Coming out of the crisis.

A call for joint transformative recovery projects:

Six proposals to promote solidarity, green growth and digitalisation through private and public investment

Berlin, Paris, Rome, November 5, 2020

We, the Presidents of the three largest business organizations in the European Union and member federations of BusinessEurope, are deeply concerned about the social, economic and political ramifications of the pandemic. The second wave of the corona crisis sends a new shock to public health, social well-being and economic activity in our countries. It requires strong, urgent and coordinated decisions to address collateral challenges such as fighting poverty.

Our companies adopted strong measures to limit the economic impacts and to contain the virus in their workplaces and value chains, so far with relative success. However, they must still cope with severe restrictions to normal business, be it meetings, travel, trade fairs or production. Another round of restrictions of public and economic life is in place now. Of course, it is of paramount importance that companies stick to clear rules of prudent behaviour in this pandemic, as should citizens. Everything must be done to preserve the productive fabric and living conditions in the face of this second wave which is sweeping down weak economies.

There is no place for complacency until the pandemic is under control. Solidarity between European countries is more than ever essential so that no one is left behind. This implies coordinated action by the Commission, the member states and the ECB. The COVID-19 pandemic may be over in months but the impact on economies and on employment will last for years: this crisis has exposed existing inequalities and the most vulnerable workers require urgent attention. The main intention should be to restore confidence and restart job growth as quickly as possible.

In May, we called upon our leaders to come forward with a strong, credible and large programme for recovery that would help the most affected countries with a substantial, multi-annual stimulus funded by European sources in the range of two to three per cent of annual output. Fortunately, our leaders came forward with a strong agreement at the European Council in July on NextGeneration EU that met this call. We urgently need a final agreement and the political adoption of all elements of the package to start the programme now. In addition, our governments have adopted strong medium-term rescue and recovery policies sustaining liquidity to firms and income to citizens while providing new incentives for investment in clean and digital solutions.

Today, we call upon our leaders to urgently implement all elements of the package in order to reduce uncertainties for companies. We ask our government to avoid any new constraints on our companies. It will be up to the European Commission to ensure a harmonious application of the criteria in order to avoid any distortion of competition between the EU countries.

Good progress has been achieved more recently on key projects of digitalisation on which we can built. However, progress on climate change still falls short of requirements. Current policies do not provide sufficient support to EU companies in meeting policy ambition on the medium-term objective for reduction in greenhouse gas emissions. For these reasons we believe that, without giving up global leadership in the fight against climate change, the Commission should realistically evaluate the ETS mechanisms and adopt all corrective measures as to avoid aggravating the already deeply affected economic cycle.

Also, the second wave in all our countries requires to intensify our cooperation on health policy measures and coordinated travel rules while ensuring the proper functioning of the single market and the protection of EU supply chains.

Moreover, we remain deeply concerned about the current critical state of the global trading system. The US-China rivalry and the resulting uncertainty undermined trade and investment flows even before the outbreak of the pandemic. The EU needs to address these unilateral approaches as well as all those protectionist measures that hamper the global economic recovery, and which could lead in the future to a fragmentation of global value chains. In this difficult environment, a strong European policy stance will be required to assert its sovereignty and achieve more balanced and reciprocal trade relations, both with the US – with the aim to find pragmatic solutions to contentious issues and reinvigorate the transatlantic agenda – and with China, in order to ensure a stronger and fairer cooperation. In addition, we reiterate our call to reform and strengthen the WTO, hoping that concrete outcomes will be delivered by the next Ministerial Conference.

Furthermore, progress on opening third country markets should not be stopped: we call for a new impulse to the EU's liberalization agenda that promotes European commercial interests, both offensive and defensive, through bilateral and interregional agreements. In particular, we call for a swift ratification of the EU-Mercosur agreement. Finally, the future relationship to the United Kingdom should be ruled by a comprehensive and ambitious agreement that ensures to our companies the stability, clarity and certainty they need.

Building a European model of open strategic autonomy promoting green growth and digitization will be key to support the international competitiveness and leadership of our companies, the resilience of our economy and the recovery. We believe that the EU different policies (trade, industrial, environmental, data and competition policies) should therefore reinforce their coordination and coherence to this end.

