



Mr António Costa
Prime Minister of Portugal
Rua da Imprensa à Estrela 4
PT – 1200-888 Lisboa
PORTUGAL

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Dear Prime Minister,

BUSINESSEUROPE'S PRIORITIES FOR THE PORTUGUESE PRESIDENCY OF THE EUROPEAN UNION

The European business community supports the 5 main priorities of the Portuguese Presidency. Like you, we want to achieve a resilient Europe, a green Europe, a digital Europe, a social Europe and a global Europe.

In this unprecedented crisis, European companies do their utmost to preserve Europe's economies and societies. They take strong measures to mitigate the economic and social impact of the crisis. They do all they can to protect workers at their workplaces, preserve value chains, maintain jobs, and accelerate the digital and green transitions. To allow business to fully play its role, we urge the Portuguese Presidency to focus on creating framework conditions that will enhance Europe's long-term capacity to generate growth and employment and to encourage structural reforms.

The virus is still present, and more coordination is needed to contain the threat of a new wave of infections across Europe. With the start of COVID vaccinations at the end of December 2020, there is light at the end of the tunnel. But the path back to pre-crisis levels of economic output is likely to be long and uneven as uncertainty remains high. BusinessEurope's latest economic outlook points to a fall of over 7% in the EU in 2020 and growth of 5.0% in 2021 meaning that the EU economy would still be 3% below pre-crisis levels at the end of 2021.

For a **resilient Europe**, the Portuguese Presidency should:

- focus all policies on ensuring a lasting recovery avoiding premature unwinding of measures to support business and workers and strengthening them where and when needed,
- ensure that the money of the EU Next Generation recovery package reaches companies and workers rapidly, and is invested in the right projects,
- involve the social partners in the design, implementation and monitoring of the national recovery and resilience plans,
- flank financial support with a determined non-financial European response and necessary reforms,
- not only restore all freedoms of movement in the Single Market to pre-COVID conditions as soon as possible but also tear down all persisting barriers that weigh on its development,



- reinforce the Better Regulation agenda at EU and national levels to improve the investment climate,
- ensure that Europe remains open to trade and investment while safeguarding its interests under the concept of “open strategic autonomy”.

For a **green Europe**, the Portuguese Presidency should:

- underpin the Green Deal and its new targets with a credible industrial strategy to turn the Green deal into a real growth driver, acknowledging the economic impact of COVID-19 and helping to increase Europe’s capacity to invest in the best technologies,
- ensure that the additional guidance of the European Council regarding the Green Deal and implementation of the new climate targets spurs sustainable economic growth, ensures cost-efficiency, creates jobs and contributes to the long-term global competitiveness of the EU economy,
- promote a strong dialogue with European industry in the preparatory phase of the numerous legislative initiatives foreseen in 2021, including the Fit-for-55 Package and possible proposals for the EU Emissions Trading System, the Renewable Energy Directive, the Energy Taxation Directive, Energy Efficiency Directive, the Eco-design Directive or the Industrial Emissions Directive,
- make sure that, should a Carbon Border Adjustment Mechanism be introduced, it is done in addition to existing ETS carbon leakage protection measures and in a fully WTO-compatible way,
- ensure that the sustainable finance agenda supports the EU’s transition towards climate and sustainability objectives and avoids creating undue red tape for companies.

For a **digital Europe**, the Portuguese Presidency should:

- support the digital transformation of our economy to the benefit of our societies by creating the conditions for a safe roll-out of new technologies such as Artificial Intelligence,
- support the Data Governance Act to incentivise more voluntary data sharing between businesses and further opportunities to re-use public sector data,
- start discussions on the Digital Services Act and Digital Markets Act with a view to finding balanced solutions to support the removal of illegal goods and content online and contestability on gate-keeper platforms in truly open markets,
- work towards an intensification of efforts to find a solution for the tax challenges of the digital economy on a global level. This is a global issue that requires a global solution at OECD level.

