

BUSINESSEUROPE



PARIS DECLARATION
BUSINESSEUROPE'S COUNCIL OF
PRESIDENTS

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Five weeks ahead of the start of the French Presidency of the European Union, the Council of Presidents of BusinessEurope gathered in Paris at the invitation of MEDEF. The Presidents of BusinessEurope's 40 member federations defined their priorities for the French Presidency. They reaffirmed European companies' commitment to work for a lasting recovery as well as their attachment to the fundamental values of the EU and the rule of law. They discussed seven issues of crucial importance for the future of the millions of small, medium and large European enterprises they represent. These seven issues will be at the heart of the agenda of the future French Presidency of the European Union. The present declaration sets out the key messages given to the future French Presidency on these seven issues.

1. Restoring the economy to deliver lasting growth and employment

The EU cannot be successful and will not progress towards open strategic autonomy without competitive companies. There are growing concerns in the European business community about legislative and bureaucratic requirements in-the-making that would put them at a disadvantage when competing on global markets.

The French Presidency must focus on restoring the economy, doing necessary reforms to improve competitiveness and investing in the green and digital transitions in order to deliver lasting growth and employment. Special attention must be paid to deepening the Single Market and strengthening Europe's position in the world.

The European Single Market is our home market. It is the basis for people's prosperity and Europe's influence in the world. European institutions and member states must not only restore its functioning to pre-pandemic levels. Deepening and strengthening our Single Market is vital to have lasting growth and employment. Renewed attention must be paid to removing obstacles to free movement and promoting mobility in the aftermath of the Covid crisis.

More than ever, we need an economic and industrial policy that supports companies in their efforts to generate growth and create jobs while conducting ambitious green and digital transitions. Skills shortages could endanger the recovery. The French Presidency should give priority to education and training measures to upskill and reskill Europe's employees and job seekers in line with labour market needs. Developing employees' skills is a strategic issue for each company. Social partners are the key players in vocational training. More generally, in this unprecedented period, social partners are key players for the recovery. Ensuring that European social policy measures respect the subsidiarity is essential to allow social partners to play their role.

Tackling the current bottlenecks and supply constraints that are pushing up prices and are threatening to undermine the recovery is also essential.

2. Addressing supply shortages and inflation risks

Rising energy prices, shortages of microchips and of various raw materials or intermediary goods (such as magnesium and wood) as well as bottlenecks in transport services (such as container shipping) and skills gaps (leading to record levels of unfilled vacancies) are pushing up production costs and weakening the recovery.

Many of these price increases are transitory and market-based readjustments are the preferred avenue to return to normal prices. However, we acknowledge the need for short-term measures to address the implications of high energy prices for households and companies. We also believe that, when the underlying causes are not market-based (for example export or travel restrictions), they need to be addressed.

In the meantime, a combination of actions can be useful to alleviate pressure, ranging from simplifying customs procedures to ensuring better coordination on health and safety measures and travel restrictions as well as monitoring the uptake of trade-restrictive measures by governments. Regarding shortages in the supply of critical inputs that depend on third countries (such as magnesium from China), the EU should engage closely with the country in question to address the problem.

3. Climate ambitions and industrial competitiveness working hand-in-hand

The COP 26 has shown that European business is actively engaged in the transition and is supporting progress on the international stage. Climate ambition and industrial competitiveness can go hand-in-hand if the green transition is supported by a smart and stable legal framework. The French Presidency must ensure that the EU legal framework facilitates innovation and helps bringing new technologies to the market in order to minimise transition costs for businesses and societies.

Appropriate financial resources, reliable carbon leakage measures, progress in global carbon pricing, security and affordability of renewable and low-carbon energy supply as well as interconnected and flexible energy infrastructures are essential ingredients to be successful. Investment in all zero- and low-carbon energy sources and solutions necessary for the transition must therefore be integrated into the taxonomy for sustainable finance. Developing criteria for socially sustainable activities is a completely different issue and we do not believe that the taxonomy should be extended to social aspects.

A WTO-conform carbon border adjustment mechanism can be part of the answer but it requires a sectoral and gradual approach, starting with a test phase first. The CBAM should not be considered as an alternative to free allowances, but should complement them, until the mechanism has proven its effectiveness. At that point, WTO-compliant measures to support CBAM sectors' exports should be considered.