Six steps on the way forward

1. Finalising the recovery package as soon as possible

We call upon the European institutions to reach an agreement on the whole package including the Multi-Annual Financial Framework, NextGeneration EU, the rule of law framework in December, and to the EU member States to quickly ratify the Own Resources Decision. Moreover, more than forty legal acts need to be adopted to bring the full impact of European funds to companies and markets: these are particularly necessary to take into account the business needs for the implementation of exceptional crisis measures aimed at limiting the consequences of the epidemic, linked to the destruction of productive capital or the loss of skills in companies. We urge our leaders to deliver truly strong programmes of recovery and resilience laying down ambitious plans of reform and investment. These national recovery and resilience programmes must include ambitious plans for climate change, digitalisation, joint projects and reforms in line with the two last editions of country-specific recommendation in the European semester. We ask our governments to put in place, at national level, simple, readable and stable rules to make these programmes effective.

According to the RRF Regulation, the interventions financed by the national recovery and resilience plans will have to comply with State aid rules. We acknowledge the need of avoiding distortions of competition in the single market, nevertheless we underline the need of a flexible State aid framework, coherent with the ambitious objectives of the European recovery plan, conceived precisely to allow member States to support and finance measures for the recovery at national level.

2. The time for an ambitious EU industrial policy is now

The EU does need an ambitious industrial strategy with clear objectives, milestones, policies and measures, as leaders agreed in principle at the European Council meeting on October 1-2, 2020. The evaluation of the EU industrial strategy early next year should be swiftly concluded and lead to strong action by the European institutions and the member states on policy and implementation. The thorough discussion of strategic value chains highlighted the areas of joint gain in which public policy can help competitiveness and an increased independence in some strategic sectors: in this respect, pan-European industrial alliances are a useful way forward and IPCEIs on microelectronics and batteries have proven to be a key tool to strengthen European strategic autonomy in key industrial sectors. Confindustria, MEDEF and BDI commit to facilitate the swift set-up and implementation of forthcoming IPCEIs on hydrogen, cloud, microelectronics and on the other strategic value chains identified by the European Commission. Clearly, the integration of industrial policy and the decarbonization of industry and the conditions to compete in global markets must be ensured. The State aid framework must be adjusted to allow for investment support for climate mitigation – proposals of the European Commission are urgently required - and allow all companies (size, sector, region) to increase their investment. We urge the European institutions to deliver these framework rules as soon as possible as to unblock private investments in the relevant sectors of the economy and to support the twin green and digital transitions. Moreover, we call upon our three governments to use the funds available from the recovery and resilience facilities to jump-start an ambitious industrial strategy. Our three governments will be able to tap some 90 billion euros in the years 2021/22.

3. Supporting the recovery with joint digital technology efforts

We applaud the progress made in recent years on promoting key digital technologies. We support the recent agreement on the federation of clouds and, as Presidents of the three largest business organizations in the European Union, we asked to join as first-day-members of Gaia-X which is a strong and unique European initiative to face the issue of sovereignty in Cloud infrastructure. The path is set for the development of a competitive European cloud market with strong EU-based players. In addition, the standardization of 5G processes and an action plan on 6G should be developed by the European institutions in due course. Furthermore, an innovation-friendly regulatory framework encouraging the development and usage of Artificial Intelligence and innovative B2B platforms is needed to strengthen Europe's digital ecosystem and thereby Europe's digital sovereignty. Completing the data strategy is a necessary must in that regard.

Strengthening European corporate digital competitiveness requires equally forceful action on deploying high-performance computing in the private and public sphere. We call upon our policymakers to deliver an action plan involving business right from the start. A second IPCEI on microelectronics is another necessary element to obtain Europe's autonomy in hardware and cyber security. Enhancing research and development on quantum computing is a necessary additional step, especially on security grounds. Moreover, an action plan on the industrial use of artificial intelligence, robotics and other data technologies would be appropriate, building on AI and digital innovation hubs. These digital policy objectives can be supported with up to 18 billion euros of grants of NextGeneration EU to our three countries from the National Recovery and Resilience plans in 2021/22 (20 percent quota). Additional funds will become available in 2023. Financial support from other national or EU programmes could be added.

4. Supporting the recovery with joint climate technology efforts

Our three countries will be able to mobilize more than 30 billion euros in grants from the NextGen programme in 2021/22 and additional funds in 2023 for the purpose of climate change, thereby meeting the 37 percent quota of the recovery and resilience facility. Additional funding from the annual EU budget and national sources can complement the effort. Clearly, there is a huge need to support investment into green technologies that are not yet commercially viable on grounds of carbon pricing or by themselves.