For a **social Europe**, the Portuguese Presidency should:

- encourage Member States to prioritise public skills-related investments as part of their recovery and resilience plans to support employment and strengthen Europe’s future economic growth potential,
- organise an appropriate process of consultation with the social partners in good time before the Social Summit in Porto on the content of the proposed action plan to implement the European pillar of social rights,
- avoid EU policy initiatives that create new costs, administrative burden and obligations that will undermine enterprises recovery,



- encourage labour market reforms and social dialogue,
- defend national competences and social partners' autonomy in the debate on the Commission proposal for a Directive on minimum wages and collective bargaining.

For a **global Europe**, the Portuguese Presidency should:

- pursue an ambitious international trade agenda that increases access to third markets while ensuring that products and services entering the EU market do not create distortions of competition, for example because their production is subsidized and/or because they do not meet EU standards,
- work towards improving resilience at the multilateral level, ensuring good governance and smooth cooperation in the WTO, the OECD, the G7 and the G20,
- work towards a reassessment of the EU's relationship with its major trading partners: the USA and China and seizing the opportunities of the Biden-Presidency to re-set EU-USA relations,
- within the preparation of stronger ties with Africa, ensure that trade plays its role in enhancing economic integration and sustainable growth and jobs in this continent,
- promote effective implementation of existing trade agreements and ratification of agreements that have been concluded such as Mercosur,
- work to ensure ratification and good implementation of the EU-UK agreement and the Withdrawal agreement, promoting a sound competitive environment for our companies and combining good market access with level playing field provisions.

Further details about BusinessEurope's priorities for the Portuguese Presidency are set out at annex.

Europe plays a key role in tackling this crisis. We look forward to working constructively with you and the different members of your government for the recovery in this enduring COVID-19 crisis and bring long-term solutions to the economic and social challenges facing us.

Yours Sincerely,



Pierre Gattaz
President



Markus J. Beyrer
Director General



**Annex:
BusinessEurope Priorities for the Portuguese Presidency**

1. A resilient Europe

The Portuguese Presidency should:

- **avoid premature unwinding of measures to support business and workers** and strengthen measures where and when needed, while focusing all policies on ensuring a lasting recovery and strengthening our European Union.
- ensure **rapid adoption of the Recovery and Resilience Facility Regulation** and encourage ratification of the **EU's Own Resources Decision** by all national parliaments to make the Next Generation EU recovery plan operational as soon as possible.
- ensure that the money of the **EU Next Generation recovery package** reaches companies and workers rapidly, is invested in the right projects and is flanked by the necessary reforms. With private investment having fallen considerably during the crisis, we need public investment to temporarily fill that gap.
- ensure that **social partners are fully involved in the design, implementation and monitoring of the national Recovery and Resilience Plans**, as recommended by the European Commission in the Annual Sustainable Growth Strategy 2021. Social partners are the main actors of the economy and labour market, and their contribution to shaping the recovery through collectively agreed solutions is essential to make sure that such recovery will be sustainable and concretely achievable, and that the green and digital transitions will be socially fair and economically feasible.
- ensure that the disbursement of EU funds is linked to the implementation of country specific reforms agreed in the **European Semester**, through the proposed Recovery and Resilience Facility so that EU funds support investment and reforms that will strengthen EU growth, productivity, competitiveness, and employment.
- flank financial support with a **determined non-financial European response** to strengthen the long-term capacity of the European Union to develop resilient companies that deliver more growth and more jobs.
- make sure that all EU policies contribute to improving the **investment climate** in Europe to pave the way for medium- and long-term competitiveness of companies, including a reinforced **Better Regulation** agenda at EU and national levels.
- carefully calibrate any changes regarding the regulatory requirements for bank capital in the context of the transposition of the final **Basel III agreement** to ensure that they do not lead to a sudden reduction in lending and investment, considering the dependence of companies, especially SMEs, on bank lending, and the need to maintain banks' ability to perform new lending. While the economic situation in the European Union is about to worsen significantly in upcoming months according to the Commission, the latter should evaluate whether a further postponement of the transposition of the last Basel agreement would be of help in softening potentially



negative effects on the bank financing of the European economy. It will also be important, before taking forward transposition, that we reflect on the continuing appropriateness of existing standards in the very changed global financial situation we now find ourselves in.

