



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

21 June 2021

Dear President,

**Message to the European Council meeting on 24-25 June 2021
Strengthening the recovery, making good use of European funds, and alleviating
international tensions**

Ahead of the European Council meeting on 24-25 June 2021, BusinessEurope urges the EU to take the necessary actions to strengthen the recovery from the Covid crisis, make good use of European recovery funds and to alleviate adverse effects of international tensions on European growth and employment.

Strengthening the recovery from the COVID crisis

Strengthening the recovery from the Covid crisis requires to restore free movement in the Single Market and to find viable solutions to improve access to vaccines and treatment across the world.

Rising vaccination rates and falling Covid infections are now allowing a gradual unwinding of containment measures. However, Member States must continue to address vaccine production challenges and ensure that the **EU Digital Covid Certificate** is operational throughout Europe on 1 July 2021 and paves the way to a globally applicable solution.

To optimize the benefits of the EU Digital Covid Certificate, the European Council must address all the remaining obstacles to **restoring free movement in the Single Market** to pre-COVID conditions. Furthermore, the European Union and its Member States must draw the lessons from this pandemic to improve Europe's capacity to respond to similar sanitary crisis. In particular, the European Council must ensure that sufficient safeguards are put in place to permanently guarantee the free flow of goods, people, and services in the future.

Even though the outlook for our economies and societies has improved, Europe is still operating slightly below pre-pandemic levels. Industry and domestic consumption remain suppressed. Many businesses and workers are still deeply affected by the crisis. It is therefore essential to **avoid premature unwinding of supportive measures**.

Many consumers are eager to enjoy their new freedoms while supply chains continue to be affected by restrictions and companies are faced with supply shortages and rising cost, in critical raw materials and semiconductors as well as recruitment difficulties. Promoting the



resilience of global as well as intra-European value chains and making necessary reforms to encourage workers to enter the labour markets, including through skills policies, has an important role to play in **dampening inflationary pressures**.

As Europe will not be safe as long as the Covid pandemic continues in other regions of the world, improving access to vaccines and treatment across the world is essential. Member states should support the proposal of the European Commission seeking the commitment of WTO members for **a multilateral trade action plan to expand the production of COVID-19 vaccines and treatments**. It is also critical that export restrictions of vaccines and necessary ingredients that adversely affect supply chains are lifted.

The development of vaccines against the COVID-19 in record time would not have been possible without the private sector research that started long before the massive public investment to accelerate the development and production of these vaccines. These research efforts would not have taken place without an effectively working intellectual property protection system. Furthermore, access to reliable and affordable vaccines and treatments primarily depends on capacity production and effective logistics and trade networks. In this context, we welcome the G7 statement noting the positive impact that voluntary licensing and technology transfer on mutually agreed terms already made to increasing global supply. This being said, we are open to explore options that can bring consensus in the WTO, including the European Commission's proposal, to ease the use of compulsory licensing within the existing Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Making good use of the Recovery and Resilience Facility

All 27 Member States have now ratified the Own Resources Decision. The EU can start borrowing to make funds available under the Recovery and Resilience Facility. To ensure that this debt can be reimbursed by growth without undue burden on future generations, it is essential to ensure that Member States make good use of the support they get from the Recovery and Resilience Facility without raising corporate taxation which will directly affect recovery and investments and undermine employment.

BusinessEurope Reform Barometer 2021 assessed the National Recovery and Resilience plans (NRRPs) prepared by Member States. The message from our members is clear. The Member States' plans have many positive aspects. However, to fully exploit the potential of the funds, there must be a greater focus on investments that can drive long-term competitiveness (particularly in research and innovation) as well as more ambitious growth-enhancing reforms. Before their final approval, there is an opportunity to improve these plans to ensure that the recovery money is well spent.

BusinessEurope and its members stand ready to work with the Council during the next weeks to improve the National Recovery and Resilience Plans and count on the European Council to **ensure that the NRRPs:**

- prioritise **skills-related investments** that are necessary to re-skill and up-skill workers and to strengthen Europe's future economic growth potential. This is particularly important in a context characterised by an ageing and shrinking population where productivity is the main growth driver. At the same time, the EU should attract talented



people from third countries that are equipped with skills needed on European labour markets,

- in line with the principle of **additionality**, will not use the funds to replace either normal, recurring expenditure by Member States, or projects supported by other EU schemes,
- are sufficiently linked to the **implementation of structural country-specific reforms**, as designated under the European Semester,
- have a greater focus on **research, development, and innovation**, as well as on projects that are key for European industries to master the twin digital-climate transition, with IPCEI being a key European instrument in this regard.

Furthermore, Member States should ensure a closer involvement of social partners when further designing and implementing their reform plans. Social partners can act as important bridge-building actors, in particular through collectively agreed solutions, in order to ensure that the measures foreseen are both economically feasible and socially acceptable.

Relations with neighbouring countries

Smooth relations with neighbouring countries and trading partners are essential for growth and employment in Europe.

Regarding **EU-UK relations**, BusinessEurope is particularly concerned with increasing tensions in Northern Ireland. The EU and the UK should remain committed to the implementation of the Protocol on Ireland and Northern Ireland that is part of the Withdrawal agreement.

There might be a need for certain flexibility that takes into account the specificity of the situation on the ground and both sides should strive for a solution that stabilizes the EU-UK relationship and avoids further frictions. In this context, unilateral actions should be avoided. There are no easy solutions to this issue, and it requires goodwill by both partners to come up with arrangements that work for everyone and still respect the jointly agreed Withdrawal Agreement.

Any solution must be in line with the Protocol and respect the Good Friday (Belfast) Agreement while safeguarding the integrity of the EU Single Market. The business community stands ready to engage and contribute actively to this process.

Data flows are a key enabler of trade in goods and services between the EU and the UK for companies of all sizes and sectors. Having a data adequacy decision as soon as possible is of critical importance to create trust and legal certainty for economic operators in the EU and the UK.

Regarding **relations with Turkey**, priority should be given to the modernisation of the Customs Union Agreement and ensuring that Turkey maintains the process of alignment with EU legislation in key areas, such as the green and digital transition for example. An upgraded Customs Union needs to address existing barriers to trade and investment, define standards and regulations and establish an effective, depoliticised, dispute settlement mechanism.



Concerning **Russia**, BusinessEurope calls on Member States to support companies operating there both at technical and political level. Business does not operate in a vacuum and companies are fully aware of the challenges and existing tensions in EU-Russia relations. European business will stand behind the decisions of the European Union that should always be proportionate and targeted to avoid unwanted spill-over effects and far-reaching consequences. European companies continue to operate in Russia despite the difficult and challenging conditions and they should get the necessary support both at technical and political level.

These are the key actions to be taken in the areas discussed at this European Council meeting to strengthen the recovery from the Covid crisis, make good use of European funds and alleviate effects of international tensions on European growth and employment.

Yours sincerely,



Pierre Gattaz
President



Markus J. Beyrer
Director General