Europe can become the leading market for hydrogen in the world. The key requirement is the development of a coordinated European strategy on a hydrogen economy that can deliver clean solutions in transportation, industrial production, energy infrastructure and other sectors beyond batteries and traditional technologies and fuels. Germany, France and Italy already announced plans for putting in place gigawatt factories. Europe must lead on quality and infrastructure standards as well as certification to enable production and trade of renewable gases. Gas and hydrogen must and will also play a large role in the decarbonisation of industry. Sector-specific work on chemicals, steel, aircrafts, shipping and other subjects should be started. A first hydrogen IPCEI should be negotiated soon. R&D should be promoted in all three countries. We urge our governments to deliver a joint effort on facilitating the production, the infrastructure and international partnerships for the importation of hydrogen.

At the same time, the European gas market design in place has to be further optimized to enable further integration of the European gas market. In North-Western Europe, were the gas target model has rigorously been implemented, positive effects on market integration, liquidity and price effects could be shown. The harmonization of rules should be further extended across Europe (especially in South-Eastern Europe in order to increase the security of supply with respect to East production with nearly 49 per cent of EU consumption) and the regulatory framework further adapted removing cross border regulatory barriers, in a sense that it is able to respond to the upcoming challenges of the energy transition, geopolitical differentiation of gas sources and the integration of renewable gases into the system. Important positive externalities on adjacent sectors of the European economy should be taken in account.

5. Addressing investments in the European climate package

We urge our governments to provide new, substantial instruments to bring the Green Deal about. Regulation and funding of the transition must be strongly upgraded in all our countries. The huge need for investments in industry, in buildings, in transportation and other areas to fulfil the much more ambitious medium- and long-term climate targets of the EU is evident. The framework for sustainable finance has to be inclusive and to embrace all solutions that can have a rapid and direct impact on greenhouse gas reductions; we need to support employees by training them from declining sectors to these developing sectors. Most of those transformative investments will need to be supported by State-aid, enabling regulation, new market standards and new financial instruments that hedge the risk of carbon pricing in the medium term. Nothing of this is yet in place. We urge the European institutions to lay down the means and the rules to achieve this transformation and facilitate jobs creation. The EU must ensure an internationally level playing field and address trade-related questions by assessing the feasibility of a wide range of tools such as climate leakage mechanism and carbon border adjustment without preconceived results of such an assessment.

6. Strengthening European business in foreign relations

We reaffirm our strong commitment to an open world and a free and fair trade. We also believe that it is time for the EU to modernize its tools and regulations to better defend its industry against extraterritorial laws and unfair foreign practices. This would give the EU adequate leverage to protect the interests of our companies, while taking into account the broader interest of the Union and the need to solve disputes in a cooperative manner, always aiming at de-escalating trade tensions. To this aim we call upon our leaders to:

- Strengthen all our existing institutions and regulations to make them more efficient and supportive of companies. In this context, we welcome the creation of a Chief Trade Enforcement Officer, hoping it will foster compliance of trade agreements and international obligations by our trade partners;
- The proposal to create an anti-coercion instrument to give the EU the power to react to economic coercion directed either against the EU or a single EU member state needs to be carefully analyzed and discussed with all relevant stakeholders;
- Create a public financial institution to keep payment channels open with third countries sanctioned by foreign international partners and adopt measures to ensure trade flows with third countries affected by extra-territorial sanctions, while maintaining a close cooperation with our traditional allies;
- To adopt concrete measures to reinforce the role of the euro in international payments.

BDI, Confindustria and MEDEF, also within BusinessEurope, will continue to work together in order to contribute to the definition of measures and policies at European and national lever, to foster the recovery of the European economy and to defend the competitiveness of our companies at global level.

All these efforts should also be promoted at the multilateral level, by ensuring that all the governance and cooperation fora work efficiently and in a coordinate matter. In 2021 Italy will assume the Presidency of the G20; in parallel Confindustria will be hosting the B20, the Engagement Group of the G20 business community. Both Summits should establish a set of highly ambitious goals and targets aimed at restoring economic stability and laying out solid foundations for a strong, sustainable, balanced and inclusive growth.