- ensure that any **new proposals for new own resources** do not significantly increase costs for businesses. Particularly at this difficult juncture where businesses are still struggling due to the effects of comprehensive lockdowns, any initiative that raises costs or imposes new burdens will derail the recovery and must be avoided.
- not only **restore all freedoms of movement in the Single Market** to pre-COVID conditions as soon as possible but also tear down all the regulatory and administrative barriers that weigh on its proper functioning and the smooth operation of EU supply chains.
- tackle long-standing obstacles to **cross-border labour mobility** and address regulatory barriers for **cross-border provision of services**, reinforcing implementation of requirements on proportionality assessment of national regulations on service provision, ensuring transparency of Member States' justifications for those regulations, and improving application of the Services Directive overall.
- urgently address the over-prescriptive Commission's policy for **harmonised European standards for goods**: re-establish the standardisation processes which have long worked as a successful model under the New Legislative Framework for products and stop treating harmonised standards as part of EU law.
- remove barriers to the **free flow of data** to ensure the data-enabled Single Market functions seamlessly.
- take coherently into account the **key role of all-sized European companies, and SMEs in particular**, for the recovery of all European industry in all economic sectors. SMEs are key players in cross-sectoral and cross-regional value chains, enablers of innovation and account for two thirds of the total job creation in the EU. Together with larger companies, they also have a central role to play in achieving an economically competitive EU including environmental and social goals.

2. A green Europe

The Portuguese Presidency should:

- underpin the **Green Deal and its new targets** with a credible industrial strategy. Industry has a crucial role in bringing the economic recovery in the shorter term and in turning the Green deal into a real growth driver in the longer-term. In order to deliver both in the short and longer term, the updated industrial strategy should fully acknowledge the economic impact of COVID-19 and help to increase Europe's capacity to invest in green and digital technologies.
- ensure that the additional guidance of the European Council regarding the **Green Deal** and implementation of the **new climate targets** spurs sustainable economic



growth, ensures cost-efficiency, creates jobs and contributes to the long-term global competitiveness of the EU economy.

- work towards strengthening financial incentives in support of **consumer demand** for low carbon products and solutions.
- make sure that, should a **Carbon Border Adjustment Mechanism (CBAM)** be introduced, it is done in addition to existing ETS carbon leakage protection measures and in a fully WTO-compatible way.
- promote a strong dialogue with European industry in the preparatory phase of the numerous legislative initiatives foreseen in 2021, including the **Fit-for-55 Package** and possible proposals for the **EU Emissions Trading System**, the **Renewable Energy Directive**, the Energy Taxation **Energy Efficiency Directive**, the **Eco-design Directive** or the **Industrial Emissions Directive**.
- ensure that the new **Circular Economy Action Plan** delivers a functioning market for quality secondary raw materials and circular products. It should also focus on better implementation of EU waste legislation, which is currently costing Europe EUR 4.8 billion annually on non-compliance.¹ These are key elements to achieve and contribute to a climate-neutral Europe. Many European businesses have already embarked on circular economy plans as their own business growth plans and are a model for other countries to follow.²
- promote the successful implementation and development of the sustainable finance agenda as investments and access to finance will be of critical importance to make the green transition successful. If well-designed, the **Taxonomy Regulation** has the potential to provide greater clarity to the markets and help channelling investments towards activities enabling and contributing to the EU's sustainability goals. Therefore, it is pivotal that criteria and disclosure obligations are proportionate, practicable and fit for purpose. These are the conditions for an effective transformation of the EU economy. It is also essential that lessons are drawn from the just-adopted (and not yet implemented) taxonomy, before considering using this private-sector tool for other purposes such as EU funding instruments or policies.

