



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

07 December 2020

Dear President,

Message to the European Council meeting on 10-11 December 2020

Council deal is essential to help the EU economy recover from the COVID-19 crisis

There are now clear signs that the increased restrictions across Europe in recent weeks are having an impact in reducing COVID transmission, with infection rates now falling in most EU member states for the first time since the summer. And with the recent very positive trial data from a number of COVID vaccines, there are signs of light at the end of the tunnel. But the path back to pre-COVID levels of output is likely to be long and uneven as uncertainty remains high. BusinessEurope's latest economic outlook forecasts points to a fall of over 7% in the EU in 2020, with the economy potentially bouncing back in 2021 with growth of 5.0%. But even this scenario still sees the EU economy 3% below pre-COVID output levels at the end of 2021.

Decisive action is urgently needed from EU leaders across a range of policy areas to limit the long-term economic and social damage from this virus, rebuild business confidence, increase employment and return our economies towards long-term output levels.

Most urgently, we reiterate our call to member states **to endorse the agreement found as a result of the trilogue on the European recovery fund and the Multiannual Financial Framework for 2021-2027** (the EU's long-term budget). Finalising the adoption of the European recovery package is essential to help the EU economy recover from the damage the COVID-19 crisis continues to inflict. European enterprises and workers urgently need the EU financial support foreseen in this agreement. This is not the time for political games. It is the time to deliver the compromises found for the common good of all member states. Ensuring that the basic rule of law requirements are respected is necessary for the smooth functioning of market economies and the protection of enterprises and workers.

We also call on EU leaders to **further improve EU level coordination on the response to the pandemic**. Member states must urgently develop a common approach to travel, testing, quarantine and vaccine policy. Mutual recognition of tests as well as rapid and safe deployment of affordable vaccines for all EU citizens is essential to restore normal economic and social interactions in our European Single Market. The business community stands ready to help ensure such rapid, widespread and safe deployment. Governments must also learn from the experience of countries which manage to slow down the circulation of the virus with lighter restrictions in order to minimise economic and social damage and accelerate the lifting of unnecessary or ineffective restrictions.



More broadly, we highlight the following key policy messages:

- **avoid any premature unwinding of measures to support business and workers** and focus all policies on ensuring a lasting recovery and strengthening our European Union.
- **pursue public policies supporting the overall investment levels in the face of the massive fall in private investment** and, in particular, rapidly finalise the adoption and implementation of the Next Generation EU recovery instrument.
- **ensure that the disbursement of EU funds is linked to the implementation of country specific reforms agreed in the European Semester**, through the proposed Recovery and Resilience Facility, so that EU funds support investment and reforms that will strengthen EU growth, productivity, competitiveness and employment.
- **ensure that social partners are fully involved in the design, implementation and monitoring of the national Recovery and Resilience Plans**, as recommended by the European Commission in the Annual Sustainable Growth Strategy 2021. Social partners are the main actors of the economy and labour market, and their contribution to shaping the recovery, including through collectively agreed solutions is essential to get a sustained recovery and foster the success and ownership of the green and digital transitions by ensuring that the measures foreseen are both economically feasible and socially acceptable.
- **tearing down all the barriers that weigh on the development of our single market**, ensuring its proper functioning and the smooth operation of EU supply chains, not only restoring all freedoms of movement to pre-COVID conditions as soon as possible but also tackling long-standing obstacles to cross border labour mobility and provision of services, Overcoming over prescriptive policy for harmonised European standards for goods and removing remaining barriers to the free flow of data.
- **ensure that the Green Deal and the new targets are underpinned with a credible industrial strategy** that provides clear answers to the points raised below. The European business community supports the goal of reaching climate neutrality by around mid-century and agrees that the Green Deal is one of the key pillars of the European recovery plan. We are convinced that the decision to increase the ambition for 2030 must take realistic account of the economic situation. The decision to step up ambition comes in the toughest time for the European economy, with a still ongoing and unprecedented health and economic crisis. The second wave of COVID-19 continues to have drastic effects on the economy. BusinessEurope is concerned that the recent impact assessment published by the European Commission does not fully consider the possibility of a more sustained downturn as a result of the COVID-19 crisis. Moreover, according to the average of the modelling results, there is practically no additional growth with the more ambitious climate targets for 2030. The EU urgently needs a strong business plan that focuses much more on how to turn the Green Deal into a real growth driver, while preserving European competitiveness and avoiding carbon leakage to other world regions. In particular, new instruments such as a Carbon Border Adjustment Mechanism (CBAM) should only be introduced in addition to existing ETS carbon leakage protection measures and in a fully WTO-compatible way.



- **support an ambitious international trade agenda** that promotes new trade and investment opportunities for European companies through bilateral trade agreements, including the ratification of the carefully negotiated EU-Mercosur agreement. We welcome the European Commission's recently proposed strategy vis-à-vis the US that aims at building a positive agenda that is ambitious both in terms of scope as well as the results it aims to achieve. We hope the EU and the US can forge an alliance for cooperation that addresses key international challenges ranging from the WTO reform to climate change, digital transformation or the way we deal with China.
- **besides the political plans to improve common border protection and stem illegal migration BusinessEurope deems also important to integrate legal migrants** in accordance with our European values, building a coordinated European solution to better manage migration and move away from ad hoc crisis management solutions for refugees and asylum seekers. At the same time, the EU should be an attractive destination for talented people from third countries that Europe needs and improve the functioning of the Schengen area, which is key to guarantee free movement in our Single Market.

In this unprecedented crisis, European companies do their utmost to preserve Europe's economies and societies. They take strong measures to mitigate the economic and social impact of the crisis. They do all they can to prevent and contain the circulation of the virus in workplaces, preserve value chains, maintain jobs and accelerate the digital and green transitions. To allow them to continue to play their role, the members of the European Council must urgently finalise the agreement on the European recovery package and focus on how to enhance Europe's long-term capacity to generate sustainable growth and employment when implementing it.

Yours Sincerely,



Pierre Gattaz
President



Markus J. Beyrer
Director General