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EUROCHAMBRES input for the EU Recovery Roadmap / Action Plan

The response to the COVID-19 pandemic relates first and foremost to containment and protecting the health of our citizens. This has affected the daily life of every European for many weeks and will continue to do so, even as authorities gradually ease confinement rules.

Thereafter, the impact will reverberate across the Europe's economy and society for many years to come. Businesses – micro, small, medium and also large – are suffering economic hardship that dwarfs even the peak of the financial crisis of 10 to 12 years ago.

The crisis has underlined just how interconnected Europe is on many levels and in many ways. This has perhaps gone unnoticed or been taken for granted in the past, but it cannot be any longer. The EU thus has a crucial role to play in coordinating an effective, coherent economic recovery strategy, with transparent criteria and a clear timetable.

Chambers of Commerce & Industry are closer than ever to their members during this crisis and recognise their responsibility to help them recover from the dramatic and ongoing economic slowdown. Based on Chambers' proximity to millions of European businesses across 43 countries, we are pleased to provide recommendations in this paper for the EU Recovery Roadmap and Action Plan, prior to the 23 April European Council discussion.

This is based on the need for a coordinated European approach to revive the supply of goods and services, uphold free movement and stimulate demand.

Financing the Action Plan

A number of recommendations below relate directly to the Multiannual Financial Framework (MFF). Agreement must be reached swiftly on the next MFF, tailoring and front-loading programmes to contribute to recovery related activities. The European Commission clearly recognises from its activities over the last few weeks that business as usual is not viable, so just like any private enterprise, its budget and operations must reflect the new climate.

We urge all of the institutions to bear this in mind and to equip the Commission with the financial tools needed to drive a coordinated European effort to reboot the economy as soon as the required public health measures allow it.

Boosting the benefits of the Single Market & Digitalisation

The crisis has shown how interconnected Europe's economy and its value-chains are, and thus how important the single market is to our recovery. However, regulatory and procedural barriers to the free movement of goods, workers and services continue to restrict the single market and its potential.

- Temporary barriers between member states:

- Building on its 15 April '*Joint European Roadmap towards lifting COVID-19 containment measures*', the European Commission must ensure that all such temporary measures taken by member states in the interests of virus containment are **removed in a coordinated manner** to ensure an effective and complete reopening of the borders, free movement and the integrity of supply chains.
- The new Single Market Enforcement Task Force can contribute to this process. We also acknowledge the inclusion of Chambers of Commerce in the Commission's Joint European Roadmap among the actors to be involved in the new **rapid alert function** to identify supply and value chain disruptions. This function should also be extended beyond the official end of containment measures to ensure that all barriers are fully removed and to consider lessons learned for future improvements in the free movement of goods in particular.

- Cutting red tape and information deficits:

- The EUROCHAMBRES December 2019 report on **barriers to the single market** highlighted problems for businesses caused by complex and different administrative rules and procedures, and specifically called for simplification and improved information. This can be achieved largely through digitalised information and procedures.
- We support the EU's foreseen creation of three pilot areas for **partnerships among border regions** to work together to help SMEs overcome barriers in the cross-border provision of services. This could be extended to other regions that have been hit hardest by temporary barriers imposed during the height of the pandemic.

- **Digitalisation:** this crisis can also be used as an opportunity to make Europe more digital, building on the increased uptake and knowledge of online working solutions.
 - Social distancing and confinement rules during the crisis have magnified the value of digitalized procedures, not just in terms of personal safety, but also administrative efficiency. The situation at border control points in recent weeks demonstrates this in particular. The **digital transformation of both national and cross-border administrative procedures**, as set out in the 2017 Tallinn Declaration, must be ramped up to ease the burden on our overloaded businesses.
 - Home working and other surges in online activity during the crisis have put a huge strain on the EU's digital infrastructure. Embarking on an unprecedented push to put in place **advanced digital infrastructure** across Europe and invest in digital capacity, cyber-security and networks will enable us to build on changing work patterns and boost our competitiveness in this important sector. Indeed, this rationale also applies to the digitalisation of customs procedures that remain analogue.
 - Swift implementation of the expansion of the **Digital Innovation Hubs** for local and regional ecosystems announced in the SME Strategy should be envisaged, in close partnership with the Chambers of Commerce and Industry, and can enable companies to exploit their digital potential in the short term.

