



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

Sent by email

19 March 2024

Dear President,

Message to EU Council meeting on 21-22 March 2024

The declining attractiveness of the EU as a business location has not been halted

The EU is a less attractive investment location in comparison to our international competitors than 3 years ago. During its meeting on 21-22 March, the European Council will be invited to endorse the policy priorities of the Annual Growth Survey and the draft Council Recommendation on the economic policy of the euro area. We regret that the discussion on improving competitiveness now seems to have been postponed to the Special European Council meeting on 17-18 April 2024. In our opinion, this is sending the wrong signal to European companies who just had another very challenging year and is counterproductive because having a competitive economy is the basis to ensure social progress.

In 2023, European entrepreneurs continued to seek to drive the EU's green and digital transitions and their task was made more difficult by high energy costs, an increasing regulatory burden and continuing geo-political uncertainty. Furthermore, they have felt the effects of both reduced consumer demand and increased financing costs linked to higher interest rates that are necessary to tackle inflation.

BusinessEurope's Reform Barometer 2024 shows that the EU has failed to halt this decline of attractiveness as an investment location. The gap in productive investment between the EU and the US continues to widen. Productive investment in 2022 amounted to 15% of GDP in the US versus 11% in the EU and is part of a worrying longer-term trend. For the past 10 years, Europe has shown a gap in productive investment of 1.5 to 2 percentage points of GDP relative to the US according to the EIB Investment Report 2022/2023.



The majority of our member federations consider that the attractiveness of the EU as investment destination for global firms has stagnated or even declined over the past year and 54% consider that administrative burdens have increased over the past year as a consequence of legislative changes introduced by the European Union. We urge the European Union leaders to address this decline by living up to their promise that “Europe will do ‘whatever it takes’ to keep its competitive edge”.

To tackle the long-term and structural challenges facing Europe, **a coordinated vision across policy areas** is needed:

- pursuing an ambitious **trade policy**, striking the right balance between security and enabling the European economy,
- reducing the **regulatory burden** weighing on European companies which diverts financial and human resources from productive investment,
- rejuvenating **Single Market** integration and scaling up **digitalisation** to unleash its full growth and employment creation potential as advocated in our joint call with other European business organisations,
- flanking the Green Deal with an **Industrial Deal** in order to turn it into a real competitiveness and growth strategy,
- addressing structurally **energy** cost differentials with major competitors, going beyond the reform of electricity market-design, enabling energy flexibility and deploying additional energy capacities in Europe as well as cross-border energy infrastructures,
- tackling **labour shortages and skills mismatches**, adapting education and training to companies’ needs and skills required for the green and digital transitions, - activating unemployed and inactive persons, recognising the contribution of talents from third countries,
- ensuring the sustainability of **public finances** while delivering necessary public investment and making sure that financial regulation supports businesses’ access to finance, etc.

Providing security in a context of rising geopolitical risks is essential. However, **measures aimed at addressing legitimate security concerns should be proportionate and targeted to avoid undermining European competitiveness.** Furthermore, providing new trade and investment opportunities for European companies in the single market and around the world is not only key to build a more resilient economy, it is also an essential part of the answer to mitigate geopolitical risks.

The situation in the **Red Sea** remains a source of concern despite measures taken by the European Union and other G7 countries to ensure security of transport and safeguard maritime trade. Countries in the region are more severely affected in their imports and exports. In general, we witness an increase in transport costs between Europe and Asia and parts of Africa, as well as longer lead-times, with a negative impact on companies’ business operations.



BusinessEurope reiterates its strong support to **Ukraine** and its people. More than ever the EU needs to ensure that emergency support continues to flow, and that infrastructure and businesses are kept operational. Maintaining measures to liberalise trade and facilitate the flow of goods at the border is critical for the survival of businesses on the ground and to sustain Ukraine's economy. We welcome the decision to open accession negotiations that should follow normal procedures and be merit based. European businesses are fully committed to contribute to Ukraine's reconstruction. In this context we welcome the adoption of the EU's Facility on Ukraine and wait for further guidance on its implementation. Furthermore, increasing the production capacity of the European defence industries to ensure that European defence companies have the means to supply Ukraine as well as European defence is essential.

The difficult geopolitical environment makes a compelling case for stronger cooperation between the EU and Türkiye based on clear rules and principles. It is important to follow on 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. In particular, the modernization of the EU-Türkiye Customs Union that includes all EU Member States is of critical importance.

Only through strengthening its economy and improving its attractiveness as an investment location will the EU be able to achieve its environmental and social goals in the coming years, as well as continuing to act as an anchor for peace, prosperity, and security in an increasingly uncertain world. We count on the European Council to pave the way to a strategic agenda for the EU in 2024-2029, recognising that social progress can only be based on economic progress. We urge you to ensure that action is taken on the policy recommendations made in this letter and in the enclosed BusinessEurope Reform Barometer 2024.

Yours sincerely,

Fredrik Persson
President

Markus J. Beyrer
Director General

Enclosure: 1