

PRIORITIES FROM CIP

CONFEDERATION OF PORTUGUESE BUSINESS

PORTUGUESE PRESIDENCY OF THE COUNCIL OF THE EU



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MESSAGE FROM THE PRESIDENT



Portugal will hold the Presidency of the Council of the European Union at a very difficult moment. The COVID-19 pandemic generated a health crisis and, with it, serious and long-lasting social and economic consequences worldwide. Furthermore, we are witnessing, as a result, permanent changes in work relations, in the way companies' function, on how supply chains are organised, on how trade is constructed. In some cases, the pandemic has only accelerated existing trends. In others, we are witnessing disruption.

The European Union must be ready to face the new order. We need solid actions to address the post-pandemic world.

Companies must be placed at the centre of the recovery. Business have revealed major responsibility, managing to broadly maintain employment over the initial COVID wave, and have demonstrated creativity and flexibility in adapting to the situation. However, many have collapsed, and many more are using all available reserves to stay afloat. Public support, so far, has been welcomed and well targeted. But it is

clearly insufficient, in face of a situation that has been dragging for several months now.

At European level, funds from the European recovery plan must be channelled into the real economy as soon as possible. But not all is about financial support: more than ever, companies must be spared from unnecessary administrative and compliance costs, existing barriers in the EU single market must be addressed, and a level playing field ensured.

CIP supports the priorities of the Portuguese Presidency: to achieve a resilient Europe, a social Europe, a green Europe, a digital Europe, and a global Europe. The question is HOW to achieve these goals. In this paper, we present our views in these five broad areas, and share recommendations as well as concerns from the business community.

I wish you a pleasant reading.

Yours sincerely,

António Saraiva



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1. A RESILIENT EUROPE

Europe has been seriously hit by the pandemic. The EU economy is expected to fall by 7,4% in 2020 and bounce back by 4,2% in 2021 and 3% in 2022. Output in the EU is expected to only recover its pre-pandemic level in 2022. By then, many companies will have closed its doors and many jobs will be lost.

With the vaccination against COVID, a progressive return to normal life will be possible over the coming months. But it will take time until economic activity can fully resume. Most companies have used all available reserves to stay afloat, and it is therefore necessary that measures to support businesses and workers are not prematurely unwind.

• **The European recovery funds must reach the real economy without delay:** With a welcomed deal reached by the 10 December European Council on the Multiannual Financial Framework and Next Generation EU, it is now absolutely necessary to ensure funds reach the real economy quickly.

Speed must however not compromise quality. National Recovery and Resilience Plans must effectively direct resources, not only in view of the recovery, but also ensuring a vision for the future. This unprecedented amount of EU funds must be used to transform our economies and improve their resilience. National social partners must be fully involved. Investment in education, training, and our youth, must be a priority bearing in mind the need to adapt the skills and the training system to the new reality. Young people are definitely the ones who will suffer the most in the near future.

• **Industrial policy:** The way the EU will position itself in the world in the medium to long term, is dependent on the decisions it takes today regarding its industrial strategy. The crisis has exposed fragilities regarding the way our value chains are organized and, if we are to find responses to societal challenges, then we need to ensure excellence in its industry, in its human resources, and associated services. The definition of industrial ecosystems should be revised, coherently with its base

concept, avoiding distortions and misconceptions. We stress the need to continue implementing the necessary horizontal conditions for all companies and all sectors to flourish and to be part of the solution, attracting investment and companies' comeback.

• **Deepening the economic and monetary union:** It is particularly important to accelerate the work to reach a full Banking Union, in its three pillars, with the rapid establishment of a European Deposit Insurance Scheme and assuring that the common backstop to the Single Resolution Fund can start operating at the beginning of 2022, as agreed last November by euro area ministers of finance.

• **Ensure a quick finalisation of the cohesion policy files and a swift start of programmes:** The importance of cohesion policy for all EU countries is increasingly recognise, and this policy proved of fundamental importance when the pandemic crisis hit – it was possible to quickly mobilise cohesion funds and redirect programmes to quickly act where needs became more pressing. It is now of fundamental importance for the Presidency to bring to a speed conclusion the legislative dossiers to allow for operational programmes to start as soon as possible. We cannot delay important investments that can be done through these funds.

