



11 December 2023

## **BusinessEurope's message to the European Council on 14-15 December 2023**

### **Strengthening the EU's economy to play a strong role in the world**

Today's challenging geopolitical and geoeconomic environment calls for action and decisive EU leadership. The European Council on 14 – 15 December 2023 will be an opportunity to discuss and deliver important decisions on critical matters and help shape a stronger and more efficient EU, a true geopolitical player and trusted partner.

#### **1. Making the EU's economy more resilient and stronger in the world**

A competitive economy is a key condition for the EU to be more resilient and stronger in the world. The EU needs a regulatory environment that stimulates innovation and investment in Europe, that reduces the costs of doing business in the single market and allows companies to make real use of the business opportunities behind the green and digital transitions.

As geopolitical risks are increasing, European companies are developing strategies to adapt and mitigate risks. This process takes time, and it needs to be accompanied by policies that strike the right balance between security concerns and economic growth. Measures aimed at protecting legitimate security concerns should be proportionate and targeted to avoid undermining European competitiveness, especially when discussing new instruments like screening of outbound investments.

Moreover, providing new trade and investment opportunities for European companies in the single market and around the world, is key to build a more resilient economy and to mitigate geopolitical risks. The EU needs to eliminate barriers to trade and investment in the single market. European companies need trade agreements to open market and investment opportunities in fast growing regions in the world, as well as to offer access to raw materials and inputs that are critical to support our decarbonisation and digitalisation efforts. In this context the agreements with Mercosur, Mexico and Chile are particularly important.

#### **2. Enlargement**

Geopolitical events, most prominently Russia's war of aggression against Ukraine, have created a new momentum around the EU's enlargement policy and its role in contributing to the stability and prosperity of our continent. We have witnessed the transformational power of the policy over six rounds of enlargement as well as the benefits of an enlarged Single Market.

At the same time, the number of candidate countries is increasing. Candidate countries are quite diverse and at different stages of association with and approximation to the EU. Therefore, it is important to launch a discussion on ways to improve the efficiency of the enlargement policy. BusinessEurope agrees that accession should be a merit-based



process, with strict conditionality. We are also convinced that accession requires the ownership of both candidate countries and the EU.

The recent enlargement package published by the Commission reiterates these views. However, we would like the discussion to take a step further. For BusinessEurope, a successful enlargement policy also depends on concrete steps to deepen the single market and make the EU more efficient and effective, including in terms of decision-making processes. We hope that the European Council meeting will be an opportunity to launch more in-depth deliberations for an improved EU Enlargement policy in general and a more concrete path ahead for the different candidate countries.

### **3. Support to Ukraine**

BusinessEurope reiterates its support to Ukraine, its people, their European ambitions and underlines the need to help Ukraine in its efforts to fulfil the key requirements of EU membership. This is particularly important in view of the important decisions to be taken on the opening of the accession negotiations with Ukraine.

As the war continues, the EU needs to ensure that emergency support continues to flow, and that infrastructure and businesses are kept operational. This is critical for the winter period during which energy needs for households and businesses will increase. Moreover, maintaining measures to liberalise trade and facilitate the flow of goods at the border is critical for the survival of businesses on the ground.

Addressing the urgent needs of the Ukrainian economy should run in parallel to designing the process of reconstruction, fully in line with the highest EU and international standards regarding transparency, rule of law and good governance. This is particularly important in the area of public procurement, where authorities need to ensure that the rules are clear and that the tendering process fulfils all the necessary criteria. We hope that the EU's Facility on Ukraine, pledging 50 billion euros, will be approved soon. European businesses are committed to contribute to Ukraine's reconstruction and we hope that the Facility will offer more clarity and guarantees on how they can engage further.

Furthermore, to increase the production capacity of the European defence industries and ensure that European defence companies have the means to supply Ukraine as well as European defence, it is fundamental that ESG rules support the financing of this important sector. Otherwise, they will not have the necessary access to finance to ramp up production and accelerate the development of the required production capabilities.

### **4. Multiannual Financial and Economic Governance Frameworks**

BusinessEurope acknowledges the long-term challenges Member States are facing regarding their public finances, and the pressures this places on the EU budget, particularly given the importance of continuing to support Ukraine. However, the Multiannual Financial Framework 2021-2027 review should not lead to a reduced focus on improving the EU's competitiveness. For example, possible cuts to Horizon Europe, the EU's key funding programme for research and innovation would undermine the goal



of improving Europe's competitiveness through innovation. The EU's budget should concentrate efforts on boosting growth, investment, and job creation, as well as supporting member states in implementing reforms. Moreover, it is crucial to ensure that any proposal to raise additional funds for the EU budget does not deter investment and have a direct or indirect adverse impact on companies' costs.

Long-term pressures on public finances have also led to rising borrowing costs for Member States over the past year, which in turn raises financing costs for businesses and dampens investment and growth. EU leaders need to reach agreement this month on a credible, investment friendly economic governance framework, that can help put EU public finances on a more sustainable footing.

## **5. EU-Türkiye relations**

The EU and Türkiye are natural partners due to our geographical proximity and closely interlinked economies. EU institutions confirm that Türkiye remains a candidate country and a key partner for the EU.

Despite the challenges in the relationship, which were also highlighted in the recent report on Türkiye that was part of the European Commission's Enlargement Package, we believe the EU and Türkiye should engage more and work towards achieving a closer and more stable relationship. The difficult geopolitical environment makes a compelling case for stronger cooperation, based on clear rules and principles. Therefore, we welcome the recommendations of the joint communication on "the State of play of EU-Türkiye political, economic and trade relations" focusing on a constructive, mutually beneficial and workable way forward.

From an economic point of view, the relationship is far from reaching its potential. The EU-Türkiye Customs Union Agreement is no longer fit for the 21<sup>st</sup> century economy and we have been witnessing an increasing number of problems that undermine the benefits for companies. A solution for these long-standing problems with the modernisation of EU-Türkiye Customs Union that includes all EU Member States, is therefore of critical importance. We need an effective and depoliticised instrument to solve disputes and a proper enforcement mechanism. We must enlarge the scope of the agreement to cover all goods and services, including procurement, intellectual property rights and state aid, and to adjust it to today's ambitions in the areas of sustainability and the digital economy. This is important to reap the full potential of the economic relations in a fair and mutually beneficial manner.

Furthermore, Türkiye's alignment with the EU acquis remains the best guarantee for a strong rule of law and a depoliticized business environment, benefiting both Türkiye and EU companies. This alignment is particularly important in areas related to the green and digital transitions where we see the need for stronger cooperation that must also involve the business community. We believe that these changes can usher in a period of renewed cooperation between the EU and Türkiye, expanding the scope of our relations.



## **6. Labour shortages and migration**

Many European companies experience recruitment problems due to labour shortages and skills mismatches. These shortages and mismatches need to be tackled with education and training measures to better adapt curricula to companies' needs and measures to activate the unemployed as well as inactive persons. However, the positive contribution of talents from third countries also needs to be acknowledged.

BusinessEurope fully agrees on the need to take the necessary measures against illegal migration. However, when taking stock of the state of play regarding migration, the European Council should not lose sight of the need for legal pathways to attract talents from third countries that answer labour market needs and to make progress on recognition of skills and qualifications of third countries' nationals in Europe. In this respect, the recently published Commission's talent and skills mobility package is a step in the right direction.

These are the decisions we would like to see taken during the European Council meeting on 14-15 December in order to strengthen the European economy and allow the European Union to fully play its role in the world.