

DG GROW**Virtual meeting between Commissioner Thierry Breton and AmCham EU Executive Council****28 April 2020****Influence of the pandemic crisis on business in Europe and globally**

BRIEFING NOTE

Scene setter

Your discussion with the Executive Council of AmCham EU should focus on COVID-19: challenges and barriers they face, responses to the crisis and exit and recovery.

The Executive Council is a group of 20 European CEOs who lead the European operations of some of the world's largest multinational companies, among them Cisco, Dell, Hewlett Packard, Intel and Raytheon. VP Jourova had a videoconference with the AmCham digital economy committee on April 17, including representatives from IBM, Cisco, Microsoft and AT&T.

Objectives

- COVID-19 crisis impact on businesses
- Response to the crisis
- Exit and recovery including business involvement

KEY messages**Keeping the Single Market functioning, PPE supply**

- The Single Market remains the cornerstone of the EU economy. Any disruptions to the free movement of people, goods, services and capital imposed due to COVID-19 must be lifted as soon as possible without endangering the health of our citizens.
- A new regulation is in the final stages of adoption on export authorisation schemes. It will be limited to protective masks, mouth-nose-protection equipment and protective garments and for a period of 30 days (as of 26 April 2020) (TBC, after adoption in the week 20 – 24th April 2020). The schemes now meet the test of being targeted, proportionate, transparent and time-limited.

- We have also taken measures to temporarily suspend EU import duties on COVID-19 related products.

Fiscal support and recovery plan

- The Commission is mobilising the EU budget to help citizens and businesses survive this crisis. Measures include support for job retention with funding to Member States of up to €100 billion, liquidity or public investment.
- We are applying maximum flexibility to EU budgetary rules and State aid conditions. We support measures taken by Member States such as generous fiscal stimuli and guarantee schemes for companies and funds to ensure production and supply of medical devices and masks.
- We have mobilised up to €140 million to develop vaccines, new treatments, diagnostic tests and medical systems to prevent the spread of the coronavirus and save lives.
- Also in its global response to the crisis, the EU will team up with partners around the globe to hold a pledging moment, with the aim of reaching €7.5 billion of funding.
- The re-start of the economic activity should be phased in. During the exit phase, we will create a rapid alert function to identify supply and value chain disruptions, relying on various sources including from businesses.
- Recovery is key. The new Industrial Strategy will be highly relevant in guiding the EU policy response to the crisis and relaunching the economy.
- For the longer term, we will reinforce our strategic approach to industrial ecosystems to increase their ability to become greener and more digitals.

Platforms

- I call to join forces to create fair market places for consumers, and a functioning supply chain. We have to cooperate further to make sure that we do not create any obstacles for SMEs to develop their business online.

- I invite you to agree on crisis relief actions for small businesses. Possible actions include: temporary waiver of listing fees or commissions, selling of voucher schemes that customers can use after the crisis, free access to software solutions for companies, free provision of consultancy and advisory to SMEs.
- My services continue preparatory work on the legislative priorities including the Digital Services Act package. This aims at modernising the legal framework and strengthening the internal market.

Entrepreneurship

- We are considering the SME voucher scheme where SMEs can apply for a voucher to implement a concrete plan to use digital services in order to support continuity or adaptation of their business model.

5G and Cybersecurity

- The EU is tackling the COVID-19 crisis also by tightening its emergency response mechanisms. The NIS Cooperation Group (CG) of Member States and a group of EU agencies are sharing experiences and best practices on the cybersecurity aspects of this crisis, in which cyberattacks risk weakening the currently stretched healthcare systems.
- The current intensified use of the Internet and ICT systems through the COVID-19 crisis increases the need to boost our cybersecurity and with that, the need to press ahead with our cybersecurity policy and indeed intensify our efforts.
- The events of 5G networks and connected IoT devices will also increase the cybersecurity risks. I therefore count on your companies to continue urging for European solutions and strengthen the Single Market.



Artificial Intelligence

- The Commission is taking a risk-based approach to AI, i.e. we would only regulate high-risk AI systems. For all other AI systems, a voluntary label could be considered. The goal is to intervene only where this is strictly needed and in a way that minimises the burden for the economic operators.
- We will work with like-minded partners to promote its values across the world. We welcome feedback from public and private organisations on the ideas presented in the White Paper.