• **Investment:** We have witnessed a massive fall in private investment in recent months. We must pursue public policies supporting the overall investment levels or we will never be able to achieve the so wished leadership in the digital and green transition. It is also important to progress towards the capital markets union and to take measures to make it easier for capital markets to support economic recovery. The better regulation agenda is crucial to recover the investment climate at EU and national levels, and the quality of impact assessments must be improved.

• **Address existing barriers in the EU Single Market:** The Portuguese Presidency must relaunch the agenda for the internal market, lift barriers imposed during the pandemic, and continue working to eliminate pre-existing barriers. In particular, we must tackle long-standing obstacles to cross-border labour mobility, address regulatory barriers for cross-border provision of services, address the over-prescriptive Commission's policy for harmonised European standards for goods, and remove barriers to the free flow of data.

• **Ensuring a level playing field within the EU Single Market:** We believe the temporary state aid framework, relaxing existing rules in response to the crises, was a necessary decision. But this is creating major imbalances given the wide differences in the ability of different Member States to provide support to their companies. These imbalances clearly distort competitive conditions in the internal market and will have to be monitored and corrected. We must ensure these measures will not undermine the level playing field in the single market in the medium to long term.

• **Taking into account SMEs:** SMEs play an important role in the EU economy and so also in the EU economic recovery. All EU policies targeting companies in the Single Market should take into account SMEs' vulnerabilities, namely within the EU present driving forces of sustainability and digitalization. Other EU policy domains, such as access to finance, better regulation and internationalisation, should also regard SMEs as a specific target, while applying adjusted/specific measures.

2. A SOCIAL EUROPE

Job losses and the rise in unemployment has been contained compared to the drop in economic activity, according to the latest available forecast from the European Commission. Companies have made remarkable efforts in maintaining employment, supported by government measures, which helped cushion the impact of the pandemic in labour markets. This being said, unemployment is still expected to rise to a maximum of 9,4% in 2021, and the social consequences from the pandemic are already visible.

We must ensure a strong, sustainable and inclusive recovery. We need to make the most of innovative and flexible solutions that allow active labour market policies, to promote redeployment of workers from more affected sectors to others which suffer labour shortages. Measures to be adopted must take into consideration the difficult moment that private companies, the main source of job creation, are facing and therefore avoid additional burdens. A business-friendly environment is needed, now more than ever.

• **The European Commission's proposal for a directive on minimum wages and collective bargaining in the European Union promotes disunity:** Such proposal is contrary to the letter and spirit of the EU Treaty, as these matters are the responsibility of Member States and Social Partners in accordance with the principle of subsidiarity. The proposal disrespects the diversity of existing industrial relations systems, the autonomy of the Social Partners and goes against the strict division of competences between the EU and the Member States.

The proposal will further promote the division between Member States, especially in a time of crisis where unity and cohesion are required, and is contrary to the majority opinion of Member States who are in favour of a non-binding instrument, i.e. a recommendation.

The choice of a legally binding text, as is the case with a Directive, means that Member States will have to transpose it to the national level, and the European Court of Justice will therefore have jurisdiction over exclusively national collective agreements, thus undermining a fundamental feature of the best performing social dialogue systems in Europe: independent collective bargaining between organizations representing employers and unions.

• **Realism is required in the Action Plan for the implementation of the European Pillar of Social Rights:** CIP naturally supports Social Europe and the need to promote measures that respond to the current crisis. However, the support and development of such a Model depends on improving the performance of labour markets and social systems in all Member States, giving the necessary and natural space to the solutions achieved by social dialogue at community and national levels.

The Action Plan cannot ignore that the economic dimension is essential to ensure the European Social Model. Europe's social problems are not due to a deficit in social policy, but to a lack of competitiveness. It is necessary to bear in mind that the EU social acquis is already well developed, covering more than 70 Directives that protect workers and give them rights in several key areas, including, among others, equal treatment, working conditions, health and safety,

information and consultation and social protection. The informal meeting of EU leaders regarding the Social Pillar in May in Porto must take in mind the inputs of the civil society organizations in a balance way. And the outputs of the meeting should be clear.

