



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

14 April 2020

Dear President,

Message to video conference of the members of the European Council on 23 April 2020

Four weeks ago, BusinessEurope sent a clear message to European leaders that only through **responsibility, action and solidarity** from all parties would we meet the challenge of controlling the new coronavirus while preserving our economies and societies. In the days that have followed, we have seen an extraordinary response from government, businesses and citizens alike. Our gratitude goes to everybody who is helping to reduce the spread of the virus, increasing our ability to cope with its impacts, and in particular, those showing exceptional courage both treating the sick and maintaining the vital goods and services upon which we all depend.

We know that more will need to be done.

Our message for leaders ahead of this third video conference of the members of the European Council focuses on the further measures needed during the **emergency, exit and recovery** phases of the crisis:

1. A co-ordinated and well-communicated European response to the present coronavirus emergency

We welcome the unprecedented response by the EU and Member States alike to rapidly put in place essential measures to protect businesses and workers through this crisis. However, further measures are clearly needed.

At Member State level, we welcome support to retain workers through short time working schemes, measures to support lending to business, and other measures to offset costs such as tax postponements or reductions.



At EU level, we welcome the following EU measures:

- the launch of a **€37 billion “Corona Response Investment Initiative”**, using increased flexibility to rapidly deploy unallocated cohesion policy funds in the priority areas of healthcare, short time work schemes, SMEs’ working capital;
- the rapid action taken by the Commission and Council both to **ease the requirements of the Stability and Growth Pact through activation of the general escape clause**;
- the **temporary state aid** regime;
- the **strong action taken by the ECB** to increase financial stability;
- the **Eurogroup deal** allowing for further European solidarity for Covid-19 related spending.

We call on Member States to make full use of the opportunities offered by these measures without delay.

It is of great importance that the actions taken at EU level are known and understood by companies and citizens across our continent. There is an urgent need to intensify communication on support schemes developed by the European Union and to explain in an accessible way where to turn to and how to proceed to benefit from them. BusinessEurope and its members stand ready to contribute to spreading such information.

It is also essential to ensure everywhere a supporting environment for business, up to the standard of Europe’s global competitors.

Many businesses across Europe are already facing a critical decision whether to maintain staff in the expectation of being able to restart their businesses later in the year, or simply to permanently shut-down right now. So, it is essential that such schemes rapidly become operational, providing **substantial cash support that is delivered at speed, with simplicity and flexibility for businesses.**

The EU also has a crucial role to play during this emergency in **ensuring the flow of goods and services both within the single market and across our external borders**, both of which are crucial to maintaining supply chains for essential goods and services (such as medical, pharmaceutical, food, digital, energy). We welcome the Commission’s **‘Green Lanes’ initiative** and the Guidelines concerning the free movement of workers (including seasonal workers) to support the functioning of the single market. We insist on the need to now make this work in practice and ensure it fully delivers. In addition, the European Commission’s guidance to ensure **a more unified approach within the EU on critical infrastructure and essential goods and services** would be helpful. In particular, we must ensure that critical logistical and transport corridors in Europe and beyond including our neighbourhood countries and major trading partners like the USA remain functional.



The use of **digital technologies** is proving particularly crucial in helping keep Europe working, shopping, studying and accessing public services from distance. But there is an immediate need for European action to strengthen the cybersecurity conditions which are fundamental to allowing businesses to operate. Once this crisis has passed, Europe needs to assess its current digitising industry plan and shift up a gear towards the next phase of digitising industry while broadening connectivity and strengthening human capital.

It is also necessary to **provide clarity regarding ‘force majeure’ clauses**. The EU should encourage Member States to consider Covid-19 in conjunction with other relevant factors (e.g. travel bans, work stoppages, shop forced closures) as a situation of *force majeure* affecting contractual relationships.

In terms of **external trade**, we are particularly concerned by the **growing number of countries taking measures to restrict or ban exports**, particularly of essential medical equipment and medicines, as well as, increasingly, food. Europe needs to show leadership and look for **coordinated responses using multilateral fora** like G20, WTO and OECD.

The health crisis has forced the EU to adapt its decision-making. This means in the first instance, **greater flexibility regarding the application of the present regulatory framework**, with exceptions made where appropriate. The Commission’s decision to suspend airline slot regulation is a good example to draw from. In addition, there needs to be a lot of flexibility in terms of deadlines for public consultations or application dates of newly agreed rules. Envisaged deadlines should be substantially extended. New legislation should be carefully assessed taking into account the current crisis situation, to avoid further substantive pressure on businesses that would jeopardize their existence. There needs to be more coordination at EU level in this respect.

2. Ensuring a risk-based approach to allowing our economies to exit from current emergency measures

It is already clear that the short-term economic impact of the measures Member States have taken to control the spread of the virus and minimise loss of life will be massive and likely to outweigh even the downturn seen during the financial crisis in 2008. **Our analysis is that GDP will on average fall by at least 2 percentage points for every month that the present shutdown in Member States continues**, and that the costs will increase exponentially as the shutdowns lengthen, with the impact also more dramatic in those Member States where the shutdown has been more extensive.

Moreover, even once restrictions on activity are removed, it will take some time for our economies to return to their previous levels. **Our ability to bounce-back is likely to be reduced significantly the longer the restrictions continue and more businesses are forced to close or lay off workers**, despite the best efforts of all. A quick return to full capacity will be particularly difficult in cases where it was necessary to close-down industrial plants, given the potential damage to supply chains from a long shut-down.



Member States have understandably restricted movement and economic activity in order to gain control of the spread of the virus. But as the spread of the virus starts to peak, our emergency response capacity expands, and our understanding of the virus itself increases, **it will be important that Member States continually reassess the scope to allow an increase in economic activity through clear and predictable plans.**

Governments need to balance, on the one hand, a risk-based approach to protecting public health, with the clear danger of fundamentally damaging our business ecosystem if significant restrictions remain in place for a sustained period, and the risks to employment, prosperity and social cohesion, including through our ability to fund public services, this entails.

European industrial value chains are closely interlinked internationally. Therefore, it is necessary to take a broad approach to value chains when gradually re-opening and ramping up industrial activities. Taking a narrow approach opposing essential vs non-essential industries does not make sense in the exit phase. Only a broad approach acknowledging the complexity of value chains can work to fully supply the population and minimise economic damage.

Governments and business will also need to find the right strategies to make sure that people can gradually return to the workplace in healthy and safe conditions. Businesses, particularly SMEs will undoubtedly need practical guidance and support to adapt their risk assessments, to develop prevention strategies and to mitigate the risks where they occur. National Occupational Safety and Health (OSH) inspectorates should divert some of their resources away from ensuring compliance towards providing guidance and assistance to businesses and workers.

Guidance will have to take into account the diverse circumstances of different sectors of the economy (for example workers' level of interaction with clients or customers) as well as **the possibilities of individual companies** (for example whether the workspace allows for effective social distancing measures). Rather than a single approach for all businesses, we encourage national governments to promote a cascading of measures, including hygiene, social distancing, use of personal protective equipment, including masks and testing. **We invite Member States and the EU institutions to discuss whether such a shared approach and guidance could be developed at EU level.**

Acknowledging the urgency of increasing and diversifying our production capacities to meet the needs of all Member States, especially regarding the protective and medical equipment, we call for a large EU industrial reconversion plan aimed at facilitating the coordination of:

- Activation of production lines for goods and services experiencing a high increase of demand (e.g. the entire health supply chain, in particular masks);
- whenever possible, reconversion of specific productions and exploitation of temporarily unused production capacities, to fulfil urgent needs for goods in short supply.



The effectiveness of measures will depend on employers' actions as well as workers' commitment and diligence to follow instructions, for example on use of personal protective equipment, and hygiene and social distancing measures. It will also depend on governments providing clear explanations, in particular where different measures are in place in workplaces and for the public at large.

3. Leveraging solidarity to deliver a co-ordinated EU recovery plan

Although the support granted by the EU Institutions is welcome, additional and extraordinary measures to support our long-term prosperity are urgently needed.

We must start immediately to define a clear, ambitious and co-ordinated EU recovery plan. We need an ambitious and coordinated fiscal stimulus underpinned by a European Union able to mobilize resources and investment to support Member States, deploy new and innovative instruments, according to the extraordinary nature of the crisis. In order to give businesses the confidence to keep going, the recovery plan must focus on channelling investment into key strategic areas that can reinforce Europe's long-term competitiveness, alongside broader measures to support trade, growth and employment. We therefore welcome the ideas discussed by the Eurogroup regarding a new European Recovery Fund, to turbo charge such investment.

The Commission's Corona Response Investment Initiative must become the foundation for this broader, co-ordinated EU recovery plan. In the first instance, this means looking at how this fund can be expanded, by ensuring for example, that all unused structural funds are rapidly deployed to help businesses and workers, including by reducing national co-financing rates for both public and private investment, as well as temporarily easing application, monitoring and reporting requirements.

In addition, Member States should further demonstrate their solidarity through **rapid agreement on an ambitious new multi-annual financial framework (MFF)**, and we therefore look forward to the new proposal the Commission will present. Such solidarity will be more crucial than ever in the coming months in helping maintain convergence between Member States and thus help to protect the level playing field of the single market.

In order to address the extraordinary challenges we face, the EU budget must play a greater counter-cyclical role, with measures taken to increase the amount of expenditure at the start of the programming period. There must be **an enhanced role for the EIB**, underpinned by increased capital guarantees to enable it to increase capacity and take on further risk without endangering its AAA rating. In particular, **we support the creation of a pan-European Guarantee Fund**, managed by the EIB, to support up to €200bn of additional targeted financing for SMEs, midcaps and corporates impacted by the Covid-19 crisis.

Finally, **we must do everything it takes to protect our single currency, including ensuring all Member States have market access to funds needed for their recovery plans.** We support the strong and decisive action taken by the ECB to increase financial



stability through the launch of a new Pandemic Emergency Purchase Programme representing over 7% of EU GDP. We also welcome the Eurogroup's work to develop European solutions to support the financing of a co-ordinated EU economic recovery plan and believe this work sends a clear signal to citizens and financial markets alike of our solidarity and commitment to the Euro.

Supporting the demand side in a coordinated way at the EU level in order to quick-start investment as well as household spending and allow for favourable living condition for people will be key to ensure a dynamic and smooth recovery and alleviate risks of social tensions.

In this context, we welcome the agreement amongst finance ministers to ensure existing tools, in particular the ESM, can be rapidly adapted to meet the needs of the present crisis. Discussions should also progress on further possible instruments. We encourage finance ministers to quickly focus on the **completion of the Banking Union and Capital Markets Union**, which can contribute to the revitalization of business financing to the benefit of all.

Regarding the **Commission's proposal of a scheme for temporary support to mitigate Unemployment Risks in an Emergency (SURE)**, we fully agree with the objective of supporting Member States in their efforts to protect as many viable companies and as many viable jobs as possible during the Covid-19 crisis. However, exceptional support given in exceptional circumstances must remain temporary and focused on dealing with the exceptional nature of this crisis. BusinessEurope insists that it cannot be considered as a precedent for a permanent EU unemployment insurance scheme, to which we remain opposed.

The European Union must show that it is more than the sum of its members and it must take a leading role in ensuring that the necessary coordination in global fora such as the G20 takes place. We count on the members of the European Council to act with solidarity and responsibility. We count on them to show leadership and agree on ambitious, balanced and well-coordinated solutions to protect companies and workers during the crisis and allow them to bounce-back. You can count on the full support of BusinessEurope and its members to overcome the Covid-19 crisis and ensure that Europe recovers as rapidly as possible.

Yours sincerely,

Pierre Gattaz
President

Markus J. Beyrer
Director General