Defence

- The European Defence Fund is expected to boost the EU's ability to take better care of its own security and thus contribute to improve transatlantic burden-sharing.
- The Commission is in regular contact with the US authorities to explain and clarify the rules applicable to the participation of third country entities. We are ready to continue this dialogue as long as necessary, in full transparency towards the Member States.

Questions to the interlocutors:

1. How are your firms in the EU dealing with the crisis? What are the key problems you face now?
2. You are all multinational corporations; based on your global experience could you tell me about best practice solutions in other countries that could be implemented in the EU to help business?
3. What are your companies focus and priorities? What role do you see your firms play in the recovery efforts? In what ways do you think your firms could help EU citizens in fighting this crisis?

Defensives

The EU's regulatory certification procedures is seen by many as a major bottleneck limiting the possible supplies of protective equipment from third countries. What actions are taken by the Commission to address this?

Protective equipment is of course subject to strict certification procedures. But protective equipment also needs to quickly reach those who need it most. This is why, the Commission adopted on 13 March a recommendation to streamline the certification procedures and in exceptional circumstances even setting them aside completely. Also, the Commission is providing guidance to the economic operators on the conformity assessment procedures via various channels, including by publishing a dedicated Q&A document on 30 March 2020.

Implementing Regulation 2020/402, which introduced an EU-wide export authorisation regime for PPE. We understand that the Commission now intends to prolong this regime. How will you address the industry's concerns?

Allow me again to make clear that this export authorisation regime is temporary. Its adoption, combined with other measures taken by the Commission, allowed the lifting of national export restrictions which emerged within the EU in early March.

A new regulation is up for adoption. This measure will again be temporary and will apply for 30 days. The Commission is proposing to limit the product scope to cover only face masks, mouth-nose-protection equipment and protective garments used in the COVID context. Products such as gloves and coveralls are thus no longer subject to any export authorisation. [TBC, after adoption in the week 20 – 24th April 2020]

What did the Commission do against the various export restrictions put in place by Member States?

I have had bilateral contacts with national governments and persuaded many of them to lift their export restrictions or to replace them with a more lenient system that takes into account shortages on their national markets.

The US is expressing worries that the conditions for third country entities and third country controlled entities in the EDF will de facto lead to the exclusion of US subsidiaries in the EU and of US based entities and will limit the

potential for cooperation with such entities.

Entities established in the EU but controlled by third country entities or by third countries will be eligible for EDF funding provided the Member State where they are based guarantees that:

- their participation does not contravene EU security and defence interests and
- their participation will not hamper security of supply, security of information and freedom to deploy and export the defence technologies developed within the EDF-financed project in question.

Participation of entities located in third countries to EDF projects (cooperation as member of the consortium) is possible under similar security-based conditions but without funding for this entities from the EDF. The results of actions (projects) financially supported by the EDF shall not be subject to any foreign control or restriction. The operational use and export rights of Member States shall remain free of any restrictions by third countries or third countries entities.

Background information

Name of Cabinet Member:

Name of the Director who has cleared the briefing: V. Superti

BASIS request ID: 197

Room, time:

Participants: Commissioner Breton, Executive Council of AmCham

Name of main contact persons:

Telephone number:

Directorate/Unit: A4

Position of AmCham

- welcomes the European Commission's efforts in providing the EU with a [comprehensive roadmap](#) towards gradually lifting COVID-19 containment measures.
- calls on the European Commission to "take all the necessary actions to ensure that global supply chains remain open and to refrain from and prevent any protectionist tendencies" and stress that "no effort should be spared in keeping essential services, infrastructure and manufacturing sites open all over Europe."
- considers IT & ICT as critical and essential, and mentions sites, services and supply chains associated with manufacturing of personal protective equipment; medical products, hygiene and sanitation products; infrastructure and transportation; logistics and delivery services; energy, communications, food and agriculture;

chemicals (raw materials, industrial and consumer); nuclear facilities; the operation of dams, water and wastewater treatment; emergency services; and the aviation, security, space and defence industrial base.

- welcomes the message of openness and cooperation. Initial discussions on technological sovereignty were seen as a cause for concern, but these concerns are now fewer, as the discussion has been understood as more about building capacity than about closing the EU market. AmCham companies also regularly participate in public consultations on EU policy areas.

