What a recovery plan for Europe as result of COVID-19 needs

Despite the unparalleled efforts of national governments and EU institutions to support business and workers during the crisis, it is inevitable Europe's economic and political environment will be irrevocably changed. Even a gradual relaxation of the current severe restrictions will not be enough to prevent widespread bankruptcies and business closures. This will lead to higher rates of unemployment, lower tax takes and stressed public finances and the threat of national governments introducing protectionist measures.

If businesses are to have the confidence to be able to emerge from the crisis and continue to thrive afterwards, we urgently need to see a clear, ambitious and co-ordinated EU recovery plan. It should focus on encouraging investment, promoting growth and creating employment. We take note that the European Council has tasked the Commission with coming up with a proposal for a recovery plan, including financing that is commensurate with the challenge. As a basis for discussion, the Confederation of Swedish Enterprise puts forward the following proposals.

European Green Deal - a boost for growth
While restoring and deepening the Single Market will be key to restoring prosperity and resilience, the EU should put its green ambitions at the heart of any plans for Europe's recovery. This means focusing on effective environmental and climate policy while strengthening the conditions for a competitive business sector. The Confederation of Swedish Enterprise welcomes and support the European Commission's proposal on climate neutrality by 2050, thus ensuring that the EU becomes the world's first climate-neutral continent. Deployed effectively, the European Green Deal represents a major opportunity for European companies. A genuinely successful climate policy would see the EU reduce emissions, boost growth and job creation as well as increase competitiveness and welfare. This effort must come alongside with the digital transformation (which we address later in this document). Achieving a successful green and digital transition will require considerable and rapid investment efforts, and the EU should allocate its multiannual budget accordingly;

- Deploying EU investment funds as part of an ambitious and coordinated EU fiscal stimulus. This should include immediate agreement on a new and revised and reinforced Multiannual Financial Framework (MFF), including exploring the possibility of a dedicated European Recovery fund that will attract new investment. To ensure a sustainable transition, these should be aligned with the European Green Deal and digital transition.

- Orienting the recovery plan to stimulate investment in energy, environment and climate programmes. The research and innovation aspect of any revised MFF should assist key low-carbon technologies such as batteries, hydrogen and carbon capture, helping them become competitive. There should also be support for initiatives that eliminate process emissions. These must increase European competitiveness and help minimise the risk of carbon leakage.

- Accelerate green transformation and encourage a green recovery, supporting investments that accelerate the deployment of low-carbon and circular solutions and products,

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technologies and production of green fuels. At the same time, there should be investment in improving the energy efficiency of buildings and stimulating consumer demand for more low-carbon products - particularly zero-emission vehicles (and the infrastructure to support them).

- Improve the EU's digital capacity, creating the conditions for developing a future-oriented, digitalised, more efficient and greener transport sector and revitalising transport infrastructure. This will require, for example, investing in co-modality, automated vehicles and in the interconnectivity of logistics systems.

A European Union doing business at the speed of light
The digital transformation will be a main driver for Europe's future competitiveness; this means it has to be central to any recovery plan for Europe. Now is the time to promote innovation capacity, automation, cybersecurity and the increased uptake of AI, IoT and 5G. A principle-based, technology-neutral regulatory framework, support for research and a favourable investment climate are central to ensuring Europe's digital competitiveness and to strengthening its innovation capacity and technology development. To take full advantage of the opportunities of digitalisation, which have proven more crucial than ever during recent months, we suggest the following:

- The EU must invest in supporting the next phase of digitalisation of industry by increasing public funding for the widespread roll-out for a high-quality, cyber-secure 5G networks and to increase digital skills at all levels. This will assist businesses in achieving their digital transformation.

- The Broadband Cost Reduction Directive should be reviewed, as should the action plans on 5G and 6G. The coronavirus crisis has highlighted the need for people and businesses across Europe to have access to fast, secure connectivity. Investing in high-speed broadband and robust 5G networks will equip us for the future and reduce vulnerability in society as a whole; it is essential for people in rural areas to be able to live and work.

- Data protection rules need to be further harmonised and oriented towards supporting digital and technological development. This can be achieved through European Data Protection Board (EDPB) guidelines, as well as through Member State collaboration and best practice sharing.

- The EU should support the creation of a data-driven innovation environment that enhances data access and use. This should provide both individuals and private organisations with full control over the data they generate.

- Ensure that the Digital Services Act results in a harmonized regulatory framework that ensures a level playing field by effectively preventing the presence of illegal content on the European market.

- International data flows need to be secured as a part of trade agreements. It is important to continue working on data usage agreements and standards to ensure the interoperability that will allow for truly effective business data sharing. In addition, work must continue to prevent protectionist measures on data.

