

BUSINESS IS KEY TO THE EU'S RECOVERY FROM THE CORONA CRISIS

Position paper of the EESC Employers' Group



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The corona crisis is a huge human and societal tragedy for Europeans and for people throughout the world. Tackling its diverse impacts requires a series of measures, from coping with the emergency stage and proceeding via recovery and rebuilding towards long-term success and stability.

While businesses themselves make every effort to survive and recover, policymakers should provide them with the right conditions for doing so. Business needs short-term support (liquidity) to protect as many jobs as possible. This is essential assistance that is needed as a matter of urgency. A major part of the EU economy is engaged in crisis management and EU businesses will fall further into difficulty if not properly supported.

Businesses that manage to recover well and succeed are key to the recovery of the EU economy as a whole. Many Member States have started to prepare for life after the coronavirus by assessing the impacts of the crisis and planning measures to boost recovery. It is evident that this must be done together – with a strong EU contribution and in the spirit of solidarity to support those most affected by the pandemic. While it is essential to strengthen the internal market and avoid a severe disruption to the level playing field, it is also of the utmost importance that the European economy's global competitiveness is ensured in the process.

Effective public investment

There is a **massive need for investment** and corresponding funding to relaunch the EU economy. A well-targeted and sufficient new Multiannual Financial Framework (MFF) has an important role to play here, backed up by the creation of a European Recovery Fund to restore growth in Europe and help overcome the impact of the pandemic. This Recovery Fund must aim to increase the EU's resilience and competitiveness by supporting effective investment in line with European priorities. To increase predictability, its financing and use must be based on transparent and clear rules.

While the new MFF should be adopted without further delay, it is also important that the allocation of public funding is carefully designed. The emphasis should be on measures that **stimulate investment and improve the conditions for business** – both in general terms and in terms of the specific circumstances of the various sectors. Boosting the recovery and development of business is also in line with facilitating the transition towards a **competitive digital, climate-neutral and circular economy**, as businesses and investment are at the heart of its realisation. At the same time, it needs to be recognised that the depth of the current crisis may influence what is effective in implementing these priorities. All in all, the measures to be taken must result in a recovery that is economically, socially and environmentally sustainable.

The role of PPP and private funding in general – as the best way to ensure the credibility and sustainability of European investment – must be guaranteed. Lack of private funding, compounded by lack of public funding both at EU and Member State levels, can seriously undermine our investment capacity, particularly since most of recovery financing will be delivered at Member State level.

Investment in proper **infrastructure** that enhances, among other things, Europe's transport, energy and digital connections is useful in any circumstances and not least for boosting recovery. Despite acute problems, the EU should also invest strongly in research and **innovation**, which contributes not only to recovery but also to creating new businesses and enhancing long-term success. Improvement of competences and skills is another area for forward-looking investment.



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The right business environment

While public-private investment and funding play an essential role in the recovery and rebuilding, this must not detract from the overall importance of the private sector and the need for a **favourable business environment** that promotes the global competitiveness of Europe's companies and contributes to the EU's security of supply.

Attractive conditions for private investment will remain vital post corona, and the EU's investment funds should be used for leveraging this. It is also important to improve continuous and smooth access to finance by all companies, recognising the specific needs of SMEs. In addition, the present bankruptcy regime should be adapted in order to contribute more efficiently to the restart of business.

The **Single Market** remains the key driver of a competitive EU economy and as such is a vital enabler of the recovery and reconstruction of the economies of both individual Member States and the whole of the EU. Any obstacles need to be removed and an uninterrupted flow of goods, services, capital, data and people across borders ensured. It is also necessary to guarantee a level playing field to enable fair competition within the internal market, despite an extraordinary level of state aid at the Member State level. It is also important that under recovery measures and instruments the EU economy is treated as a single entity and no division made between the euro area and the rest.

International trade will be ever more important in the post-corona era. Border restrictions for international transport, as well as export bans and curbs, must be lifted to get supply chains up and running. Bilateral and multilateral negotiations for open and rules-based trade need to be continued to further improve market access. Civil society monitoring bodies should also be utilised in promoting the restoration of international supply chains and proper trade relations with partner countries.

The crisis has clearly shown the importance of **Europe's industries**, including a strong manufacturing sector, in strengthening the EU's economic foundations and reducing its excessive and critical dependence on external suppliers. An effective industrial strategy must thus remain at the heart of the EU recovery programme.

The corona crisis has also demonstrated the crucial role of the health and medical sector, as well as the European agri-food sector, in sustaining people's daily life. Development of European cooperation in the health sector needs to be further stepped up to be better prepared for possible future health crises.