Supporting SMEs to survive and rebuild

Confinement measures seem set to be eased gradually across Europe over the coming weeks and months. With that, manufacturing, services and consumption will also increase, but incrementally. Businesses will have to manage this and find ways to deal with the legacy of the strict period of lockdown, which will be felt exponentially by smaller businesses.

Chambers have broadly welcomed the various initiatives taken at EU level since mid-March to enhance financial liquidity during the crisis. The need of businesses for financial support – even to ensure adequate working capital - will continue into the recovery period as our entrepreneurs seek to revive their activities while managing the cash flow and balance sheet impact of the lockdown. The revenue tap may well not flow properly again for some time either given the likely knock-on effect of the crisis on consumer behaviour. This all adds up to a very challenging context for millions of previously viable and sustainable SMEs, so every measure possible should be taken to support them from EU level down.

- The **EU SME and Industrial Strategies** were launched by the European Commission in mid-March, as COVID-19 containment measures were being introduced in some member states. The subsequent dramatic economic slowdown fundamentally resets the parameters for these strategies, which should accordingly be reviewed and revised in consultation with Chambers and other relevant stakeholders. EU SME and industrial policy for the rest of the 2019-24 term must now be defined and delivered through the prism of the crisis and the recovery process.
 - Support will be essential in helping our businesses to cope. Some sectors will be more affected by the crisis than others – tourism, agri-food, travel and retail, for example – and will require targeted assistance, but businesses across all sectors and regardless of whether they are established, 'traditional' SMEs or more

innovative, will face many challenges simultaneously in relation to recovery, industrial transformation, social and market changes.

- The EU should boost the emergence of major industrial projects that create jobs, through a clear investment focus on innovation and research, enhanced cross-border cooperation and public private partnerships in key areas, such as artificial intelligence, critical raw materials and clean hydrogen, and other areas defined in cooperation with business. Particular attention must be paid to the situation of flagship European sectors - such as automotive, aerospace and space industry - currently considerably weakened and dragging with them R&D, subcontracting and thousands of jobs.

- **Financial liquidity:**

- The **large-scale EU financial liquidity measures** already taken and additional initiatives that may be included in the revised Multiannual Financial Framework should be governed carefully in order to ensure that their impact reaches the many struggling SMEs across the continent.
- The rules set out in the **Late Payment Directive**, particularly in relation to public administrations' payments to businesses, must be more strictly enforced and new measures considered. Prompt payment of invoices should be a sine qua non and will of course help businesses struggling with acute cash flow problems.
- Ensure long-term additional flexibility for the use of EU **structural and cohesion funds** that represent one third of the EU budget. Make full use of the opportunities offered by those financial means to support the sustainable recovery of economic activities in the regions. The programmes currently under negotiation need to be completely revised in the post-crisis perspective, in partnership with Chambers at all levels. Using these funds to finance SMEs' working capital should be possible.
- Provide **accessible financing instruments** for SMEs, in particular through public/private risk-sharing and equity financing and ensure their promotion and accessibility.
- Revise the **Community state aid legal framework** to reflect the recovery process, in particular by raising the thresholds for small businesses (de minimis regulation) and ensure that retail and services are eligible for such aid in all Member States.

- Minimise **regulatory and administrative burdens** (*also see point under Sustainable Europe*): SMEs need to be able to focus more than ever on their core business. They must of course comply with legal obligations, but every effort must be made to ensure that these obligations are clear and proportionate, and that reporting and administrative requirements are kept to a minimum:

- The Commission's new "Fit for Future Platform" (formerly REFIT) should focus heavily on '**recovery-proofing**' **EU legislation**, screening for potential burdens that could create obstacles to socio-economic regeneration.
- The European Commission must implement more rigorously than in the past the **SME Test** across its services, as set out in its internal impact assessment guidelines. It will be more important than ever during the recovery that legislation is considered from the perspective of the 99% of private sector businesses defined as micro, small, or medium, the sustainability of many of which will remain extremely fragile for months and years to come.

