Our Priorities for the European recovery:

Solidarity, sustainability and digitalisation

Berlin, Paris, Rome, May 12, 2020

The situation

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 Corona crisis is a huge, unexpected and tragic shock to public life, health, social well-being and economic activity in our countries.

Started as a symmetric crisis, the pandemic will create unprecedented economic and social damage asymmetrically, affecting harder some territories and industrial sectors and jeopardizing the EU level playing field. Economic output, employment and public finance are at great risk of a huge drop this year and a slow recovery until the health care situation can be fully controlled again.

No member country of the 27 has been affected in the same way, but all have rapidly put in place economic and social measures to reduce the impact of the crisis. Our companies work closely with public authorities to manage the health care situation, to restart economic activity subject to precautions and to save as many jobs and economic activities as possible. Public policies have been providing a first cushion for liquidity and solvency of firms and short-time working schemes and higher transfers to our workers very fast. The European Central Bank has greatly stepped up its programme to provide liquidity to the financial system. All this is necessary. However, it is not yet enough.

A huge shock to our economies and societies must be met. Despite those unprecedented measures, our economies will take a huge hit this year. The recovery from the lock-down phase will take time. Companies are facing huge uncertainty about production, supply chains, international transportation, trade and demand in and after the crisis. In consequence, our workers and all consumers face income losses, unemployment and much higher uncertainty.

We need a comprehensive European plan.

The way ahead

1. **A big public policy response is called for.** The current situation will require a degree of public support unknown in peace time. Our governments must move from first-stop liquidity and social measures to exit plans and fiscal support in this quarter. Putting in place exit plans in various stages for the next three to five quarters – according to best knowledge how to cope with health care risks of the pandemic – is of utmost importance for allowing businesses and workers to plan the return to more normal patterns of activity. We need to move from containment to exit, from exit to stabilization while no vaccine is available and to full recovery once the pandemic will be under control.
2. **European and international cooperation in exit and recovery is a must!** European and international coordination and cooperation will be essential. Obviously, getting manufacturing, the single market, cross-border transportation, labour mobility and tourism in Europe back on track step by step requires close

cooperation of our governments and of our European institutions. After a first round of rather uncoordinated national responses a thorough European coordination is now firmly foreseen and should be strengthened. Maintaining an open international trading system and mitigating the impact of the pandemic, especially on developing countries, will be a joint responsibility of the G20 countries, which should have a greater coordination compared to the last decade's crisis, working through the WTO and the IMF, amongst others, whereas refraining from protectionist escalations will rely on big actors' bilateral dialogues on both the Transatlantic and the Asia-Pacific sides.

3. **The EU response must be of unprecedented scale.** We urge our governments and the European institutions to provide an unprecedented and ambitious European response to this economic shock. The Temporary Framework on State aid must be significantly strengthened to enable Member States to support the recovery of enterprises through effective measures (e.g. extension of the duration of the guaranteed loans and reduction of costs of the measures). We need to lever all our instruments as well as new and innovative ones. Beyond the first package of measures extending or using the lending capacities of the European Investment Bank, the Commission and the ESM, we call the European leaders to rapidly approve a bold proposal for the next multiannual framework of the European budget, to create a European recovery fund of adequate size, able to provide a good balance of loans and grants to Member States, and to define additional measures at the European level.
4. **Strong national policies must fall in place, too.** All EU companies and workers should benefit from a strong and shared recovery among all EU countries. Strong counter-cyclical national fiscal measures supporting the recovery will have to come in place, too. We favour a mix of general and sector-specific fiscal policies that support domestic demand once the supply-side disruptions fade. In many countries those measures will have to be substantial and work both through the channel of lower taxation and higher public spending but targeted. Specific help for most vulnerable people should be considered as the economic recession is of an extraordinary gravity.
5. **A strong fiscal response must involve a high degree of solidarity.** A substantial amount of stimulus from both the national and the European level will be necessary at least until 2023, up to five per cent of GDP in most nations per annum. Getting the European response right in terms of the size, the timing, the type of financing made available and the link to existing or new spending programmes will determine how the European Union can emerge out of this crisis. There must be a strong element of true fiscal solidarity by common resources for those countries most strongly affected. We call for avoiding any damage to the economic and productive material, limiting as much as possible any corporate failure and addressing negative legacy such as impaired balances-sheets or loss in human capital. No European company should fail or suffer from lasting losses because of a lack of support in a specific country, the EU institutions must step in to ensure a level playing field in this extraordinary time. In addition, much enlarged lending programmes through the European Investment Bank, InvestEU and similar programmes are necessary to support private investment and increase public investment.

6. **New policy priorities must now be well budgeted for.** Moreover, recent big European policy ambitions on a greener, more inclusive and innovative, more sovereign, autonomous and industrious Europe that had not been funded so far will have to be fully budgeted now. We urge our governments and European institutions to live up the their commitments and to use the Green Deal for providing new impetus to material and immaterial infrastructures, digitalization, fostering a rejuvenation of European industrial value-added and safeguarding and enhancing the skill base of our workers. Full support to investments in key technologies and enhanced strategic value chains plays a priority role in re-launching Europe's economy, building a more resilient industry and strength-ening its ability to manage future crisis. Now we must fund and leverage our means for rejuvenating the capital stock of business and to up-grade skills in the medium terms. That will require strength, persistence and clear priorities for all of the 2020s. One will have to avoid measures which were to increase the tax or regulatory burden on businesses at national and European level. This must become part of a larger European inclusive growth strategy.

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.