



BusinessEurope's message to the European Council on 23-24 June 2022

Supporting competitiveness is more important than ever

Supporting European companies in this difficult period

The EU has to deal with the immediate challenges to peace and prosperity. This requires making sure that all EU policies help to bring stability and support sustained growth and employment in an increasingly uncertain economic environment.

The EU economy, like much of the global economy, is facing a very difficult period. Some services sectors, notably travel and tourism are continuing to benefit from further reopening following Covid. However, many industrial sectors have seen either output hit by continuing global supply chain issues or are suffering due to rising energy and raw material prices. Across the EU, firms are also facing tight labour markets, with record levels of vacancies and skill shortages. Investment continues to provide a positive boost to growth but there are clear signs that businesses investment intentions are starting to soften, given the more uncertain global outlook.

BusinessEurope expects the EU economy to grow by 2.6% between 2021 and 2022 (a downward revision of 1.3% from our previous forecast). However, 'within year' growth in 2022 is expected to be just 0.4%, raising the prospect that individual Member States may experience at least 'technical recessions' during 2022.

Macroeconomic policymakers need to find a proper balance between controlling inflation and the need to support the recovery while avoiding recessive effects. The suspension of the rules of the Stability and Growth Pact in 2023 as a consequence of increased short-term government spending requirements related to the Ukraine war must not delay the long-term strengthening of public finances. In particular, it remains essential to make the best use of the EU's Recovery and Resilience facility to drive productive investment and reform.

With inflationary pressures continuing to rise, the ECB has set out further steps towards the normalisation of monetary policy. But all players need to be vigilant to the growth of inflationary expectations. Social partners need to engage responsibly in collective bargaining on wages and help ensure that temporary price rises do not give rise to a damaging wage-price spiral.

Companies do their best to adjust to this new reality but to make them more resilient to successive shocks, we need an improved business environment, that allows for investment, innovation, opportunities for scaling up and diversification of risks. A Single Market without barriers, stronger economic ties with key global trading partners, and the respect of better regulation principles when regulating economic activities are three key ingredients for success.

Deepening relations with Ukraine

BusinessEurope and its member federations strongly condemn the invasion of Ukraine by Russia. We firmly believe the EU must defend international law and do the utmost to support Ukraine and its people. Since day one of the aggression, we stand behind the sanctions. European companies are taking the necessary actions to comply with these sanctions, despite the significant economic implications. Unity is crucial and we will clearly continue to stand behind sanctions considered



necessary by the European institutions in the future. These sanctions must be well targeted and carefully designed to preserve Europe's economic strength which is our major factor of leverage. Furthermore, public authorities need to give clear guidance to facilitate compliance.

The historic, political, and economic ties between the EU and Ukraine are deeply rooted. In the current geo-political and geo-economic context, following the invasion of Ukraine by Russia, it becomes even more important to support and deepen this relationship.

BusinessEurope welcomes the opening of the process to grant candidate status for EU membership to Ukraine. Because of the war, Ukraine is currently facing a uniquely challenging situation. Extensive financial assistance and concrete support will be needed for the reconstruction of the economy after the war. This future reconstruction of Ukraine's economy should further support the fulfillment of the political and economic accession criteria, as well as the implementation of the EU acquis.

The EU-Ukraine Association Agreement continues to provide a solid and comprehensive legal basis to promote bilateral cooperation and the alignment with the EU acquis. The progress achieved in this context is an important building block, which should be preserved and further supported.

In coordination with international partners, the EU should play an important role in helping Ukraine rebuilding its infrastructure and developing a robust and sustainable economy, as well as strengthening its capacity to effectively manage and implement this recovery. Adequate assistance should also be provided to the EU countries and regions that receive refugees from Ukraine.

BusinessEurope will be enhancing the already close cooperation it has with the Ukrainian business community, which we believe will play a significant role in the process of Ukraine's reconstruction and European integration.

Conference on the Future of Europe proposals must be realised within the treaty framework

As a member of the Conference on the Future of Europe, BusinessEurope has engaged constructively to facilitate fair and realistic compromises that consider citizens' proposals while maintaining the EU's economic strength which is the foundation for a prosperous future for all.

We welcome the proposal for a competitiveness check, aimed at ensuring that future legislative proposals are growth and employment friendly. We support more efficient decision-making in foreign policy to strengthen Europe's voice in the world and believe that this can be realised within the framework of the existing treaties. We also welcomed the proposals related to the defence of rules-based multilateral trade, strengthening SMEs, and completing the Single Market.

However, many other proposals made during the Conference on the Future of Europe would make it more difficult for our companies to contribute to growth and the creation of jobs. In these difficult times, it is particularly important to focus EU policies on making the European economy stronger and to avoid initiatives that could weaken our capacity to generate sustained growth and employment.

The future of Europe and of our cherished European Way of Life depends on the ability to maintain our economic strength and the competitiveness of our companies. This should be kept in mind when following on the recommendations of the Conference on the Future of Europe.



Rather than opening a European Convention to be followed by an Intergovernmental Conference (IGC) and embarking on long debates about possible treaty changes that could ultimately backfire, the European Council should steer the follow up to this important conference towards concrete improvements that can be delivered within existing Treaties.

Faced with the huge challenges linked to the war in Ukraine while still dealing with the consequences of the COVID crisis and carrying out demanding but necessary green and digital transitions, the EU should avoid protracted institutional debates and focus on how to quickly adjust its policies to this new reality. The best way to build a resilient economy and minimize economic risks for both European companies and citizens is to strengthen the European Single Market, develop a proactive growth agenda that supports the competitiveness of European companies and pursue an ambitious trade policy to diversify our supply sources and export markets.