



Mr Pedro Siza Vieira

Minister of State for the Economy
and the Digital Transition of Portugal,
Chair of the EU Competitiveness Council

16 February 2021

Dear Minister,

RE: key business community messages to EU Competitiveness Council of 25 February 2021

The informal Competitiveness Council meeting on 25 February 2021 will focus on topics of great importance to the European business community. I would like to share our key messages in this regard.

The recovery agenda and the Single Market

Steps taken by the EU and Member States to maintain economic capacity in order to ensure a full recovery from the present shock are crucial. The attractiveness of the business environment will play a decisive role in promoting investment and determining Europe's ability to deliver on the twin green and digital transition, generate innovations, maintain and create new jobs, and regain its global leadership. The EU Next Generation recovery instrument, and in particular Member States' Recovery and Resilience plans must become crucial instruments in urgently needed competitiveness enhancing reforms, as well as investment.

Our Single Market is under the heaviest pressure ever, and with the COVID-19 pandemic continuing in series of waves, we are running the risk of repeating mistakes of spring 2020 when disproportionate unilateral restrictions within the EU brought more damage to the society than gains in controlling the virus. It is key that the conclusions of the European Council of 21 January 2021 are closely **implemented** to keep the borders open and the flow of goods and services undisrupted.

The Single Market should be the key solid basis for companies to pick up again and drive the economic recovery towards the transition's green and digital objectives. We need to do the utmost to *enable* businesses and society in this regard. It is in this spirit that 18 European business organisations asked for the Council's action on EU harmonised standardisation in the joint letter to you, sent on 1 February 2021.



In light of the above, BusinessEurope:

- is particularly worried about the latest reports on new restrictions at borders and disruptions of the free movement of goods and services in the Single Market; a repetition of the uncoordinated and disproportionate restrictions that were introduced in spring of last year must absolutely be avoided, and we urge the Presidency to regularly discuss COVID-19 mitigation measures with Member States at all levels, in order to keep the borders open and ensure the unimpeded functioning of the Single Market;
- expects the Presidency to actively follow-up on the upcoming Strategic Report on the Single Market, foreseen for publication by the Commission in March;
- reiterates the political nature of the problems with EU harmonised standardisation and the urgency of necessary actions, including by the Council, in view of the renewal of Industrial Strategy, as highlighted in the above-mentioned joint industry letter of 1 February 2021;
- underlines deep concerns that the European Commission has not yet delivered its communication on Better Regulation, including on the application of the “One-In-One-Out” principle, that was postponed several times; it leaves this policy area without clarity on the present Commission’s approach to ensuring evidence-based regulation and reduction of unnecessary regulatory burden for business.

Public Country-by-Country Reporting

BusinessEurope supports the fight against corporate tax fraud and evasion, and we have throughout the years been actively involved to support the OECD’s Base Erosion and Profit Shifting (BEPS) project, including the non-public disclosure and exchange of tax information between countries (‘country by country reporting’; CbCR).

However, we continue to be very concerned by the Commission’s proposal for the EU to unilaterally require public country-by-country reporting by amending directive 2013/34/EU (‘Public CbCR’). The implementation of public CbCR would force companies to reveal sensitive corporate information (cost structures, profit margins, etc) to the public and (non-EU) competitors, thus reducing the attractiveness of the EU as an investment destination, putting those companies at a commercial disadvantage. The option to delay for 6 years the public disclosure of this information under the Council’s safeguard clause would not resolve this, as the information would remain sensitive particularly for companies with stable business models and stable margins.

Public CbCR would also undermine the role of tax authorities who have the expertise and information to properly enforce tax rules and would not support an informed discussion about company’s tax liabilities leading possibly to misguided interpretation by the public and unjustified reputational damage to the companies.



Furthermore, public CbCR would arrive at a very delicate moment in the EU's cooperation with third countries on tax matters, and in particular with the US. By forcing multinational groups from third countries to disclose information on their European operations publicly, despite the OECD's global agreement to keep CbCR confidential, the EU may damage trust with OECD partners and thereby possibly jeopardise the willingness of these countries to come to an ambitious agreement with the EU on other tax matters, such as the on-going negotiations for global corporate tax rules regarding the tax challenges of the digitalisation of the economy.

- BusinessEurope urges the Council to reconsider this proposal and explore in more depth other ways than public CbCR to improve tax transparency and our common fight against tax fraud and evasion, without risking EU competitiveness.

The New Consumer Agenda

BusinessEurope has welcomed the new EU Consumer Agenda which has an important role to play in supporting the green and digital transition. Nevertheless, it is key not to overlook the essentials of European Consumer Policy. In addition to improving protection, consumer policy also serves as an enabler for businesses to better take advantage of the benefits of operating in the Single Market. Reducing administrative burden and fighting unproductive legal fragmentation continue to be a must for companies operating across borders. Many new EU initiatives on consumer rights, information and enforcement (public and private) have been adopted in recent years which need to be properly implemented and work together. An effective pursuit of ambitious goals in the consumer agenda cannot be accomplished by legislation alone. Awareness raising, training and communication are important to change deep-rooted mindsets and consumer bias towards the cost of greener products or bias towards (new) business models such as rent or lease. This should be further enhanced.

- BusinessEurope urges the Council of the EU to ensure its conclusions on the Consumer Agenda factor in the dimension of business-enabler which will be helpful to foster growth and jobs in Europe, even more important for a swifter recovery post-Pandemic.

We stand ready to discuss these issues further.

Yours sincerely,

Markus J. Beyrer