

Newsletter

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The business case for a new enlargement and a Union of 36



Twenty years after the 2004 'big bang' enlargement, we have seen it all. Perceptions and reflections have been morphing from enthusiasm to fatigue, from hope to fear, from aspiration to disappointment.

With the wisdom of the past two decades and seven different waves of enlargement, it would probably be appropriate to celebrate this 'big bang' anniversary with facts and figures to dispel emotional debates ahead of the EU elections in June.

The three-year-long war in Ukraine has pushed the issue of enlargement to the forefront of the European geopolitical agenda. The candidate status that was quickly conferred on Ukraine, Moldova, Bosnia and Herzegovina and most recently Georgia and the accession negotiations that have finally been opened with North Macedonia and Albania are positive breakthroughs for a policy which has stalled for years, due to the proverbial 'enlargement fatigue', to which Brexit has probably contributed.

It's the economy, stupid!

To make sure this new momentum stays the course in the long term, we should set straight the business case for enlargement.

Of course, democratisation and the rule of law are untouchable principles, as is the merit-based approach of the enlargement process, with no shortcuts. But, at the end of the day, people on both sides of the border must be reassured of the potential economic gains and the potential to spread prosperity for the next generation of Europeans.

At the moment, forecasts are scarce on what the economic impact of the next round of enlargement will be on the bloc. But if the past is any indication for the future, we can safely say that the business case is indisputable.

Trade between old and new Member States grew almost threefold during the formal pre-accession process from 1994 to 2004, and fivefold among the new members themselves. The EU-15 of the time grew on average by 4% annually from the start of the accession process to 2008, with the accession process contributing half of this growth, generating 3 million new jobs between 2002 and 2008.

The fears that masses of migrants would move from the new to the old Member States because of income disparities were unfounded. The cumulative impact of migration on the working age population in the old Member States was limited, standing at 0.37% between 2004 and 2007. By contrast, migration had a bigger impact on Ireland when it joined, with an annual increase of 1.25% in its working age population over the following three years from accession. On the downside, the new members recorded significant brain drain, which in turn contributed to deepening regional disparities within the EU.

Energy

We all know that the cost of bringing Ukraine and others into the club will be high because they are still poorer and still agrarian to some extent, but it has been proven that it would be costlier to keep them out, in terms of economic security.

COVID-19 and the war in Ukraine have demonstrated that the EU needs to rethink its economic resilience and to homeshore and friendshore strategic supply chains, particularly in the context of the green and digital transitions. REPowerEU, the EU plan launched in response to the global energy market



disruption, envisages a ramp-up of European renewable energy production. The Net-Zero Industry Act and the Critical Raw Materials Act call for 40% of green and raw material value chains to be diverted to the EU. EU accession candidates, particularly Ukraine, can play an important role in achieving these goals and in providing greater economic security.

When it comes to natural resources, Ukraine holds the largest gas reserves in Europe, after Norway. The country could contribute significantly to the phase-out of oil in electricity production and industry.

The country already produces some of the largest quantities of hydropower in Europe and could increase its production along with other green energy sources such as wind, solar and biomass.

The EU and Member States like Germany are considering large-scale investments in Ukrainian green hydrogen production, which can be transmitted through the extensive existing pipelines. Ukraine has also been a major metal exporter and is home to lithium and rare earth deposits, which are crucial for the green and digital industries.

Agriculture

At the same time, Ukraine's agricultural industry is one of the biggest in the world. Its integration into the internal market would dramatically increase the EU's food security.

The EU, whose budget represents only about 1.2% of its members' combined GDP, or EUR 1.8 trillion over its seven-year budget cycle, would need to overhaul existing policies as newcomers would absorb agricultural and regional cohesion funds. Current Member States, like Poland, which recently blockaded grain imports from Ukraine, would need to see the bigger picture of how economic convergence significantly benefits them.

Single market

The benefits for Western Balkans countries of increased participation in the single market are also crystal clear. As an indication, Croatia's GDP has increased steadily since it joined the EU in 2013, translating into higher incomes for its citizens, with an average increase in per capita GDP of 67% (from EUR 10 440 in 2013 to more than EUR 17 240).

Finally, Ukraine and other accession candidates boast a well-educated workforce, particularly in IT sectors. Their inclusion in the single market could help alleviate the skills gap in the EU economy, which has increasingly become an obstacle to EU competitiveness, and help accelerate the digital transition.

The road to EU membership for up to nine new countries — including Serbia, Albania and four others in the Western Balkans, as well as Ukraine, Moldova and Georgia — will be tortuous as the Union will also need to reform to make sure its absorption capacity is up to the task.

The business community also needs a clear timeframe and gradual single market integration.

As business people know all too well, size matters. Involving the private sector will be a crucial step as this enlargement will be too big to fail.

