuss the Recovery Plan with the Council further.

Yours sincerely,



Markus J. Beyrer