



Mr Andrej Plenković
Prime Minister of Croatia
Trg svetog Marka 2
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CROATIA

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Dear Prime Minister,

BUSINESSEUROPE'S PRIORITIES FOR THE CROATIAN PRESIDENCY OF THE EUROPEAN UNION

At the beginning of this new political cycle 2019-2024, the Croatian Presidency has a key role to play in bringing the European agenda forward.

European companies strongly believe in the EU and you can count on BusinessEurope and its member federations to support you in the actions you will take to ensure that Europe remains one of the best places to live, work and do business in the world while living up to our common European values. We need to join forces to build a Europe that protects, connects and is globally influential.

As you know, BusinessEurope proposes an ambitious agenda for the European Union in 2019-2024, which was developed in close coordination with all our member federations and is set out in our flagship publication '*Prosperity. People. Planet – Three Pillars for the European Union Agenda in 2019-2024*'.

The unique feature of European entrepreneurship is that it cares about prosperity, people and the planet. This third way, our European way, distinguishes us from the US, Asia or other parts of the world. However, only competitive companies are able to generate and sustain job and wealth creation. Without profitable companies, no inclusive growth, no technological solutions to protect the environment, no European products and services to answer various societal needs.

We are falling behind our global competitors in the digital and technological race. Furthermore, the European economy stands at a critical juncture. We are experiencing an economic slowdown due to uncertainties and trade tensions. We still forecast GDP growth of 1.3% for the EU in 2019 and 1.2% in 2020 but there are downside risks such as a possible escalation in trade tensions between both the US and China, as well as the US and the EU and uncertainties around post Brexit EU-UK relations.

To allow business to fully play its role in society, we count on the Croatian Presidency to pay the necessary attention to the creation of framework conditions that will enhance competitiveness, encourage entrepreneurship, increase growth and facilitate job creation throughout the EU.

Having a strong economic base is essential if we are to be influential at global level and to further strengthen European sovereignty. No single member state can bring credible answers to companies' and citizens' concerns about the future by acting alone.

A strong economy is also the prerequisite to be able to build a fair and sustainable Europe. What we want to spend, we first need to earn. The EU must strive for economic sustainability because it is the basis for environmental and social sustainability. In particular, we urge the Croatian Presidency to:

- **pursue policies that will enable European business and industry to flourish and innovate.** A strong industry is fundamental for a robust economy and enables us to deal with economic, social and environmental challenges facing us.
- **ensure that the post-2020 European budget concentrates on boosting sustained growth,** investment, value added as well as job creation and supports member states in their efforts to implement necessary reforms. For that, the European budget should focus on enhancing our competitiveness in areas where the EU can deliver concrete benefits and help prepare industry and companies for megatrends like digitalisation and the energy transition.

More details on the concrete actions we expect from the Croatian Presidency are set out at annex.

We look forward to working constructively with you and the different members of your government to put the European Union on a good track right from the start of the new institutional cycle.

Yours sincerely,


Pierre Gattaz
President


Markus J. Beyrer
Director General

BusinessEurope Priorities for the Croatian Presidency

- **International Trade.** It is essential for the EU to continue to develop its network of free trade agreements, making progress in negotiations with Australia and New Zealand, ensuring the swift ratification and implementation of the agreement with Vietnam and progress in the EU-Mercosur agreement reached in 2019. At the same time, the EU needs to remain engaged in the WTO reform process ahead of the WTO Ministerial Conference MC12 in Astana in 2020.

The EU needs to rebalance its relationship with China, concluding the Comprehensive Agreement on Investment if substance is right. Stepping up discussions with Japan and the US on industrial subsidies are key for the WTO reform process to generate concrete proposals to be discussed with other WTO members including China.

The beginning of a new institutional cycle in the EU is an excellent opportunity to reset the transatlantic relationship. The EU and the US should be working together, not against each other. The WTO rulings on Boeing-Airbus are an opportunity to set the rules on subsidies in the aircraft industry that could level the playing field also in view of competitors in third countries.

The EU must move closer to Africa and the negotiations of the Post-Cotonou Agreement between Europe and the ACP countries provide a golden opportunity to do so. Closer dialogue between public and private sector, education and professional training to meet African labour markets' future requirements, using the Economic Partnership Agreements as building blocks for the African Continental Free Trade Area are key elements to entrench Europe's role as Africa's greater partner for economic growth.

In order to ensure the necessary level playing field for European companies, it is also necessary that the EU defends its interests through tools designed for that purpose, and which are compatible with the EU's international commitments, such as Trade Defence Instruments and the Investment Screening Mechanism. While the first one needs to be adapted to the new challenges, especially the anti-subsidy instrument, the second needs to be put in place properly and rapidly.

The EU also needs to pursue its efforts in view of adopting an International Procurement Instrument with the objective to ensure a balanced market access in the field of public procurement for European companies.

Last but not least, the EU should also ensure the respect of the multilateral and bilateral commitments agreed with its trading partners. We thus hope that the Chief Trade Enforcement Officer will work closely with EU businesses to ensure market access for EU companies.

- **Single Market.** The EU should bring the Single Market back to the top of the political agenda. Free movement of capital, goods, services, people and data in the Single Market must be firmly supported, removing remaining obstacles, and guaranteeing its well-functioning. Long-term competitiveness and the Single Market are often undermined by over-prescriptive requirements. The intrusive approach of the



previous Commission which has reduced the role of industry in the development of harmonized EU standards is one example of a shift away from principle-based governance that jeopardizes our competitiveness in manufacturing and ambition at leadership in global standard setting. We encourage the Croatian Presidency to discuss this matter in the ranks of the Competitiveness Council and give political guidance to the Commission in this regard. We also expect the Presidency to follow up on the long-term Action Plan on Implementation and Enforcement of Single Market rules to be delivered by the Commission by March 2020.

- **Digital Economy.** The Croatian Presidency should ensure that Single Market regulations are not artificially divided in online and offline rules and provide a barrier-free and technology neutral framework, that aids roll-out to accelerate digital transformation of the European economy. This should allow us to lead in the development of strategic digital areas, facilitate investment in networks as well as foster cross-border e-commerce. Legislation should also consistently reflect market integration through reduction of barriers and be future proof. It should support innovation, flexibility for business to respond to a fast-changing environment and enable new business models.
- **Industrial Strategy.** A strong and competitive EU industrial base is fundamental to increase prosperity and reach our environmental as well as our social goals. We need a renewed industrial strategy and count on the Croatian Presidency to ensure that the Commission comes up with adequate proposals in this field during the Spring 2020 as requested by the European Council in March 2019.
- **The Multi-annual Financial Framework (MFF) for 2021-2027.** BusinessEurope counts on the Croatian Presidency to foster swift and sound agreement on an MFF post-2020. This is essential to giving businesses the certainty they need over funding sources to allow them to invest and drive growth forward. To be future-oriented, the MFF must put greater emphasis on strengthening research, development and innovation capabilities. It must facilitate digital transformation and the green transition as well as promote world class cross-border transport capabilities. These will be essential to boosting business confidence and prove that the EU is serious about supporting competitiveness, structural reforms and employment creation in a changing geopolitical environment. Furthermore, the EU should ensure an adequate financial framework to support a more cohesive Europe and to develop cohesion policy by turning it into an integral part of a European investment strategy to support competitiveness, growth and convergence, for all European regions. Furthermore, the overall budget needs to be of a size adequate to address our common challenges.
- **European Semester.** The new Commission intends to incorporate the UN's Sustainable Development Goals into the European Semester. When finalising the country-specific recommendations, the Croatian Presidency should ensure that this is done in a way that preserves the necessary focus on enabling EU businesses to deliver long-term growth and employment. This is fundamental to achieve our broader societal and environmental ambitions.
- **EMU.** The EU must further strengthen the EMU and trust in the Euro to provide a stable environment to investors. Reforming and enhancing economic governance in the EU through a deepening of the EMU is crucial to ensuring long-run stability and growth and the international role of the Euro. In particular, the EU must:



- **follow-up on the Ecofin Council commitment** to implement a euro area budgetary instrument for convergence and competitiveness. Such an instrument, which should be developed to combine a commitment to supporting structural reform, with a stabilisation function whilst limiting moral hazard, can play an important role in improving the resilience of the EU economy.
- **foster progress on completion of both the Banking and Capital Markets Unions** and further integrate EU capital markets to increase financing options for businesses, such as Venture Capital provision, and remove barriers to cross-border investment.

Building on the work of the previous Commission, the Croatian Presidency should also discuss how to reinforce the international role of the euro.

- **Better Regulation.** The Better Regulation agenda needs more support in Council. Business welcomes attention for the necessity of burden reduction and generally supports the introduction of the “1 in – 1 out” principle at EU level. Regulatory offsetting at EU level will depend largely on ensuring the necessary buy-in by the other EU institutions and member states. Furthermore, the EU should make sure that a sound impact assessment is carried out on all new EU proposals.
- **Energy and Climate Policies.** BusinessEurope supports efforts to work towards the objective of climate neutrality while ensuring our competitiveness and security of energy supply. Given the massive investment needs to carry out this decarbonisation, we count on the Croatian Presidency to preserve the stability and predictability of the climate and energy policy framework and to help ensuring there is proper coordination between the different EU funding instruments to support investment in the development and deployment of breakthrough technologies to lower emissions. Furthermore, to be successful, the proposed ‘European Green Deal’ should be presented and discussed at the Competitiveness Council.
- **Social Affairs.** Labour and skills shortages or mismatches are an important obstacle to growth and further reduction of unemployment. We welcome the initiative of the Croatian Presidency to organise a conference on the issue of skills in May 2020. The Presidency should also work towards finalising the pending revision of the social security coordination regulation 883/04, to remove over-prescriptive requirements in some member states that impose traveling with an A1 form for a simple business trip. It is important that these new rules and activities support mobility of goods, services and workers without hampering the functioning of the Single Market.
- **Consumer Protection.** The Croatian Presidency will oversee the trilogue negotiations on the proposal on representative actions. There is no margin for error for the EU if it wants to minimize the risk of abuse by unscrupulous actors who seek to foster litigation for their own purpose rather than for the benefit of consumers. The latest Council General approach brought a considerable shift from the original proposal. Procedural safeguards - which are essential gatekeepers against abusive litigation - were weakened. Ensuring a minimum standard for domestic or cross-border entities litigating on behalf of consumers is fundamental to the effectiveness of any collective redress system. The Presidency should work towards a system that

better combines the objective of granting access to compensation (via court ruling or a settlement) and removing the features that fuel opportunistic litigation.

- **Brexit.** It is important to start negotiations on the future EU-UK relationship as quickly as possible once the withdrawal agreement is fully ratified. Our aim is to have a relationship that is as close as possible and one which works for both sides. In order to continue to avoid a disorderly Brexit, policymakers should work together and not let time be a barrier. In the meantime, we have to avoid major disruptions. Data flows, for instance, are extremely important, and the EU and UK must work towards a robust mutual adequacy decision on personal data transfers once the UK leaves the EU. Until this decision is in force, a standstill non-enforcement arrangement should be agreed.
- **Enlargement.** The European Council will revert to the issue of enlargement before the EU-Western Balkan summit in Zagreb in May 2020. While ensuring that the EU has an efficient process to deal with enlargement, it is important that the EU fulfils its commitment to open accession negotiations, if conditions to open such negotiations are met, bearing in mind that progress and conclusion of these negotiations are always dependant on fulfilling all the necessary requirements to become a member of the European Union. They cannot be an automatic result.