4. Innovation-friendly regulation is crucial for digitalisation too

Having an innovation-friendly legal framework on digital issues is also essential to mobilise the investment needed for a successful digital transition. We fully agree that digitalisation should be human-centred and benefit to society as a whole and advocate balance in the regulatory approach to protect without stifling innovation.

We count on the French Presidency to anchor the progress made on the Digital Services Act and the Digital Markets Act, upholding the country-of-origin principle that facilitates cross-border provision of digital services while supporting the removal of illegal goods and content online and laying down harmonised rules ensuring contestable and fair markets in the digital sector across the European Union where gatekeepers are present.

We welcome the risk-based approach of the proposed Artificial Intelligence Act but ask to clarify its scope to ensure that the AI Act only regulates high-risk AI applications in areas where a clear regulatory gap has been demonstrated, with sufficient flexibility to adapt internal control checks required prior to selling an AI system in the light of new knowledge.

5. Ensuring that EU financial sector is able to finance the recovery as well as the green and digital transitions

Access to finance and financial market stability are more important than ever. Massive investment in technology and innovation is needed to deliver successful green and digital transitions and 80% of this investment must come from the private sector.

The French Presidency must ensure that implementation of the Basel III standards in prudential regulation for banks does not unnecessarily increase capital requirements for EU banks and preserve the so-called “SME supporting factor,” which reduces the excessive cost of lending to SMEs stemming from the combined effect of enhanced capital requirements and liquidity rules.

6. Putting in place workable requirements on due diligence and sustainable corporate governance

Getting the future EU framework on due diligence and sustainable corporate governance right is essential to preserve the attractiveness of Europe as a place to invest and promote European values across the world.

European companies are committed to the respect of human rights and fully understand the importance of addressing risks that can occur in their supply chains. They see the value of harmonised rules on due diligence in the Single Market that are also applicable to third country companies operating in the EU. The French Presidency must ensure that these rules are clear, workable and do not burden SMEs. They must be based on an obligation of means (with safe harbour for companies that meet the requirements) rather than an obligation of results and must be limited to first-tier suppliers. Public authorities must provide the necessary support tools to access relevant and reliable information on value chains and help companies to fulfil their obligations.

The upcoming sustainable corporate governance initiative should be well-justified and limited in scope. The current legal framework remains largely fit for purpose to encourage companies to

integrate sustainability in the core of their business strategies and models, which they are committed to do. There is no one-size-fits-all approach to balance company interest with the interests of different stakeholders. The French Presidency must ensure this initiative does not harm companies' ability to do business effectively or weaken current corporate governance models by blurring directors' duties.

7. Sustainable and rules-based trade is key to sustain the economic recovery

International trade is important to sustain Europe's economic recovery. The EU should remain a world leading trading partner, promoting sustainable and rules-based trade while opening new trade and investment opportunities for its companies. Bilateral trade and investment agreements are key to promote European competitiveness, standards and rules needed to ensure a level playing field. The EU needs to remain an active and reliable partner negotiating, concluding and implementing trade agreements that also set high sustainability standards.

In a context of increasing tensions, unilateralism and protectionism, it is more important than ever that the EU remains committed to a multilateral and rules-based international order. The 12th WTO Ministerial Conference that was postponed due to the COVID pandemic and will take place from 30 November to 3 December 2021 will be a fire test for the multilateral rules-based trading system.

The WTO is fundamental for European business. It is the basis for EU relations with two major trading partners, the US and China, as well as with many other important partners around the world. A successful 12th WTO Ministerial is needed to rebuild trust and effectiveness in the system. The risk of failure is high. To succeed we will need pragmatism and willingness to compromise from all WTO members. BusinessEurope wants to see progress in adjusting the WTO rules to the needs of the 21st century, for instance in the digital economy area, regarding industrial subsidies and more broadly in the area of sustainability and calls for agreeing on a work plan to address shortcomings in the dispute settlement system.

BusinessEurope welcomes recent initiatives in trade and foreign economic policies, such as the instrument on foreign subsidies and looks forward to an effective anti-coercion instrument as well as the rapid adoption of the International Procurement instrument, aimed at strengthening the EU's capacity to safeguard its interests and those of its companies while at the same time creating new business opportunities through bilateral and multilateral agreements.

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BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.



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