3. A digital Europe

The Portuguese Presidency should:

- support the digital transformation of our economy to the benefit of our societies by creating the conditions for a safe roll-out of new technologies such as **Artificial Intelligence (AI)**. In this respect, we support the Commission's intention to bring forward a risk-based AI framework that would focus on where the highest and most widespread societal damage is likely to arise. We agree with the Commission's two-step test of defining high-risk in its White Paper. However, we believe immaterial risks is too broad a concept and should not feature in the final definition. Only material risk (death, injury and property loss) should feature. We also have strong reservations

¹ COWI and Eunomia, 2019, available at www.eunomia.co.uk/reports-tools/costs-not-implementing-eu-environmental-law/

² European businesses are fully engaged as shown by the 200 circular business examples on www.circularity.eu.



about the “exceptional instances” concept, as defined by the Commission, which seems to negate the entire benefit and legal clarity of this two-step test.

- support the **Data Governance Act** to incentivise more voluntary data sharing between businesses and further opportunities to re-use public sector data. Businesses need legal clarity, standards supporting interoperability and affordable data sharing agreements that either monetise data provider participation or enable “give and take” schemes for this initiative to be a success.
- start discussions on the **Digital Services Act and Digital Markets Act** which includes clear, fast, and harmonised notice and takedown provisions to support the removal of illegal goods and content online. Further, novel measures, such as transparency reporting, “know your business customer” and new enforcement powers to regulators should be considered to incentivise platforms into maintaining diligent processes of active engagement. The notion of legal but “harmful” content should not be defined or legislated for at the risk of breaching fundamental rights. Platforms achieving a so called “gatekeeper” position are not necessarily abusing that position. However, it can take place through carrying out activities that impede effective competition. Contestability of these platforms by others through truly open markets should be the goal. Clarity as to which platforms are considered “gatekeepers” as well as the criteria as to how these characteristics should be measured are required.
- work towards an intensification of efforts to find a solution for the **tax challenges of the digital economy** on a global level. This is a global issue that requires a global solution at OECD level.

4. A social Europe

The Portuguese Presidency should:

- pursue active labour market policies, particularly as we expect unemployment to increase significantly in 2021. In the short-term, on top of short-time work schemes, and of traditional employment services, innovative solutions need to be encouraged, such as the organised temporary mobility of workers between different enterprises across sectors (workers in companies that cannot work due to restrictions linked to COVID being redeployed in companies from other sectors that face labour shortages due to increased demand).
- encourage the European Commission to better support Member States in their efforts to implement **structural reforms of their labour markets and social security systems** and **increase employment participation** in a context where the EU’s working age population is expected to decline due to demographic ageing, including through the Commission’s structural reform support programme, and national recovery plans that should be developed and implemented in close cooperation with national social partners.
- avoid EU policy initiatives that create new costs and obligations that will undermine enterprises recovery. By contrast, Member States must prioritise **public skills-related investments** as part of their recovery and resilience plans to improve skills provision and strengthen Europe’s future economic growth potential. This is particularly



important at a time when productivity is the main growth driver in view of the ageing population.

- organise an appropriate process of consultation with the social partners in good time before the **Social Summit in Porto** on the content of the proposed action plan to implement the **European pillar of social rights** as part of a quadri-partite exercise involving the Commission, the Council, employers, and workers. To be effective, labour market and social policy decisions should be taken as closely as possible to the employers and workers concerned. Social dialogue must continue to have an important role in designing and implementing labour market policies that really help companies and workers navigate this crisis.
- defend national competences and social partners' autonomy in the debate on the Commission proposal for a **Directive on minimum wages** and collective bargaining. Such heavy-handed legislative intervention regarding pay and the right of association is against the word and spirit of the EU Treaty which protects national competences in these fields. BusinessEurope is not against some guidance from the EU on those sensitive issues through a non-legally binding tool such as a Council recommendation or appropriate recommendations in the context of the European semester.
- ask the Commission to map the situation and policy responses across Member States to develop a repository of practices to better understand the commonalities and differences of **platform workers** across the single market and then carry out tripartite discussions on this topic.
- bear in mind the importance of legal migration that responds to labour market needs and encourage **coordination of national migration policies at the EU level**, keeping in mind that Member States should retain full control on the decision on the number of economic migrants, based on their demographic and labour market circumstances.
- ensure adoption of two important legislative proposals that have matured enough for reaching a positive conclusion in trilogue. First, the **blue card directive**, to establish an attractive blue card scheme, alongside existing national schemes. Second, the revision of the **social security coordination** regulation 883/04, including an appropriate exemption from the obligation of traveling with an A1 form in the case of business trips and short-term postings.
- ensure that future debates on **pay transparency** recognise that gender equality is best improved by focusing on the root causes, such as gender stereotypes, labour market segregation, and insufficient provision of childcare. Any future initiatives should take account of national competences and social partner autonomy on wage-setting and allow companies to determine pay according to individual performance.