- As an initial step, we recommend the Commission to **consider postponing or extending the implementation of some complex rules and certain policy initiatives, particularly those that are currently or imminently at consultation stage**, as indicated in our letter to the Secretary-General of 3 April¹. Key stakeholders such as the network of 1.700 Chambers across Europe are fully dedicated to mitigating the impact of the economic slowdown on the business community. They are not currently, therefore, in a position to consider and provide input on longer-term policy initiatives. Furthermore, the crisis will certainly necessitate reconsideration by all actors of specific policy objectives and the way in which they should be pursued. This cannot be done properly until the full scale of the socio-economic impact of this crisis is clearer.

- **Business advice, support and capacity building**

- Even before the crisis, Chambers were involved in the development and delivery of various services to help SMEs in financial difficulty, including the European Commission financed Early Warning Europe initiative. Such support will be in even greater demand during the coming months and years. The application of early warning tools defined in the Insolvency Directive must be ramped up to guarantee access to **effective support for businesses in difficulty**.
- Those entrepreneurs who are unable to avoid bankruptcy as a consequence of the crisis – and there will regrettably be many such cases over the coming weeks, months and years – should be helped to embark on new business ventures. Here too, Chamber experience in the area of **'second chance'** assistance should be built upon and shared with relevant actors across Europe.
- While the next EU budget will logically focus on leveraging money for investment, the value of funding **pan-European SME capacity building activities** should not be underestimated and is of heightened relevance in the current context. Actions on skills development, internationalisation, the circular economy, boosting entrepreneurial activity and support to businesses in difficulty are examples of areas where the EU budget are of particular importance. Such initiatives can deliver tremendous return on investment for the individual SMEs that benefit directly, so should also be factored firmly into the revised Multiannual Financial Framework.
- Similarly, funding for the **Enterprise Europe Network (EEN)** and the wider business support ecosystem, including Chambers and other relevant providers, must be secured given that businesses more than ever need easy access to information and support to strengthen business cooperation at European level.
- Businesses, particularly smaller ones, understandably have a greater need for advice and support during the crisis. This need will not diminish quickly. Policy-makers and administrations are encouraged to **capitalise on the Chamber network** to deliver services to Europe's businesses during the recovery and to ensure that their needs are clearly understood and effectively met.

¹ See EUROCHAMBRES 3 April letter to the European Commission Secretary-General on the impact of the COVID-19 crisis on the Commission work programme: <https://bit.ly/LetterSec-Gen>

Promoting Global Europe

While it is of course imperative for all governments to ensure the wellbeing of their citizens, any temptation to become more protectionist is misplaced. Additional customs duties, taxes and unjustified non-tariff trade barriers in the short-term are hampering the urgently needed exchange of goods and services to combat the corona pandemic; the medical and pharmaceutical sector, which is crucial for combating the pandemic, is particularly dependent on maintaining global supply chains. In the medium to long term, such obstacles to trade will hinder efforts to rebuild Europe's economy and indeed the global economy².

With an expected global trade decline more severe than that witnessed following the 2008 financial crisis, we urge the EU to take prompt action to safeguard global trade in goods and services, maintain global supply chains, as well as export markets and import supplies.

As the world's largest humanitarian aid donor, the EU, along with its member states and the private sector, should also enact a coordinated crisis response to help regions and countries most in need, particularly in Africa, which must be reaffirmed as a priority for EU external action.

Looking ahead, it is important for the EU and its member states to increase their strategic supply chain security, so as to foster European resilience, including more independence in the crucial area of public health. In this sense, the EU should actively advance EU production and surge capacities for medical emergency equipment and products and advance strategic stockpiling.

Specific actions in the short to medium include:

- Keep international traffic routes operable and affordable. Current capacity problems and rapidly rising prices in air, maritime, road and railway transport may hinder and even impede resuming European export activities.
- Involve EU neighbouring countries, including EFTA, the UK, accession countries Western Balkan countries and associate partnership countries, including the Eastern Partnership and Southern Mediterranean countries, as closely as possible in the economic recovery approach.
- Enable full electronic data exchange between companies and customs authorities for import and export clearance (*see also previous comments on digitalisation*).
- Instruct customs authorities to apply a tolerant approach towards possible crisis related non-compliance with procedural deadlines by companies and SMEs in particular.
- Ensure the continuation of an effective protection of the EU economy against unfair trading practices of third countries, and enhance quality controls of imports.
- Advance the WTO Appellate Body interim solution by forming a 'coalition of the willing'. Advance also WTO e-commerce talks to regulate digital trade globally and in a non-discriminatory manner, and help ensure coordinated, multilateral procedures for the movement of people within a professional context, once the health situation allows to do so.
- Support investment promotion as well as the swift introduction of investment screening mechanisms in all member states in line with EU guidelines.