• **Respect the autonomy of social dialogue:** The existence of active and responsible Social Partners, with national or supra-national objectives in the design and implementation of solutions is critical for the survival and development of companies and, consequently, employment, as well as for the sustainability and growth of the economy.

The implementation of such solutions must respect the competences of the EU and the Member States and adequately involve the European and national social partners. In this context, the Portuguese Presidency must ensure that the Action Plan for the implementation of the European pillar of social rights recognise that the main responsibility for the delivery of its principles lies in the hands of Member States.

It is also important to respect and give space for solutions created by social partners as well as by individual companies and workers to find the best solutions to their needs. In other words, it is crucial to respect the autonomy of social dialogue.

• **Improve preparedness of Health Systems to respond to public health threats:** The covid-19 pandemic has shown that vulnerable and fragile health systems result in inadequate health responses with consequences on social cohesion and economic growth. Investment in health is needed to strengthen the capacity of health systems to provide effective patient care and reduce the pressure on health systems. This can be achieved through investment in primary care and collaborative models of care, fostering interprofessional and inter-sectoral collaboration in several areas such as vaccination, non-urgent health situation and chronic diseases, among others.

While respecting the subsidiarity of Member States, building a strong European Health Union can contribute to find new and innovative solutions

to better prepare health care systems, improve people's health, and promote a sustained economic recovery. More than ever, resilient, and sustainable pharmaceutical supply chains are key to ensure timely and safe access to medicines and vaccines.

Financing and pricing policies must be balanced and incorporate in its objectives affordability and accessibility factors, as well as the sustainability of the pharmaceutical chain. This must be addressed in the Pharmaceutical Strategy for Europe. There is an urgent need to preserve

the integrity of the pharmaceutical chain, from production to dispensing.

A top priority is the digital transformation of the health sector, including telemedicine and the interoperability of electronic health records, as a key to improving the quality of healthcare and increasing access to healthcare. As such, the High-Level Conference on Digital Health (Portugal eHealth Summit) which will be held in June, in Lisbon, is expected to be one major event of the Portuguese Presidency.

3. A GREEN EUROPE

The objectives of the Green Deal and the aim of reaching climate neutrality by 2050 are as relevant as ever. CIP believes there are important opportunities to be explored from the green economy. However, it must take into account the effects of the crisis in the capacity of companies to act, reinvent themselves, and invest.

We must balance our ambitions against the new reality. The way we will accomplish the green transition must take into consideration an economy in tatters. Targets must be realistic to be meaningful, and we need to have an adequate strategy with the right instruments and framework in order to reach them. We must also underpin the Green Deal and its new targets with a credible industrial strategy.

• **The success of the Green Deal and its new targets depend strongly on reaching a credible industrial strategy** that can restore the company's capacity to invest in green and low carbon technologies. To become climate-neutral in a cost-effective way, we must ensure that there is enough affordable green energy available: namely improving the development of the essential interconnections and improve the EU level playing field regarding carbon emissions reductions, between industry, energy, buildings, and transport activities, whilst working for more ambition from third countries. The new and more ambitious EU target on decarbonisation for 2030, needs a very

well sustained review of the Effort Sharing Regulation, so that the efforts demanded for each Member State are just and possible, taking account of the previous commitments and real achievement trends.

• **To preserve the EU companies' competitiveness, we need to have effective carbon leakage measures:** this means that should a Carbon Border Adjustment Mechanism (CBAM) be introduced, it must be done so in a complementary way to existing ETS carbon leakage protection measures and in a fully WTO-compatible way, to ensure the impact of both imports and exports.

- **Promote a strong and real dialogue with European industry:** this is particularly important in the preparatory phase of the numerous legislative initiatives foreseen in 2021, such as the revision of ETS, the Renewable Energy Directive, the Energy Taxation Directive, the Energy Efficiency Directive, the Eco-design Directive, and the Industrial Emissions Directive.
- **The new Circular Economy Action Plan must deliver a functioning market for quality secondary raw materials and circular products:** without raising more bureaucracy, especially for SMEs, in terms of compliance with new reporting and communication platforms such as SCIP or setting the right methodology for substantiating green claims.
- **Promote the development and successful implementation of the sustainable finance agenda:** criteria and disclosure obligations from the taxonomy regulation should be proportionate, practicable and fit for purpose. These should be broad enough to ensure that activities with no direct impact on low carbon goals but having an indirect and important role in several value chains essential for the green transition, are taken into account. 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.

