

Mr Charles Michel
President of the European Council
European Council
Rue de la Loi 175
BE – 1048 Brussels
BELGIUM

16 June 2020

Dear President,

Message to the European Council meeting on 19 June 2020

A determined financial and non-financial European response

The EU, like the rest of the global economy, is experiencing its deepest recession since the 1930s. In Business Europe's Spring Economic Outlook 2020, we forecast EU GDP to decrease by around 8% in 2020 and then a rebound, with growth of around 6% next year. With the right policy response, our economy can recover to pre-crisis level towards the end of 2021. In order to minimise long-term scarring to the EU economy, the EU and its member states need to progressively reopen their economies and put in place a coordinated economic response to support business investment, consumer demand and employment. SMEs in particular need support to recover from the shock of the crisis and become more resilient.

BusinessEurope welcomes the Commission proposal for a European recovery plan. It is essential that the next European Council meeting on 19 June 2020 provides an important stepping stone towards a **rapid agreement on an ambitious and well-coordinated European Recovery Plan**.

BusinessEurope calls for:

- **An agreement on the new EU's Multiannual Financial Framework (MFF) and recovery instrument before the summer break.** There is no time to waste to kick-start the recovery, and we are concerned that the proposed recovery plan will not deliver a high enough proportion of investment in the coming two years when such a fiscal stimulus will be most needed.
- **Not resorting to new taxes** as part of new resources. We are concerned that proposals for new own resources could significantly increase costs for businesses. Additional taxes and costs for companies would be particularly harmful and should be avoided in present circumstances. The idea of a new levy on businesses that use the single market is sending the wrong signal regarding the EU attractiveness as an investment location.
- **A growth strategy including the green and digital transitions but not limited to these two crucial transitions.** The Green Deal and Europe's digital capacity have to be key pillars of the recovery strategy but must take into account the effects of the crisis and the fact that businesses need to recover.

- **A strengthening of key industrial value chains and ecosystems** and welcomes the link with the proposed Strategic Investment Facility. Stakeholders such as representative business organisations should be closely involved in the governance system of the ecosystems and when deciding on measures to strengthen key value chains.
- **Designing and implementing a strong single market reform agenda and relaunching the European semester** with growth-enhancing political priorities at EU level and in the member states. The single market reform agenda is now missing and is essential to deliver the full benefits of European integration to companies and citizens as well as long-term fiscal sustainability and upward convergence throughout the EU.
- **Living up to the commitment made in the adjusted Commission work programme** to extend consultations, taking into account the effects of the crisis in future EU initiatives and avoiding initiatives that would undermine growth and employment.
- **The EU to remain open for international trade and investment** because this is the basis of our prosperity. Fighting against increased protectionism is vital for future growth and employment in Europe.

A European recovery plan of sufficient weight

The Next Generation EU instrument can ensure that Europe plays its full role in providing a strong and suitable financial response to the current crisis. If adopted by member states, it will help boost investment, protect jobs and reduce business closures.

BusinessEurope calls for:

- **Ensuring that the money foreseen in the Next Generation EU recovery instrument is well spent**, providing prosperity-enhancing investment and job creation. Making the right choices will be crucial to ensure acceptance of this unprecedented European solidarity, for the repayment of this EU debt in due course, and for our children's and grandchildren's future.
- **Linking the disbursement of EU funds to the implementation of country specific reforms agreed in the European Semester** through the proposed Recovery and Resilience Facility. Only 13% of these recommendations have been implemented appropriately by member states as highlighted in BusinessEurope's Reform Barometer 2020. A comprehensive and transparent monitoring mechanism is vital for a successful implementation. The Recovery and Resilience Facility must support member states in their efforts to improve labour and product market flexibility, increase essential infrastructure investment and improve the regulatory environment.

Making the green and digital transitions work for the recovery

We fully agree that the Green Deal and Europe's digital capacity are key pillars of the recovery strategy. To make the green and digital transitions work as a recovery strategy, the emphasis must be on the investment part and the constraints and obligations on businesses of all sizes must be limited to what is absolutely necessary in order not to undermine the recovery.

