

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

6 December 2018

Dear President,

**Message to the European Council and Euro summit meetings
on 13-14 December 2018**

Concrete decisions are urgently needed to strengthen our European Union

Ahead of the European Council meeting on 13-14 December 2018, we wanted to draw your attention on 5 areas where concrete decisions are urgently needed in order to strengthen our European Union and meet the key challenges facing Europe.

- **Economic and Monetary Union (EMU)**

Completing EMU and strengthening trust in the Euro is essential. Investors need a safe and predictable environment based on a well-functioning EMU. We count on the European Council to take concrete steps to rapidly deepen EMU, starting with putting in place a full Banking Union and Capital Markets Union.

The efficiency of the fiscal rules must be improved, paying more attention to the quality and composition of public finances for a proper implementation of the Stability and Growth Pact (SGP), drawing on its in-built flexibility to help member states put their public finances on a sustainable footing and support their efforts to orientate their budgets towards investment and growth-supporting expenditure.

A full banking union must be put in place, with rapid agreement and implementation of an EU deposit insurance scheme, alongside the existing supervision and resolution pillars to address the continued fragmentation of EU savings and credit markets. Member states have now implemented the bank recovery and resolution directive and are creating harmonised deposit insurance systems. The decline in the ratio of non-performing loans in the EU as a whole is good news. However, significant differences exist between Member States. Further asset quality reviews of all banks are necessary steps before establishing a common system of deposit insurance. Moreover, implementation of a comprehensive Capital Markets Union improving access to diversified funding sources is also essential to reinforce resilience to asymmetric shocks.



Regarding the important issues of the stabilisation function for the Euro Area, we support strengthening the long-term stability of EMU and its ability to handle asymmetric shocks to one or more of its economies through access to a Euro Area stabilisation fund, fully conditional on Member States implementing structural reforms and there being no increase in the overall tax burden. To ensure the stabilisation fund is effective, support should be rapid and temporary. We support, in particular, the Commission's proposal for an investment protection scheme, and hope the EU will agree to build up the capacity of this in future years.

- **Single Market**

The Single Market is the crown jewel of European integration. It is a powerful tool to reap the benefits of globalisation and help Member States address challenges, such as climate change, migration, technological competition, Brexit, etc. Free movement of capital, goods, services, people and data in the Single Market must be firmly supported, removing remaining obstacles, guaranteeing its well-functioning and saying a clear "no" to protectionist tendencies.

For BusinessEurope, the strategy to further develop the Single Market must be brought back to the top of the political agenda and we look forward to a more in-depth discussion on Single Market development to be held during the EU Council in March 2019. The focus should be on:

- further opening and integrating markets for goods and services, including logistics and network services;
- ensuring that the Single Market framework helps the roll-out of digital technologies and has fair rules on access to data, free flow of data and liability;
- having a regulatory and financial framework for investment in infrastructure that leads to significant improvements in physical and digital infrastructures and interoperability;
- ensuring that Single Market legislation fulfils the ambition to reduce barriers and is future-proof and innovation friendly;
- keeping better regulation principles and their practical implementation as a key priority;
- reinforcing the Single Market governance tools at EU and national level in order to strengthen implementation and enforcement of Single Market rules.

Having an adequate financial framework supporting the Single Market and its governance is also key. BusinessEurope therefore supports the Single Market programme under the next Multi-annual Financial Framework (MFF). Its general objectives rightly refer to continuous support to small and medium sized enterprises (SMEs), facilitation of EU law enforcement and market access as well as enhanced cooperation among the Member States' competent authorities. In this regard, rapid adoption of the compliance and enforcement regulation from the goods package is also very important. Furthermore, to ensure transparency in financial support, BusinessEurope asks to establish very clear links between the objectives pursued, amounts available and eligibility provisions in all the elements of this programme.



- **Multi-annual Financial Framework (MFF)**

More generally, BusinessEurope reiterates its call to ensure that the next MFF reflects the future priorities of the EU and to reach an agreement on the MFF before the European Parliament's elections. We also welcome the fact that an agreement paving the way to the adoption of the EU budget for 2019 before the end of the year has been found.

European budgets must concentrate efforts on enhancing our competitiveness, focus on areas where the EU can deliver concrete benefits and help preparing industry for megatrends like digitalisation and energy transition.

Countries around the world are investing massively in research, development and innovation while the EU has not reached its own 3% of GDP research and development investment target. Horizon Europe can boost the EU's efforts in research, development and innovation, provided it is equipped with an appropriate budget.

BusinessEurope counts on Member States to increase the EU funding for research, development and innovation after 2020 to reach an ambitious programme of at least € 120 billion, with 60% allocated to the 'Global challenges and industrial competitiveness' pillar.

Last but not least, the next MFF should boost the success of cohesion policy by turning it into an integral part of a European investment strategy, with an adequate financial framework to support a cohesive Europe.

- **Migration**

Concerning migration, there is agreement on the goal of stemming illegal migration by strengthening the external borders of the European Union as well as cooperation with third countries, notably transit countries. However, some important issues still need to be clarified and we are very far from a truly coordinated European solution to better manage migration.

BusinessEurope counts on the December European Council meeting to make progress in moving away from ad hoc crisis management solutions and pave the way to returning to a normal functioning of free movement in the Schengen area and put an end to a divisive debate among Member States

In a rapidly changing global landscape, Member States must remain united and bring the European Union forward. The choice is between succeeding together or becoming insignificant separately. There is no time to waste if we want to fix the roof of our building while the sun is still shining.

Yours sincerely,


Pierre Gattaz