IMF World economic output

The April IMF projections estimate a drop in EU27 GDP by -7.1% in 2020 (Euro Area -7.5%), and return to growth in 2021 with an increase of +4.8% (Euro Area +4.7%).¹

EU Support measures

Transport: Guidelines on **green lanes:** On 23 March 2020, the Commission issued guidelines on 'green lanes' to Member States to ensure speedy and continuous flow of goods across the EU and to avoid bottlenecks at key internal border crossing points.

Airlines: Airlines do not have to fly empty to keep their slots at the airports. The Commission is inviting EU Member States to support air cargo operations in order to keep essential transport flows moving, including medical supplies and personnel.

SMEs: The EIB Group will aim to create an additional €20 billion of investment in small and medium-sized businesses, partly using its own capital and partly backed by the EU budget. The Commission will make available €1 billion in an EU budget guarantee to the European Investment Fund (EIF), so it can provide liquidity to SMEs, mobilising €8 billion in all to help at least 100,000 companies

Fiscal stimuli by Member States: The Commission has adopted temporary state aid rules so governments can provide liquidity to the economy to support citizens and companies, in particular SMEs, and save jobs in the EU. Flexibility of the European fiscal framework: The European Commission has triggered the 'escape clause' to allow exceptional fiscal support. This will allow applying the maximum flexibility to our budgetary rules to help national governments financially support healthcare systems and businesses, and to keep people in employment during the crisis.

Emergency measures

- The COVID-19 pandemic raised liquidity concerns for businesses across industries, threatening their immediate and long-term health.
- To bring immediate relief to hard-hit SMEs, the Commission has redirected €1 billion from the EU budget to incentivise banks to provide working capital loans to companies. To reach this €1 billion, the existing loan guarantees under COSME – the EU programme for SMEs Competitiveness – is boosted with additional €714 million from the European Fund for Strategic Investments (EFSI). Additionally, the InnovFin SME Guarantee providing

¹ <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

finance for innovative companies under Horizon 2020 is reinforced with €300 million from EFSI.

- On the 6th of April our implementing partner, the European Investment Fund (EIF) published a revised call for the expression of interest for financial intermediaries interested to participate in the scheme. SMEs will be able to apply directly to their local participating bank.
- On 16th April, the EIB Group proposed the creation of a €25 billion COVID-19 guarantee fund, to be backed by the Member States. Provided that Member States agree, the fund will enable to scale up support for European companies up to €200 billion – with a focus on SME - with a broad mix of products (debt, equity, securitisation) to make sure that it responds to market needs and requirements to respond to the crisis.
- The Commission also continues to support European start-ups and scale-ups that may struggle more than ever to raise financing they need to grow. A newly launched instrument ESCALAR will provide up to €300 million, aiming to increase the investment capacity of venture capital and private equity funds and triggering investments of up to €1.2 billion.

Burden reduction

- One-in, one-out is a principle to reduce burdens when new legislation is proposed. This means concretely: “Every legislative proposal creating new burdens should relieve people and businesses of an equivalent existing burden at EU level in the same policy area”. While the Commission must have the leeway to act where it is needed, the rigorous application of the “one-in, one-out” principle will provide further incentives to ensure that new regulations do not impose any unnecessary recurrent burdens on businesses and citizens. The enhanced quantification of costs is a key element to support burden reduction and the implementation of this principle.

US economic measures in response to Covid-19

The Senate approved on 25 March a \$2 trillion + rescue plan (roughly 10% of US GDP) to respond to the economic and health crisis caused by the coronavirus pandemic.

The main elements of the package are as following:

- About \$500 billion for loans, loan guarantees or other aid to larger corporations, states and municipalities—including the possibility that the government will take direct equity stakes in distressed companies. The programme comprises the following lines:
 - \$17 billion in loans for companies deemed critical to national security, which is intended to assist Boeing Co. though the legislation doesn't mention the company by name.
 - \$25 billion for airlines (including \$3 billion to airline contractors providing ground staff such as caterers), while cargo haulers would see \$4 billion in grants.
 - The remaining \$454 billion would go to backstop losses in lending facilities established or expanded by the Federal Reserve. This will empower the U.S. Federal Reserve to extend direct loans and buy municipal and corporate bonds (on the primary and secondary market) for up to \$4 trillion.

- \$350 billion for loan guarantees to small and medium businesses with less than 500 employees (That fund has already been exhausted this week). The programme would be implemented by the small business administration. Up to \$10 million for each loan spent on payroll, rent or utilities will be converted into grants, conditional on business not firing workers.
- \$221 billion in a variety of tax benefits for businesses, including allowing businesses to defer payroll taxes, which finance Medicare and Social Security, for the rest of the year. It would also temporarily allow businesses to claim deductions using today's losses against past profits to claim quick refunds for cash infusions.
- \$300 billion in direct payments to low and middle income households
- \$250 billion for increasing and extending the unemployment benefits: \$600 per week would be added to normal state benefits for up to four months with an extra 13 weeks of benefits — adding up to 39 weeks of regular unemployment insurance "through the end of 2020." The deal extends to gig economy workers.
- \$150 billion in direct aid to states, distributed according to population size. A municipality could apply to receive aid directly, reducing the amount available to the rest of the state.
- \$340 billion in supplemental federal spending, which includes \$117 billion for hospitals and veterans' care. It also includes \$25 billion mostly for public transit to make up for revenue lost because of dwindling ridership.

On Tuesday 21 April the White House and congressional leaders have reached a deal on a \$484bn stimulus package that \$320 billion to replenish the Paycheck Protection Program (PPP). In total the PPP totals now \$669 billion, to provide interest free bridge loans to small businesses.

The bill adds \$60 billion to the Small Business Administration's disaster relief fund - \$50 billion in loans and \$10 billion in grants. The aid for small businesses is thus \$729 billion so far.

The Paycheck Protection Program is very much criticized. For the first \$349 billion depleted by 14 April, loans of less than \$150,000 represented 74% of the volume but 45% of the value has gone to loans above \$1 million.

Source: EU Delegation to Washington D.C.

On the measures adopted by the Commission to tackle the shortage of PPE

On 13 March 2020, the Commission issued [Recommendation \(EU\) 2020/403](#) on the conformity assessment and market surveillance procedures to facilitate the rapid uptake of new products on the EU market without compromising on health and safety standards. The Recommendation provides for the possibility in some exceptional scenarios to place non-CE marked equipment on the market if the conformity assessment procedures are being finalized or have not been initiated. If no conformity assessment procedures have been initiated, the non-CE marked equipment may only be made available to healthcare staff only after it has been assessed by the relevant market surveillance authority of the importing Member State.

In order to facilitate 'alternative' production of PPE, like masks, gloves and surgical gowns, upon request of the Commission, on 20 March 2020 the European Standardisation

Organisations CEN and the CENELEC have made, via their national member standardisation organisations, [all the relevant European harmonised standards](#) freely and fully available for all interested companies.

On 30 March 2020, the Commission published a series of guidance documents to assist manufacturers in launching new or ramping up existing production of essential medical equipment and material in three areas: the production of masks and other personal protective equipment (PPE), leave-on hand cleaners and hand disinfectants and 3D printing in the context of the coronavirus outbreak. These documents also aim to assist economic operators in making sure that these products comply with necessary safety standards and are effective.

On 15 March 2020, the Commission adopted the export authorisation scheme to preserve the integrity of the Single Market and more broadly of production and distribution value chains, to ensure the necessary supplies to our health systems. An amendment of the export authorisation scheme was adopted on 20 March, alongside dedicated guidelines for the application of the said scheme. This export authorisation scheme is applicable for a limited duration (six weeks after its publication, i.e. 26 April 2020). On 14 April 2020, the European Commission started consultations with EU Member States on a draft regulation to adjust this export authorisation scheme. The new regulation is set out to apply for a limited period of 30 days (as of 26 April 2020), and it covers protective masks, mouth-nose-protection equipment and protective garments. [TBC, after adoption in the week 20 – 24th April 2020]

Platforms

As Member States (MS) are taking strict measures to prevent spreading of COVID-19, some sectors of the economy are hit more significantly than the others, digital economy including. As regards SMEs, although the current crisis helped some sectors to literally outperform, others struggle, mostly e-retail, mobility, travel, advertising, and some others are having high potential to be crucially affected as well (app developers,...). Initial [data](#) projects that in some countries, almost 40% of start-ups will have to reduce their employees and almost 50% will run out of money in three months².

Large companies should not accept measures that will crucially affect their business users, as this will have an impact on all the economy in the very end. These actions are having negative impact on smaller businesses, whose operation might be significantly disadvantaged and lead even to a bankrupt, and should be raised during the call that is prepared for 28 April with leading EU and non-EU platforms. Therefore, the Commission and the AmCham members should jointly seek its members to commit themselves to help their business users/SMEs survive and do their best as regards striking a fair approach towards their business users and initiate concrete actions to help them.

Proposal for a SME Digital Business Continuity Vouchers Scheme to encourage digital solutions to all sectors including tourism during the crisis

DG CONNECT proposes the setting up of a regional digital business voucher scheme. With

² Impact of the Corona crisis on startups & tech. Dealroom, 24 March 2020.

this scheme SMEs can apply for a voucher to implement a concrete plan to use digital services in order to support continuity or adaptation of their business model. The submitted plan should include the estimated cost of the services chosen and may refer to a list of digital service providers.

5G and cybersecurity

Stress the importance of maintaining the momentum on implementing the 5G toolbox as an EU coordinated approach. Through the toolbox, Member States are committing to move forward in a joint manner based on an objective assessment of identified risks and of corresponding mitigating measures.

These measures will apply to everybody, without targeting any actor or country. Everyone who complies with our rules can access the EU market. EU Member States will decide on whether or not to exclude companies for national security reasons.

COM will support the implementation of toolbox measures and will act using all its instruments, to the extent necessary to address the identified security considerations (cybersecurity cooperation, Telecoms Code, standardisation, certification, FDI screening, trade defence instruments, competition rules, EU funding, public procurement rules, industrial development and deployment). ENISA continues to play a highly welcome and central role in the implementation of the Toolbox.

Immediate next steps remain on track: Member States to take concrete, measurable steps to implement key measures by 30 April 2020. By 30 June 2020, Member States should prepare a report on the implementation of key measures. By 1 October 2020, Member States – in cooperation with COM – should assess the effects of the Recommendation in order to determine whether there is a need for further action. This assessment should take into account the outcome of the coordinated European risk assessment and of the effectiveness of the measures.

Mobilisation of aerospace/defence industry in support of the Coronavirus crisis management

At services level, Copernicus is a valuable tool to quantify the industrial and environmental impacts of the lockdown, particularly because data is available for over 20 years and to support the management of the unfolding crisis. The imagery provided by Copernicus satellites was used to better understand the impact on traffic at borders between EU Member States and to measure how the levels of air pollution or (coastal) water quality above or around global cities and industrial areas significantly dropped as lockdown measures took effect. In addition, Copernicus may offer to epidemiologists air quality and climate data, allowing them to investigate the repercussions of the air quality on the spread of the Coronavirus.

Galileo provide precise geolocation services to map contagion areas, manage the flux of people to shops in quarantined areas, warn about restricted/quarantined areas, alert authorities in case of major gatherings, while fully preserving personal data privacy. Currently the European Union GNSS Agency (GSA), with the Commission's support, is putting in place a new Galileo-enabled application "Galileo for Green Lane". The App will allow border control authorities and truck drivers to visualise in real-time the overall border situation.

Executive Council membership list

3M [REDACTED] Europe/Middle East and Africa
AES [REDACTED] AES EMEA and CIS
BOEING [REDACTED], Boeing Europe and [REDACTED], Boeing UK and Ireland
CISCO SYSTEMS [REDACTED], EMEAR Region
DELL TECHNOLOGIES [REDACTED] International Markets (*Chair of the Executive Council*)
DOW CHEMICAL [REDACTED] Dow Coatings EMEAI President and [REDACTED], Dow Benelux
ECOLAB [REDACTED] Ecolab Europe
EY [REDACTED] EMEA [REDACTED]
GILEAD SCIENCES [REDACTED] Commercial Operations, EMEA
GOODYEAR [REDACTED] EMEA (*Vice-Chair of the Executive Council*)
HOWMET [REDACTED]
AEROSPACE [REDACTED]
HEWLETT PACKARD [REDACTED]
ENTERPRISE [REDACTED]
HP INC [REDACTED]
INTEL [REDACTED]
Intel Ireland (*Vice-Chair of the Executive Council*)
MARS [REDACTED], Mars Petcare Europe
METLIFE [REDACTED]
[REDACTED] MetLife Europe
SAS INSTITUTE [REDACTED], South West Europe
STEELCASE [REDACTED] EMEA, (*Vice-Chair of the Executive Council*)
RAYTHEON TECHNOLOGIES [REDACTED]
UPS [REDACTED]
Ex Officio Members
3M [REDACTED] (*Chairman, AmCham EU*)
AMCHAM EU [REDACTED]