4. A DIGITAL EUROPE¹

It is essential to ensure that Europe is on an equal footing with other global competitors. Without an adequate legislative environment, the right skills and the necessary investments in very high-speed broadband infrastructure, Europe will continue to lose prominence in this crucial sector of the economy.

We need to support the digital transformation of our economies and societies by creating the conditions for the safe deployment of new technology such as AI and 5G as well as for the industrial data economy, developing digital skills and incentivising voluntary data sharing through collaborative European data spaces. Europe must be able to compete with other world leaders in these critical technologies.

It is time to reinforce Europe as a relevant digital player in the global economy, supporting an innovative and business-oriented ecosystem, but also leveraging a European approach funded on openness to different cultures and new markets. That would mean new opportunities for European companies – notably SMEs – to find new markets and to attract technology and capital. We need an autonomous Europe opened to the World. Due to its historical and cultural heritage and to its global multicultural and political background, Portugal can play a very important role bridging European values to constructive partnerships.

The European Union has an important role to play in coordinating a common approach to the challenges of digital transformation and in the development of a true Digital Single Market, which will enable it to successfully face the challenges of globalization and facilitate the development of this market, both on the supply and demand. As for an adequate taxation system for the digital age, it is essential that any proposals in this area are agreed internationally within the framework of the OECD.

¹ Some policy messages from this section reflect BusinessEurope's own position, which CIP fully endorses.

• **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, yet believe immaterial risks, as too broad a concept to legally define or otherwise covered by existing legislation, should not feature in the final definition. Only material risk (death, injury and property loss) should feature. We also have strong reservations in relation to "exceptional instances" as defined by the Commission which seem to negate the entire benefit and legal clarity of this two-step test.

• **Support the Data Governance Act:** it is important to incentivise more 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 Package:** including 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.

• **Implementing 5G:** 5G technology is a great opportunity, if properly used, for the consolidation of an innovative and strong national business ecosystem, leveraged by the multiple and promising applications of this technology in the different domains, whether in business reinforcement, reindustrialization, digitalization of all sectors, namely retail and distribution, logistics or the food supply chain that involves producers and a series of actors that can benefit greatly from the investment. The public sector itself, at central, regional, and local levels, should leverage the potential of 5G to accompany and mobilize a modernization effort that best serves citizens. Any climate of conflict and litigation around this theme must be overcome in order to take full advantages of the potential of 5G.

• **Fair competition and clear rules:** Digital market and online platforms are part of a new economy. These are crucial for Europe, but there is the need to set clear and fair rules. Characteristics such as vertical integration, lack of transparency for users, lock-in and network effects coupled with high concentration levels result in structural competition problems, affecting both consumers and workers. The Portuguese Presidency must see the Digital Services Act as an opportunity to complete the process in order to boost competition.

5. A GLOBAL EUROPE

Europe must continue to drive international free trade, with an ambitious negotiation agenda, fighting protectionism. We must promote effective implementation of existing trade agreements and ratification of agreements that have been concluded such as the one with Mercosur. The EU also has a key role to play in the process of globalization, in order to ensure that the benefits are well distributed and to reinforce the capacity of Member States and their companies to face global competition. Acting together, the EU and their Member States have the necessary capabilities and means to find solutions to problems and make a difference globally.

• **Trade:** EU Trade policy will have an ambitious international trade agenda. The objective is to increase access to third markets and, on the other hand, ensuring that products, services, and investments entering the EU market do not create distortions of competition, either because their origin is subsidized and/or because they do not meet EU standards. While these cases of distortion affect EU companies, the EU has to reinforce its Trade Defence Instruments, and complement them with the future instrument to address foreign subsidies.

The success of trade policy strongly depends on a well-regulated trade framework at world level. It's essential that the EU gather all its efforts and all its partners around the reform of the World Trade Organisation.