- International data flows also need to be secured by updating the standard contractual clauses (SCC). This tool is fundamental for ensuring international transfers when no alternatives exist. The European Commission should engage with more countries to make adequacy decisions; the UK should be a priority for this. The EU also needs to secure the Privacy Shield framework with the US. This is the most important adequacy decision, as many European businesses rely on US companies as essential data processors.

Turbocharging the EU's growth engine – the single market
The core of any recovery plan must be to restore, develop and strengthen the EU single market. The priorities should be to remove existing bottlenecks in the single market and reinforce the freedom of movement for goods, services, people, capital and data. This will accelerate the EU's economic and social recovery. We have all seen the importance of mobility for all transport modes during this crisis, and we see the connection between free movement and growth. This mobility must be ensured, now and for the future, by investing in roads, sea, rail and air. Without transport, there is no possibility of an effective and growing internal market in Europe.

The single market is also the foundation of the EU's global competitiveness. Ambitious policy measures will increase the attractiveness of the EU for long-term private investment. Moreover, a single market with 450 million consumers is one of EU's greatest assets when negotiating international free trade agreements around the world. The EU can use the following measures for strengthening the single market:

- Member States should oppose any proposals that restrict the EU single market. Mechanisms already exist for facilitating trade and exchange to provide the basis for a secure and common market; companies should be able to rely on these. The Single Market Enforcement Task force (SMET) should be used to improve and optimise the cooperation between the EU Commission and the Member States.

- Give fresh impetus to the Services Single Market, in order to fully realise its long-untapped potential. The EU should take the opportunity to review existing authorisation and licensing regimes in Member States. This could expand those markets where the potential for job creation is highest - business services, transport and logistics and retail.

- Avoid significant and unnecessary costs and burdens for companies by achieving harmonised standardisation. The Commission should fundamentally revise processes for determining technical standards, ensuring it remains a stakeholder-driven process.

- Ensure clear, simple and predictable rules for the EU single market; these are a prerequisite for fair competition. 'Better Regulation' should centre on effective impact assessments, follow-up and evaluation; this approach should permeate any European recovery plan. The European Commission should also address the problem of Member States 'gold plating' EU legislation.

- Prioritise research funding within the EU budget, particularly for large projects that are important to the single market. This should pay close attention to those instruments and infrastructure that promote innovation. Easing the testing of potential breakthrough technologies will promote a risk-taking approach.

- Innovators and businesses in Europe must be able to rely on a solid intellectual property system. A stable and reliable IP legislative framework is essential for encouraging

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investment and ensuring that companies continue to invest in innovation, growth and preparing to face global challenges. The EU Action Plan on IP, which has already been announced, should be adopted without delay.

A European Union that is open for business

Trade will be essential in promoting a sustainable economic recovery and allowing companies to rebuild global supply and value chains disrupted by the COVID-19 crisis. The trade priorities should be:

- To initiate plurilateral negotiations aimed at lifting import duties on medical and protective equipment. Until this is done, the EU must urge all countries to temporarily suspend tariffs. To support recovery, the EU should also temporarily suspend import duties on those third-country input goods where there is a serious and proven shortage within the Union.

- The EU should seek temporary agreements with our FTA counterparts in order to accommodate a higher third-country content in products. Ideally, this could be achieved by removing the certificate of origin requirement for specific products for a limited period of time.

- To simplify and update customs procedures, for example by promoting the uptake of electronic documents, reducing non-essential physical inspections, allowing greater flexibility on payments and delays and ensuring there are sufficient human resources available.

- To keep foreign direct investment afloat. Europe’s growth and productivity particularly benefit from the technology transfer and innovation that investment from third countries brings. Screening of FDI must focus on what is needed to protect strategic assets and prevent threats to national security and public order – it should not curtail Europe’s openness.

- Continue to actively support and participate in WTO reforms, including adjusting its rulebook to the new post-crisis trade reality. This will make the WTO a stronger and more effective organisation, capable of acting on protectionism and unilateralism.

- Negotiate an agreement with the US that ultimately eliminates, at minimum, existing duties.

- Resume an ambitious bilateral trade agenda. Intensify existing FTA negotiations such as those with New Zealand and Australia and conclude and ratify the agreement with Mercosur.

- Strive for an ambitious and comprehensive investment agreement with China, one that effectively allows European companies similar levels of access to those currently enjoyed by Chinese companies in Europe.

- Extend the Brexit transition period to allow the negotiation of an ambitious agreement governing their future relations. Negotiating a comprehensive agreement in under a year was already highly challenging; the coronavirus pandemic surely makes this timeframe impossible.

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