



Mr Donald Tusk

President of the European Council
European Council
175 rue de la Loi
BE – 1048 Brussels
BELGIUM

14 October 2016

Dear President,

**Message to the EU Council meeting on 20-21 October 2016
Unity, prosperity and security in an increasingly challenging international
environment**

BusinessEurope strongly believes in the future of Europe and wants to be part of the solution to the challenges facing us: security, migration, the decision of the United Kingdom to leave the European Union, as well as European competitiveness, growth and employment weaknesses.

Unity and improved governance

The scope and multiplicity of challenges to be addressed is unprecedented. Full engagement by all EU institutions, all Member States and all relevant stakeholders is required if we want to be successful.

To improve the functioning and governance of the European Union, we need strong and efficient EU institutions pulling in the same direction. European and national commitment can go hand-in-hand. Positive patriotism must not be confused with populist nationalism, which has proved to be so tragically damaging throughout European history.

The informal summit held in Bratislava on 16 September 2016 started to sketch out a roadmap to recreate the conditions for the European Union to be a prosperity and security zone. BusinessEurope counts on the EU Council meeting on 20-21 October to build on this first step and make rapid progress in delivering concrete actions to reach that goal.

Adequate policies must be pursued in Europe to optimise growth and employment for all European companies and workers. Strengthening the EU three key economic pillars - the single market, the common international trade policy and the euro – is essential to bring real answers to companies' and citizens' concerns.

Trade as an engine for European growth and job creation

The capacity to deliver trade agreements negotiated in compliance with the mandates given to the EU is essential for the credibility of EU governance. We encourage EU leaders to strongly support the up-coming signature and provisional implementation of the agreement with Canada and to reiterate the EU's ambition to forge closer transatlantic economic relations by means of an ambitious and comprehensive transatlantic partnership agreement with the United States



The boost to exports from the 2014 Euro devaluation is slowly fading and the international trading environment is increasingly challenging. Global trade is slowing down due to an overall weakness in economic activity, in particular investment, and to the waning pace of trade liberalisation linked to the rise in protectionism.

More than 30 million European jobs depend on exports outside the European Union and a rise of one percentage point in the ratio of trade to GDP increases output per person by at least one-half percent. Protectionism can only create a downward spiral that will hurt European citizens. Concluding new generation trade agreements, going beyond tariff reductions, addressing non-tariff measures, including mechanisms that promote regulatory cooperation and protecting investments is therefore essential.

The question of how to treat China in anti-dumping investigations will also be discussed by the European Council. There are deep concerns within major parts of the European business community on what the expiry of Section 15 subparagraph (a)(ii) on China's Accession Protocol to the WTO could mean for the EU's anti-dumping procedures and industrial competitiveness. A strong industrial base is of key importance for Europe's prosperity and growth. Current anti-dumping measures safeguard tens of thousands of direct and indirect jobs in Europe, with thousands more in sectors or product types which have not yet had to address unfairly traded imports. The EU should therefore maintain effective trade defence instruments that take the real market situation in China into account and are compatible with WTO.

It is in the interest of European companies and workers that the EU strives for a balanced economic relationship with China. Both sides need to show full commitment to an open, fair and rules based system of international trade. A partnership goes both ways. We need clear policy signals from China that it remains committed to comply with its obligations under the WTO, and that it too effectively addresses the issues that give rise for concern in the debate on its Market Economy Status, such as overcapacity, because it will harm industry in both China and other countries.

Prosperity through improved competitiveness and investment

After a decade of under investment, taking further measures to increase productive private and public investment is essential for Europe's growth and employment prospects. Jobs, growth and competitiveness must remain at the centre of the EU strategy.

For BusinessEurope, the European Investment plan is at the heart of the answer to ensure that globalisation benefits are shared in a fair way. We fully support an extension of the European Fund for Strategic Investment and recommend to draw the necessary lessons of the first year of implementation concerning the need to improve additionality, facilitate cross-border projects and support countries experiencing difficulties in mobilising this instrument.

At the same time, it is of outmost importance that the EU and its Member States make real progress in removing regulatory obstacles to investment, addressing the causes of uncertainty standing in the way of investment decisions and improving the overall business environment in Europe.



European countries which had put their fiscal house in order and implemented necessary reforms in time recovered much quicker from the crisis. The progress made to ensure the sustainability of public finances and introduce necessary structural reforms must continue. We need to use the flexibility in the Stability and Growth Pact, maintaining its core, and countries having the margin for manoeuvre must use it for productive investment.

Integrity of the Single Market and close relations with the UK

BusinessEurope expects EU growth to reach 1.9% in 2016 and 1.7% in 2017 because the EU economy showed resilience so far. Business confidence held up after the referendum in the UK. However, the EU and UK economies are profoundly inter-connected. Currently, 41% of total UK exports go to the EU, representing 11% of British GDP whilst the 7% of total EU exports go to the UK, representing less than 4% of our GDP. This compares with intra-Single Market trade amounting to 27% of EU GDP.

For BusinessEurope, mitigating adverse consequences of Brexit for companies and citizens across Europe is essential. We want to maintain as close as possible economic relations between the EU and the UK but this must not happen at the expense of the integrity of the Single Market. Therefore, cherry picking between the four Single Market freedoms and ill-designed compromises opening the way to “Europe à la carte” is not an option.

Secure external borders and well managed migration

Dramatic increases in migration pressures and recent terrorist attacks in Europe have revealed weaknesses in the management of the external borders of the European Union, and have led to a re-introduction of temporary controls in the internal borders of the Schengen area. Free movement is key for a smooth functioning of our economy. These weaknesses therefore need to be addressed urgently.

The European Council should ensure that all the necessary actions are taken to tackle the refugee crisis and safeguard Schengen, which is a cornerstone of European integration and of the smooth functioning of our economy.

BUSINESSEUROPE supports the EU’s strategy to strengthen Europe’s external borders, including both immediate contingency actions and measures requiring more time to be fully implemented. We are fully aware that securing our external borders in a smart way is a large-scale project which necessitates adequate public investment. In this specific case, we support increased EU means to better protect our external borders. We believe that this can also be a win-win for all sides, triggering investments into relevant technologies.

A new border security paradigm has to be put in place, adopting a real industrial logic to develop competitive solutions improving security at the external borders of the EU with potential positive spill-over effects across the economy. This new border security paradigm should include:

- a short term approach to equip Member States facing the strongest pressure at the EU external borders with the necessary competent authorities, flexible and mobile packaged systems and services (with interoperable solutions across countries and agencies involving real time information sharing) for surveillance, search and rescue, identification, screening and registration, capacity building in migration management;



- a longer term approach for the progressive establishment of an EU integrated border security system, with improved protection of the three domains of the EU external borders (maritime, land and border crossing points);
- involving all relevant actors in the definition of two complementary roadmaps through the creation of a stakeholder platform: one capacity implementation roadmap (immediate solutions such as hotspots, biometric, finger prints technology) and one Technology innovation roadmap (future technology, research programmes).

Relations with Russia

The European Council will discuss EU relations with Russia.

For BusinessEurope, the sanctions against Russia adopted by the European Union as a consequence of the military conflict in Eastern Ukraine had a negative impact on European companies. We deplore these negative economic consequences. We will stand firmly behind the decisions of the European institutions as long as the conditions to lift the sanctions are not met.

BUSINESSEUROPE counts on the European Council to take its recommendations into account in the decisions it will take on 20-21 October 2016 to tackle the key global and European challenges facing our continent.

Urgent action is needed to recreate the conditions for the European Union to be a prosperity and security zone.

Yours sincerely,

Emma Marcegaglia