5. A global Europe

The Portuguese Presidency should:

- continue to lead against protectionism in trade and pursue an ambitious **international trade agenda** that strives to increase access to third markets while, at the same time, ensuring that products and services entering the EU market do not create distortions



of competition, for example because their production is subsidized and/or because they do not meet EU standards. During the Portuguese Presidency, the European Commission will present its views on a revised EU Trade Strategy. In this context, we would like to highlight the importance of maintaining openness and enhancing the level playing field in the EU's trade and investment policies. Free, open, and fair trade that is based on rules, are fundamental elements in building the EU's resilience and in developing a model of open strategic autonomy, especially at this time, where we are working on the recovery of our economy and society from the COVID-19 pandemic.

- work towards improving resilience at the **multilateral level**, by ensuring that all the governance and cooperation fora, such as the WTO, the OECD, the G7 and the G20, work efficiently and coordinate their efforts accordingly to manage global trade disruption. The EU, being a key supporter of multilateralism, must play a leading role in this context.
- work towards a reassessment of the EU's relationship with its major trading partners: the **USA and China**. Relationships should be stronger but also more strategic and beneficial for both sides this includes addressing irritants, looking at ways to level the playing field while defining medium to long term measurable objectives and avenues of cooperation on WTO reform, climate change or digital trade.
- seize the opportunities of the Biden-Presidency to contribute to a renewed and improved **EU-USA relationship** by emphasising the untapped potential of transatlantic trade and investment. BusinessEurope and its members firmly believe that closer EU-US cooperation on trade and related economic issues will benefit both our economies and societies.
- support the Commission in its efforts to negotiate bilateral as well as multilateral agreements safeguarding European interests and to **reform the WTO**.
- promote effective implementation of existing trade agreements and ratification of agreements that have been concluded such as **Mercosur**. The recent Regional Comprehensive Partnership with Asian countries makes it more important than ever to pursue an ambitious EU trade agenda and to ratify the agreement with Mercosur.
- within the preparation of the **EU-Africa Union partnership**, the conclusion of the post-cotonou agreement and the deepening of Economic Partnership Agreements - which should be used as building blocks towards a continental Free Trade Agreement with Africa - ensure that trade plays its role in enhancing sustainable growth and jobs, while contributing to the needed improvement of business and investment climate in Africa.
- make significant steps to improve the trade and investment relations with **India**, which is a priority for European business. The EU-India summit planned in May 2021 should also include a strong business angle.
- support ambitious and comprehensive **digital trade** chapters in EU Free Trade Agreements and in the ongoing WTO negotiations on e-commerce. Combining further market access with a set of clear and enforceable rules to enable and facilitate e-commerce, shield it from protectionist tendencies while tackling important questions such as cross-border data flows and liabilities.



- move forward the **International Procurement Initiative**.
- guarantee the necessary level-playing field for European businesses to maintain their global competitiveness in the context of any possible EU framework in the area of **due diligence** in supply chains.
- ensure ratification and good implementation of the EU-UK agreement and the Withdrawal agreement, promoting a sound competitive environment for our companies and combining good market access with level playing field provisions. Active EU management in strong cooperation with business is key to guarantee a coherent approach among member states and to avoid major disruptions after 1 January 2021. The establishment of dedicated contact points in members states and at the EU level in the Commission services is critical to deal with problems that can occur in the profoundly changed EU-UK relationship.
- pursues a **strong climate and energy diplomacy** to ensure climate ambition levels for 2030 and beyond in third country partners that are similar to those of the EU to create a global level playing field for EU industries.