Work needs to be continued on the **European Monetary Union (EMU)** by fully harnessing the existing instruments to help the European economy. Use of the European Stability Mechanism (ESM) and the completion of the Banking Union and the Capital Markets Union are among these measures. It must however be ensured that the corona crisis and its impacts are not seen as just a euro area challenge but a global – and as such a European – one.

Rapid recovery also requires a **favourable regulatory environment**. This implies that EU businesses must not be burdened with higher costs or stricter requirements than those met by competitors outside the EU. The principle of better regulation and competitiveness checks should be guaranteed in introducing any new policy measures.

Care must also be taken to ensure a level playing field by reducing distorting taxes and subsidies. The temporary change of state aid rules applied to the emergency measures should be kept temporary to avoid distortions in the single market. At the same time, it is crucial to promote and ensure the global competitiveness of EU companies. Post corona, the EU should **count on innovation and competition** rather than on state aid and protectionism.

To address the likely significant reduction in tax revenue even for several years, Member States should adapt their **tax systems** to become more **supportive of growth and employment** by reducing taxation on both labour and capital, including corporate tax. Removing double taxation, and digitalising and simplifying tax systems, particularly in the VAT area, would also contribute to investment and trade.

The European Semester needs to continue its role as a framework for **structural reforms** leading to economic and social stability in the EU. Member States also need to design and implement policies that effectively address the structural labour market challenges.



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Social dialogue as a precondition

It must be a priority that social partners across the EU as well as at EU level are part and parcel of configuring any post-corona strategy. Entrepreneurs and businesses know what is needed to keep jobs and provide space and direction for growth. They must remain involved in any strategy-building from start to finish in order to ensure relevance and adequacy.

It is of utmost importance to guarantee that the capacity of social partners is not undermined as a result of the corona period. Any restrictions of the autonomy and participation of representative employers' organisations in the social dialogue must not be allowed. Proper consultations are vital for the stability and robustness of the business environment, as well as for the quality of regulation. The EU should consider any necessary action, including financial resources, to support social partners' capacity building.

Boosting long-term success

It is vital that policies and measures aiming to enhance the recovery and reconstruction are in line with and contribute to the long-term success of the EU. The Employers' Group has defined the political priorities beyond 2020 based on a vision of the **EU as the home of thriving businesses and people – generating sustainable development worldwide**. The four priority areas are: 1) Fostering EU values, 2) Strengthening the economic foundations, 3) Bringing the EU to the digital forefront, and 4) Seizing opportunities provided by proactive climate action.

The corona crisis has increased the relevance of these priorities. The need for strengthening the economic foundations has become ever more evident – both in the short and the long run. The crisis has also pointed to the significance of determined digital development and

reminded us of the fundamental role of values. It has not wiped out climate change or other environment-related issues but requires acting on climate in a way that supports the sustainable and competitive economy.

The crisis has also proved the need for an **overall entrepreneurial culture** across society, which is a recipe for success at a time of unprecedented change. **Businesses want to be part of the answer** in tackling the impacts of the corona crisis in the same way as they are an answer to long-term sustainability challenges: by providing people with jobs, goods and services; by developing means for preventing and treating diseases; by creating responses to climate change and environmental problems; and by contributing to public revenue for education, security, healthcare and social systems.



**European Economic
and Social Committee**
Employers' Group



@employers_EESC



EmployersEESC

Who are we?

We are a Group of European delegates for employers and entrepreneurs, with mandates from representative employers' and business organisations in the EU Member States. We are part of the European Economic and Social Committee and thus have a formal consultative role in the EU.

What do we believe in?

We believe in the European Union, and stand for its values of democracy, freedom, fundamental rights and the rule of law. We have faith in an economically, socially and environmentally sustainable market economy, responsible entrepreneurship and fair competition.

What do we strive for?

We advocate and work for a business environment that strengthens the competitiveness of European enterprises, encourages entrepreneurship and provides favourable conditions for innovating, investing, operating and trading. To foster this, we call for a strong EU that is founded on cohesion and unity.

Employers' Group contact

European Economic and Social Committee, 99 Rue Belliard, 1040 Brussels
Tel. +32 (0) 2 546 92 97 | Fax: +32 (0) 2 2 546 97 54 | gr1@eesc.europa.eu | www.eesc.europa.eu/gr1

Rue Belliard/Belliardstraat 99 • 1040 Bruxelles/Brussel • BELGIQUE/BELGIË
Published by: "Visits and Publications" Unit • EESC-2020-56-EN

www.eesc.europa.eu

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Print
QE-02-20-419-EN-C
ISBN 978-92-830-4832-9
doi:10.2864/05202

Online
QE-02-20-419-EN-N
ISBN 978-92-830-4834-3
doi:10.2864/62790