It is important to ensure the right revision of the Generalized System of Preferences (GSP) scheme. This revision should, on one hand, adjust the GSP criteria enabling a better distribution of benefits – more on least developed countries and less on mono-producer countries that have reached top world market shares and, on the other hand, make GSP+ beneficiary countries comply with international conventions on environment and climate change.

Ensuring a global Europe implies focusing trade and investment policies in the relationships with the EU most important partners – US, China, and UK – each representing different kinds of challenges. Other relationships representing today a significant potential

– Mercosur, Africa and India – should be firmly targeted.

• **Rapid ratification of the EU-Mercosur agreement:**

We need a rapid ratification and implementation of the agreement between the EU and Mercosur, as a further delay can jeopardise the full potential of the opportunities given by the agreement. The completion of the largest agreement ever concluded by either the European Union or Mercosur will give the two regions the opportunity to overcome the difficulties we are experiencing, but also to project the future beyond the pandemic. Implementing the new agreements with Mexico and Chile would complete the most needed stronger ties with Latin America.

• **Further deepening EU Africa relations:** 2021 is expected to be a decisive year for EU-Africa relations through the adoption of a partnership with the African Union, after the postponement of the last EU-Africa summit due to COVID. Africa is facing its first recession in 25 years because of the effects of the pandemic, which will affect the goals for sustainable development (SDG). Promoting trade and investment in and with Africa must be a priority to truly deliver on growth, jobs, and sustainable development. In this context, regional economic integration through the African Continental Free Trade Area (AfCFTA) and the Economic Partnership Agreements (EPAs) should be put high on the agenda, as well as the post-Cotonou agreement between the EU and the Organisation of African, Caribbean and Pacific States (OACPS). EU external financing instruments must be well known

to companies as private investment in areas such as infrastructures, connectivity and energy is key to create more and better jobs in Africa. Education and training have to be a priority to meet the local market needs of skilled labour.

• **Support the greater engagement between the EU and India:** The next EU-India Summit in May in Porto is an opportunity to reaffirm both sides commitments to multilateralism and to launch firm basis for EU-India cooperation in trade and investment.

• **Relaunch the transatlantic agenda:** We must seize the opportunities that the new US presidency raises to renew and improve the EU-USA relationship, and deepen the transatlantic agenda in terms of trade and investment.

• **Approaching China:** Europe should aim at reinforcing the economic ties with China, while levelling the playing field. The ratification of the recently concluded Comprehensive Agreement on Investment and the implementation of the Geographical Indications Agreement should be the main objectives.

• **Continue working on the EU-UK relations:** The UK will always be an important EU's economic partner. Within the framework of the EU-UK Trade and Cooperation Agreement, concluded on the 30th December 2020, the pursuit of the best possible competitive environment

for our companies, combining good market access with a level playing fields will be a permanent objective. It is important to address main disruptions after 1 January 2021, for which a strong cooperation with business will be needed.

• **Open Strategic Autonomy must be pursued by market forces and reject protectionism:** The pandemic alerted for the weaknesses of the system due to an excessive rigidity characterized global value chains and made evident the excessive dependencies in certain sectors or in relation to certain countries. In its efforts to ensure "strategic autonomy", Europe must not close itself. We need to have companies that can lead in areas called strategic, but this process must be conducted by market forces and not predetermined by governments.

In the new revised EU Trade Strategy, the European Union must continue to lead by the example it sets in terms of action and the values it defends. It cannot yield to protectionist tendencies, which will inevitably close its foreign markets, nor allow an international order that encourages indiscriminate subsidizing practices by companies. Europe has a responsibility to lead this process, persisting in a commercial strategy of opening up to the world, framed by prudent rules and appropriate internal policies, within the framework of its Recovery Plan.



A **CIP – CONFEDERATION OF PORTUGUESE BUSINESS** represents more than 150.000 enterprises, which employ 1,8 million employees and generate a summed turnover equal to 71% of the Portuguese GDP.

CIP is a national social partner and the most representative Employer's Association in Portugal, firmly committed to champion progress and well-being in Portugal.

CIP integrates the following international organisations:





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