BusinessEurope calls for:

- **Making good use of the ambitious recovery funds that should be available to companies of all sizes by directing them towards key technologies and infrastructures** for the green transition such as renewables, hydrogen, batteries, carbon capture and storage, renovation wave, sustainable vehicles, sustainable and circular products or alternative fuels.
- **Strengthening financial incentives in support of consumer demand for low carbon products** and solutions.
- **Addressing the root causes that have led to a weakening of our key industrial value chains and ecosystems** in addition to providing financial support through the proposed Strategic Investment Facility. This will contribute to strengthening European competitiveness in general as well as resilience and strategic autonomy across key value chains and ecosystems.
- **Channelling resources for strengthening innovation in key technologies** such as AI and the necessary digital infrastructure from hardware to connectivity. We need the necessary digital infrastructure, widespread and cyber-secure 5G, public-private research and innovation partnerships as well as all levels of digital skills to transform Europe into a global ecosystem of excellence in AI.
- **Supporting the creation of Common European Data Spaces**, incentivising data sharing, developing reliable cloud infrastructure, to enable Europe to capitalise on the exponential growth of the global data economy.

A strong single market reform agenda

A strong European single market is an indispensable non-financial element of a successful recovery strategy. Merely restoring it to the pre-crisis levels will not be enough to fuel Europe's recovery and strategic success.

BusinessEurope calls for:

- **A coherent and coordinated approach for lifting of national restrictions introduced during the crisis**, such as temporary intra-EU border controls, export restrictions and diverse approaches with regard to essential goods, services or occupations.

- **Restoring the Schengen area as soon as possible.** This is essential for the economic recovery.
- **A strict framework to adhere to the single market rules** as member states may still take steps to re-nationalise some businesses in reaction to the crisis.
- **A new impetus through further opening of services markets** where job creation potential is greatest and lifting the restrictive conditions for all mobile workers. A fresh assessment of authorization regimes in member states could be instrumental.
- **Drastically reduced Commission intervention in the harmonisation of product standards** - a traditionally stakeholder-driven process - to reduce unnecessary compliance costs and ensure that Europe leads in standardisation globally and is fast in deploying innovative solutions. This is even more important with global and European supply chains currently being interrupted by trade restricting measures.
- **A boost in capacity building and resources for implementation of EU rules** both at the EU and national levels, with a focus on the single market functioning after the COVID-19 crisis.

A firm stance against protectionism

International trade will play a key role in the recovery phase. In addition to fighting against increased protectionist tendencies in the single market, the EU must remain open for international trade and investment because this is the basis of our prosperity.

BusinessEurope calls for:

- **Strong EU support of the World Trade Organisation (WTO)** and active engagement in its reform process. This includes presenting concrete proposals to discipline state subsidies and State-Owned Enterprises together with the USA and Japan, move forward with the e-commerce negotiations and present proposals to liberalise trade in the healthcare sector.
- **A reassessment of the EU's relationship with its major trading partners:** the USA and China. The relationships should be stronger but also more strategic and beneficial for both sides. This includes addressing irritants, looking at ways to level the playing field while defining medium to long term measurable objectives and avenues of cooperation in key areas like WTO reform, climate change or digital trade.
- **Trade diversification and more resilient supply chains** as key elements of the EU's economic recovery. Therefore, the EU needs to ensure effective implementation of existing trade agreements and ratification of agreements that have been concluded such as Mercosur. Maintaining an ambitious negotiation agenda is key to reinforce and promote the EU's role and standards internationally.

Avoiding a repetition of a similar crisis

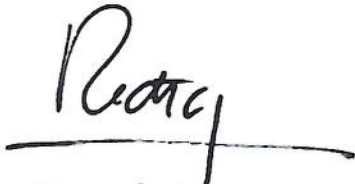
Solidarity will be crucial to overcome the COVID-19 crisis and avoid a repetition of similar crises in the future.

As a European Social Partner, BusinessEurope wants to make sure that the funds borrowed are used effectively in support of long-term economic growth and employment enhancing reforms as well as of adherence to basic rule of law requirements which are key for the functioning free market economies and democratic societies.

Furthermore, to be better equipped to deal with future pandemics and avoid a repetition of similar crises, better European coordination on public health is indispensable. Closer involvement of industry is needed to ensure the supply of medicines and protective equipment and facilitate the development of innovative healthcare technologies.

We look forward to continuing to work with you and the members of the European Council to overcome the COVID-19 crisis and focus on the essential to ensure that Europe bounces back as rapidly as possible from the COVID-19 crisis.

Yours sincerely,



Pierre Gattaz
President



Markus J. Beyrer
Director General