

# Keynote speech by President Donald Tusk at the BusinessEurope day

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Thank you, Emma (Marcegaglia), for your reflections, for your determination and dedication, and of course, for inviting me to this 60th anniversary event; and thank you for our excellent cooperation in the framework of the Tripartite Summit, where the social partners will meet again this month. I want to, first and foremost, wish BusinessEurope a very happy birthday. Certainly from my own experience, I can tell you that this is when life really gets going, at 60. With the European economy expanding strongly, I can say with confidence that your best days are ahead.

I am here as your guest today, full of appreciation for your hard work. The confederation of European business and industry has, since the days of the Coal and Steel Community, been a consistently positive voice in Europe's story, always good at balancing ambition and moderation. First as CIFE, then as UNICE, and now as BusinessEurope, a fraternity that stretches north and south, east and west – from the Italian *Confindustria*, to the German BDI, to the Confederation for British Industry and, of course, to the Polish *Lewiatan*, which I know well. Your service to Europe truly deserves acknowledgment and praise. And I extend it here without reservation.

But the main source of my respect for you is that – at the end of the day – businesses, both large and small, hold the key to the success of the European economy. You are on the front-lines of making Europe the workshop of a changing world economy. Politicians do not create jobs, generate wealth or adapt to technological revolutions; enterprises and employees do, working hard each day in a global market place that does not tolerate complacency or waste.

To support your efforts, it is our job as politicians to provide the right conditions, set the right incentives and maintain the independent institutions that are needed to underpin a prosperous economy. Has the European Union done a good job in this regard? I believe that we have, and would even say that our track record of the last years is something we can look at with satisfaction.

Let me just mention a few steps that we took. Three years ago, EU leaders created the European Fund for Strategic Investments to kick-start investment in Europe. We pushed forward an ambitious market opening agenda on trade,

such as the CETA agreement with Canada, while at the same time protecting ourselves against unfair trade practices. We redoubled our efforts to fight youth unemployment. We took further steps towards a more sophisticated and complete internal market, progressing the capital markets union, the energy union, and the digital agenda. And last but not least, we agreed on the process that will decisively strengthen Economic and Monetary Union.

The economic statistics confirm that we are on the right track. The economy is now growing at its fastest pace in a decade, with robust growth expected to continue. And all EU countries share in this expansion: each and everyone of them are showing positive growth numbers. Fortunately, these good growth figures are also translating into a stronger labour market. Unemployment is declining fast, and the total number of people employed is at a record high.

However, it would be foolish to let a little good news obscure the unfinished business that we still have in economic policy. The effects of the past crisis are still visible, especially when it comes to youth unemployment. Leaders are due to have tough debates over the coming weeks that will incorporate our strategies for the single market and common policies on tax, trade, and research and innovation. My first priority is to complete our work on EMU, to make our monetary union stronger and more resistant to future economic shocks. Despite the current positive outlook, these will surely come, sooner or later.

In December, leaders agreed that it makes sense to prioritise completing the Banking Union and further developing the European Stability Mechanism. Politically, we are not as far away from a consensus on these matters as some imagine. Indeed, if not now, then when? And economically, this is the moment to remove a key vulnerability of EMU: the fiscal link between sovereigns and banks. A complete Banking Union and a more solid ESM will help break this link. Accordingly, I have asked the Finance Ministers in the Council to speed up their work on these topics, so that we are ready to take decisions on them in June. In the meantime, leaders will have another broader discussion in March on the long-term development of EMU, including on more ambitious proposals in the fiscal and economic dimension.

Last week, leaders began discussions on modernising the EU budget to better reflect our economic priorities, but also to take greater account of new political imperatives like security, defence, and stemming illegal migration. At our discussion last week, I was pleased to see that all the leaders approached this question with open minds, rather than red lines, and agreed that the EU will need to spend more on these new priorities, while not losing sight of traditional areas like agriculture and cohesion policy. Even though many leaders said that they are ready to contribute more to the post-2020 EU budget, it is clear that this will be a very difficult debate. But it is one which we must have anyway, if only because of the revenue gap of some €10 billion annually that will be caused by Brexit.

Brexit is indeed, as your programme puts it, the “one big question” that hangs over everything. Yesterday, Michel Barnier published a draft Withdrawal Agreement, which will be discussed by Member States in the coming days. But I am absolutely sure that all the essential elements of the draft will be

accepted by all. I would like to underline here again that Mr Barnier has the full support of both the EU institutions and the EU27.

Recently, London has definitively confirmed its red lines, including “no customs union” and “no single market”. We acknowledge these red lines without enthusiasm and without satisfaction. But we must treat them seriously. With all their consequences. And one of the possible negative consequences of this kind of Brexit is a hard border on the island of Ireland. The EU wants to prevent this scenario. Hence, if no other solution is found, the proposal to “establish a common regulatory area comprising the Union and the United Kingdom in respect of Northern Ireland”. And, until now, no-one has come up with anything wiser than that. In a few hours I will be asking in London whether the UK government has a better idea, that would be as effective in preventing a hard border between Ireland and Northern Ireland.

Everyone must be aware that the UK red lines will also determine the shape of our future relationship. Next week I will present the draft guidelines in this respect. Here I want to stress one thing clearly. There can be no frictionless trade outside of the customs union and the Single Market. Friction is an inevitable side effect of Brexit. By nature. Thank you

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