



22 March 2022

## **BusinessEurope's message to the Spring European Council on 24-25 March 2022**

### **Putting Europe back on the path to security and prosperity**

#### **1. Supporting Ukraine and cushioning the effects of sanctions and countersanctions**

BusinessEurope strongly condemns the Russian invasion of Ukraine and deplores the role played by Belarus. The European Union must defend international law and support Ukraine and its people. Like many other actors, our companies are taking concrete actions to provide humanitarian help and assist people fleeing combat zones.

We stand fully behind the sanctions decided by EU authorities. Businesses will be bearing a heavy burden and to cushion the negative effects for the European economy, it is essential that:

- these sanctions are well-targeted and that companies receive clear guidance and detailed information both on sanctions and support measures as quickly as possible,
- the excellent coordination within the European Union as well as with the US, the UK and other partners continues when implementing sanctions, when adopting support measures to enterprises and workers, when finding solutions to deal with supply disruptions, when helping EU citizens and companies present in Ukraine, Russia, and Belarus etc.

Going forward the EU will need to assess the overall impact of this crisis for Europe's peace, security, and economic stability, drawing all the necessary political and economic lessons.

The dramatic developments around the Russian invasion of Ukraine have clearly demonstrated that the EU's global strength comes from its economic power based on European values. It is of utmost importance that the EU takes good care of its economy.

The war in Ukraine exacerbated challenges linked to the long-term impact of the COVID-19 crisis such as rising energy prices, inflation, and global supply chain disruptions. Cushioning the effects of this crisis and improving the business environment is essential to put Europe back on the path to security and prosperity.

#### **2. Tackling high prices and ensuring secure supply of energy**

BusinessEurope continues to support the ambition of the 'Fit for 55' package and its goals. Already before the invasion, high energy prices had severely impacted many industrial sectors and businesses across Europe. Now, energy prices soar to levels previously unimaginable, and many companies must curtail production or close plants.



To avoid a worsening of the current energy crisis and establish an economically and socially workable transition pathway to deliver the goals for 2030 and 2050, EU leaders must:

- take speedy and targeted action: including measures to temporarily regulate the gas price and to bring down barriers for an integrated European energy market, while promoting a diversification of energy supply sources. This must be accompanied by expanding the number of urgently needed critical cross-border projects to improve the interconnection of the European electricity and gas networks. Speeding up permitting procedures for industrial as well as energy production projects will also be key.
- avoid abrupt disruptions of energy supply: extensive development of low-carbon and renewable energies, hydrogen and alternative fuels, and increased energy efficiency, continue to be important elements of Europe's response to the energy crisis. However, it is paramount that our economy stays efficient, and this requires a reconsideration of timelines for realistic energy and climate policies.
- ensure sufficient investments to facilitate the green transition of industry: challenges have only increased, and the recent events will make it harder to finance relevant investments. New comprehensive impact assessments and generation scenarios are needed, taking into account the changed circumstances.

### **3. Accelerating the development of the EU defence pillar**

BusinessEurope welcomes the acceleration of the development of the EU's defence pillar alongside the necessary strong coordination with allies in the UN, NATO and in the region, while respecting different traditions and approaches in security and defence.

Like in all policy areas, the increased means made available will need to be used efficiently. This requires to:

- significantly step up coordination and cooperation amongst member states, with positive spill over effects fairly leveraged across the EU and modern EU-wide defence procurement,
- improve synergies between the public and private sector, including for research and innovation,
- address the difficulties that enterprises in the European defence and space industry supply chains encounter in getting access to finance in private financial markets,
- step up cybersecurity capacities, given the exponential increase in cyber-attacks.

### **4. Keeping up with global competitors**

It is too early to draw the lessons of the current security crisis, but BusinessEurope's Reform Barometer 2022 takes a closer look at the longer-term structural impact of the COVID crisis on the European economy. Our analysis shows that:



- Europe has made progress regarding innovation and entrepreneurship as companies brought solutions to address the challenges of the pandemic as well as the digital and green transitions but not at the same speed as our international competitors and this creates a risk to our future prosperity.
- the assessment by our member federations of the EU's crisis response has improved, with 63% judging the EU's overall economic response to the pandemic as 'very good' or 'excellent', 29% (very) satisfied with the implementation of national recovery plans (compared to only 10% of satisfaction concerning the elaboration of these plans in member states last year) and only 30% dissatisfied with the involvement of social partners in the implementation of these plans in member states (compared with 71% of dissatisfaction last year).

To keep up with Europe's international competitors and foster sustained growth and prosperity in Europe, EU leaders must:

- urgently improve the business environment in Europe: strengthening and developing the European Single Market which is the foundation of Europe's prosperity and following better regulation principles to keep administrative burden to a minimum, privilege proper enforcement of existing rules and impose new requirements only when absolutely necessary; ensuring a level playing field by avoiding burdensome requirements that impact EU businesses only.
- continue to pursue an ambitious trade policy: ensuring that our companies are competitive abroad and building new market opportunities for them across the world to boost our economic recovery, diversifying sources of supply, accelerating ratification of negotiated bilateral free trade agreements such as with Mercosur, Mexico, and Chile and deepening trade relations with our key international partners such as the US and the UK, including ambitious provisions on digital trade allowing data to flow on a stable and safe manner.
- improve employment: tackling labour market mismatches that increasingly act as a brake on economic growth, better tailoring education and training systems to labour market needs, ensure that labour costs increases are in line with productivity growth and putting in place policies to increase long-term productivity across Europe.
- accelerate innovation and digitalisation: increasing R&D spending and support stronger private sector R&D investment to reach the EU's target of investing 3% of GDP in innovation, strengthen digital infrastructure, support investment in cybersecurity and secure efficient digital interface between business and public administration.
- facilitate access to finance: avoiding sudden tightening of financing conditions, ensuring that new prudential rules for financial institutions do not unduly increase capital requirements, promoting alternative sources of financing to bank lending, making sure that actions to support sustainable finance are proportionate and workable.



- optimise the efficiency of EU financial support: making the best possible use of the Recovery and Resilience Facility and paying more attention to the quality of investments as well as proportion of expenditure directed towards growth-enhancing expenditures.
- put national public finances on a sustainable long-term path: properly enforcing the Stability and Growth Pact once revised following its review, with simplified rules, reduced pro-cyclicality and reflecting the post-crisis context.

During their informal meeting in Versailles on 10-11 March 2022, European leaders have sketched out an agenda to bolster EU defence capabilities, reduce energy dependencies, build a more robust economic base and foster investment. Europe is faced with a dramatic situation. We count on the European Council to convert this agenda into a real action plan and take concrete measures. You can count on BusinessEurope's full support in putting Europe back on the path of security and prosperity.