²See EUROCHAMBRES 15 April letter to European Commissioners on the international economic and trade policy response to the COVID-19 pandemic: <https://bit.ly/LetterCommissioners>

- Closely monitor new Corona-related trade barriers, especially those of relevance for SMEs.
- Facilitate the access of SMEs to temporary export credits.
- Assess the necessity for more autonomous and independent European strategic capabilities and production of medical emergency equipment and products, including strategic stockpiling.

Upskilling for the post-crisis Economy

The crisis has altered both the supply and demand of labour across Europe. Many jobs have regrettably been lost, while many more are on hold. Meanwhile, innovative entrepreneurial ideas are emerging to address new needs and different social habits.

- Fresh data must be gathered and regularly updated on the supply and demand of skills. This reinforces our call for a **pan-European skills forecasting tool**, based on direct feedback from the employment market.
- Various **skills-related EU initiatives** due to be released in 2020 must now take into account the implications of the crisis on the labour market. Different skills will be required; potential employers will encounter new challenges; people's and businesses' working habits will change; workforce mobility within the EU may shift. These and other variables all need to be factored into the Skills Agenda, pacts for skills, Europass etc. Skills policy requires careful reflection and new ideas are needed, notably regarding vocational training and apprenticeships. Improvement of management skills should also be facilitated, particularly for SMEs. Entrepreneurial education will be central to helping convert these emerging ideas into commercially viable businesses. The European Commission has been active in this field for some years, with mixed results, so should now redouble its efforts.
- **Online and distance education and training** has necessarily increased during the lockdown. Without underestimating the added value of work-based learning, the European Commission should work with national education authorities to optimise approaches to digital learning for adults. This could form an important element in finding work for those unemployed as a consequence of the crisis and more generally for people who wish to upskill/reskill to adjust their competences to the rapidly changing labour market.
- **Basic digital skills** should already be integral to school curricula across the EU to meet a key competence required by businesses. In reality, however, many member states lag far behind in the implementation of a comprehensive digitalisation strategy for pupils and also for teaching. Ambitious targets and concrete benchmarks for pushing digitalisation in the school sector should be part of the EU's recovery measures on skills.

A Green Deal that ensures a quick and sustainable recovery

The European Commission has made it quite clear that the European Green Deal will remain a priority for the EU and indeed that it will be central to the economic recovery strategy. Notwithstanding this, the implementation of the Green Deal must urgently be geared towards providing companies with the best possible support to achieve the necessary recovery, as well as towards measures to help businesses innovate and invest in climate and environmental protection.

Measures leading to higher costs for companies must be put on hold and reassessed against the background of the economic shock caused by the pandemic. Within the framework of the recovery plan, the Green Deal will only be effective and supported if it is resolutely committed to economic development and oriented towards growth and employment.

Specific actions required include:

- Efforts to **secure access to raw materials** crucial for the industrial and clean energy transition must be intensified. The pandemic has put global supply chains at risk, but cannot be a pretext for protectionist policies by other world regions. This is especially important for the industrial and clean energy transition.
- **Affordable energy**, an EU energy policy objective, takes on even greater importance given the acute financial constraints that many businesses are encountering across Europe. Investment in energy infrastructure is important to this objective and with levels likely to drop as a result of the crisis, every euro must be spent wisely, e.g. by boosting cross-border and regional cooperation to enable price convergence at affordable levels.
- In addition to lower emissions, one aspect of the **Just Transition Fund** is a positive long-term contribution to job creation. This should be strengthened as a core element to contribute to the crisis recovery, focusing strongly on economic diversification and skills.
- The EU must stick to an ambitious budget for research and innovation activities within **Horizon Europe** as a key contribution to the success of the European Green Deal and to our economic recovery and sustainable competitiveness.
- Member states were supposed to finalise their **National Climate and Energy Plans** by the end of 2019. Some elements of these ten-year roadmaps should be prioritised in relation to the crisis recovery process. Each member state has the scope to tailor such adjustments to their national situation, but this must be done in coordination with the European Commission.

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EUROCHAMBRES, the Association of European Chambers of Commerce and Industry, represents over 20 million enterprises in Europe – 98% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers.