



Mr Charles Michel
President of the European Council
European Council
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BELGIUM

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Dear President,

Message to the European Council meeting on 21-22 October 2021

Transform Europe's recovery into lasting growth and employment, strengthen digital capacities, coordinate migration policies, and improve trade relations

As the EU emerges from the pandemic, the European Council should focus its discussions on how to transform Europe's recovery into lasting growth and employment. Europe is moving towards operationalizing its climate and digital ambitions, with opportunities but also very concrete challenges for companies, such as rising energy prices, shortages of microchips, skills gaps, etc. They need to be addressed if we want to keep pace with other global players.

Transforming Europe's recovery into lasting growth and employment

The roll-out of vaccinations has allowed EU governments to ease Covid-19 restrictions. As a result, the European economy is now experiencing a strong economic rebound. EU27 GDP should reach its precrisis level in the first half of next year. This is positive but the economies of our largest external trading partners have recovered faster than Europe. Moreover, several risks (virus variants, vaccination progress, supply shortages, energy prices, inflation) need to be monitored or addressed.

To transform Europe's recovery into lasting growth and employment, the European Council should:

- Encourage member states to build on successful COVID vaccination campaigns which allowed to ease pandemic related restrictions and address remaining access to vaccination discrepancies within Europe and across the world.
- Acknowledge that the current increase in energy prices has serious implications on households and businesses. Assuming that much of energy price developments are transitory, a market-based readjustment to return to 'normal' energy prices, ensuring coordination of national interventions in the energy markets, should be the preferred avenue. It is essential that national measures do not impact competitiveness or disrupt the Single Market. The 'toolbox' of measures that Member States can take in the short-term to tackle energy price spikes fully respecting EU rules, is an important step by the European Commission. Recent developments show how sensitive our economies are to energy prices. This should be thoroughly considered when

discussing the Fit for 55 package, in particular long-term energy price signals to incentivise low carbon investment.

- Ensure that national recovery and resilience plans lead to proper implementation of a wide range of structural reforms linked to the implementation of country-specific recommendations under the European Semester that can increase competitiveness as well as productivity and fulfil the requirements for green and digital investments.
- Promote single market rules on awarding public contracts and ask Member States to provide a complete overview for projects selected via a call for tender when implementing their national recovery and resilience plans.
- Support a more resilient industry to strengthen our ability to face and manage future crises, learning from the experience that countries with a strong industrial base have tended to bounce back more quickly. Furthermore, a strong industrial base is needed to generate the necessary investments to achieve the objectives of the Green Deal.
- Pave the way to returning to sustainable budgetary positions in the medium-term, factoring in the situation in the aftermath of the COVID-19 pandemic, avoid “risky levels of debt” as well as premature unwinding of measures to support companies and workers.

Social partners play an important role assisting enterprises and workers when implementing national reform plans and carrying out the digital and green transitions. They were often excluded when national administrations adopted emergency measures during the Covid-crisis and not properly consulted during the preparation of national and recovery plans. Involving them is all the more important in the implementation phase.

Strengthening digital capacities

A successful digital transition is key for a sustained recovery. BusinessEurope supports the European Digital Compass and the adoption of digital targets for 2030 to help mobilise the necessary funds and create the right investment climate.

To accelerate the digital transformation, the European Council should urge member states to:

- Get the wider population to support the necessary changes, develop a good understanding of the benefits and challenges associated with digitalization.
- Invest in education and develop skills that are crucial for Europe to succeed in its digital transition. Beyond efforts to improve digital skills in Europe, legal migration from third countries and intra-EU mobility are part of the solution.
- Take into account practical as well as competitiveness considerations when setting new targets or additional requirements for businesses.



- Strengthen their coordination in the context of the policy programme “Path to the Digital Decade” in order to facilitate the digital transition and optimise synergies in the Single Market.
- Aim for a Single Market where neither digital services regulation, rules on data flows, nor privacy protection lead to market fragmentation.

The Single Market has a central role to play in driving Europe's recovery and supporting the digital transition of our economy. Restoring the Single Market after the end of the pandemic is not enough. Member states should therefore aim at tangible progress on removal of persisting Single Market barriers, including through the work of the Single Market Enforcement Task Force (SMET). They should also refrain from creating any new barriers in the Single Market.

Coordinating migration policies

We urge the European Council to take steps towards a better functioning of EU migration policy based on improved coordination of Member States migration policies:

- Integrating legal migrants in accordance with our European values, building a coordinated European solution to better manage migration and moving away from ad hoc crisis management solutions for refugees and asylum seekers.
- Making the EU an attractive destination for talented people from third countries that Europe needs. Rather than engaging in a piecemeal approach, we need to create the necessary tools for a renewed economic migration policy framework that is responsible, fair and responding to Europe's labour market needs.
- Improving the functioning of the Schengen area, which is key to guarantee free movement in our Single Market.

Improving trade relations

In an increasingly challenging global environment, the EU needs to secure more and better trade and investment opportunities in third markets for European companies, while pursuing the adoption of new instruments to protect its economic interests (e.g., IPI, foreign subsidies regulation, anti-coercion instrument, modernisation of the blocking statute).

To rebalance the **relationship with China and the partnership with the U.S**, the European Union should monitor and address trade/investment irritants. For instance, the EU should obtain concrete deliverables on the transatlantic Trade and Technology Council (TTC) and resume the high-level official dialogues with China. Doing so is particularly important ahead of COP26 and the 12th Ministerial Conference of the World Trade Organisation to collectively address global challenges like climate change and to progress on the reform of the WTO.

Strong European engagement in Asia is essential for trade and investment as well as for Europe's strength as a global player. The European Union must come with a strong and united message at the 13th Summit of the **Asia-Europe Meeting (ASEM13) on 25-26**



November 2021 on the importance of supporting a sustainable economic recovery in the region by strengthening the EU's engagement, for instance through existing Free Trade Agreements, ongoing trade agreement negotiations but also through the ones about to be launched (e.g., with India), as well as through the new connectivity strategy "Global Gateway" to be published in November 2021.

In the context of the **6th Eastern Partnership Summit planned for December 2021**, the EU needs to pursue a close and special relationship with countries in its neighbourhood taking into account their specificities and significant potential for growth and economic integration offered by the Association Agreements and DCFTAs-Deep and Comprehensive Free Trade Agreements which create the impetus for structural reforms that will in turn help improve the business climate and stimulate bilateral trade and investments. It is important that the EU continues to support the process of reforms and closer alignment with EU rules through capacity building and financial assistance.

These are the business expectations for the discussions of the European Council. We urge you to take them into account to set the course to transform Europe's recovery into lasting growth and employment, addressing challenges associated with the digital transition, better coordinate migration policies, improve the functioning of the Schengen area and improve trade relations with third countries, notably China.

Yours sincerely,

Pierre Gattaz
President

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Director General