But there is no other alternative: if the EU wants to be a global power, it needs to be a local one first. This narrative needs to be loud and clear during the EU elections.

The article was first published in [Euronews](#).



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Promoting the 2024 European elections by bicycle from Caen to Brussels

To raise awareness of the importance of voting at the upcoming European elections, the European Economic and Social Committee will organise a cycling event across France and Belgium from Wednesday 1 May to Saturday 4 May 2024.



EESC Employers' Group member Bruno Choix will travel from Caen (France) to Brussels over 4 days, covering a total of around 500 km. You can follow the trip of Mr Choix on the EESC Employers' Group social media channels.

This initiative is part of the EESC's Open Day, taking place on Saturday 4 May 2024 at the EESC's headquarters – the Jacques Delors building, at 99 Rue Belliard, 1040 Brussels – when the Committee is opening its doors to the public from 10:00 to 18:00 and is organising a number of activities to inform and enthuse people about the EESC and the 2024 European elections.

To view the detailed programme for the Open Day, please visit the EESC's website: <https://europa.eu/l7GcfrP>

Join the EESC group of cyclists and take part in a unique experience!

On the last day of the trip (Saturday, 4 May), everyone is welcome to join the group around Mr Choix for the final stretch, biking from Waterloo to Brussels, or to join them along the way.

The departure from Waterloo is scheduled at 10 a.m. The meeting point is set for 9:30 a.m. at Waterloo, Route du Lion 367. Cyclists can also join along the route.

For further information, including the route, please visit the EESC website: <https://europa.eu/lrVbHDM>

EU-MERCOSUR ASSOCIATION AGREEMENT A WIN-WIN ASSOCIATION AGREEMENT

I have just returned from a very important trip, the first part of which took me to Brazil, where the EESC and Brazil's Economic and Social Development Council signed a memorandum re-establishing a relationship that should never have been lost between the two parties. Over three days, many high-level meetings took place, which made it possible to see first-hand what the situation was in terms of the most sensitive political and economic issues.

I spent the second, no less important, part of my trip in Paraguay, which holds the pro tempore presidency of Mercosur for the first half of this year, where there was a strong focus on social and economic issues. I would like to highlight the meeting that took place with Mercosur's chief negotiator, lasting an hour and a half, which went into the details of the agreement and the expectations.

With the advantage of having first-hand insights at this very delicate time at international level, I would like to explain the importance of this region. Let's not forget that Brazil holds the G20 presidency and that, in 2025, it will host COP30 in the state of Pará, at the heart of the Amazon region.

Although the agreement was ready to be signed in 2019 following a push at the G20 meeting in Osaka, remember that COVID-19 and the stricter environmental demands made by the EU derailed the negotiations.

The agreement could also have been signed in December 2023, as confirmed by the Commission President, the Council and Mr Lula da Silva, who was heading the Mercosur presidency, even though there was a change in government in Argentina at the time, with Javier Milei replacing Alberto Fernández. However, it was still not signed.



The European Parliament pushed for the agreement to be signed, and the negotiators continued and continue working on it, but the upcoming elections and the farmers' protests have not created the most conducive climate for it.

The agreement is economically necessary for many reasons, although some aspects of it can undoubtedly be improved, such as the transitional aspects, monitoring and reciprocity. However, both blocs stand to gain from it.



The agreement is important in ensuring that both parties take a leading position at multilateral level, in making sure their actions have a global impact on sensitive issues such as climate change, the market economy and social rights, in potentially allowing them to become leaders in new technological developments and the security of supply of sensitive products, energy and food, and in enabling them to take advantage of a wide range of synergies and opportunities.

The agreement is essential – yes, essential – for both parties so that they can continue to take joint positions in defence of rights and freedoms and maintain joint positions in the face of aggression, such as the invasion of Ukraine by Putin's army, Hamas's terrorist attack on 7 October 2023 and the subsequent demand for the hostages to be released and for humanitarian aid to be allowed through to Gaza. With a view to taking unequivocal positions in condemnation of attacks like that perpetrated by Iran last weekend, it is ESSENTIAL that a bloc as important as that formed by Argentina, Brazil, Paraguay and Uruguay be a clear partner of the EU.



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The EU Talent Pool

A STEP FORWARD IN THE GLOBAL COMPETITION FOR TALENTS

The EU is competing on a global scale and wants to retain its leading role when it comes to principles and standards. But the global competition for talents is stiff. The EU is comparing to its global competitors such as the US, Australia, Canada and China. At the same time it is a Union comprised of 27 different Member States, with a complex division of competences and decision-making procedures. It is even more complex when we add the different authorities involved at EU and national level. These include administrations responsible for home affairs, social and labour affairs, the economy and sometime even electronic governance.

At the same time, labour and skills shortages, driven by different factors – including demographic challenges and the twin transitions – pose serious challenges for companies' operations and growth. As these shortages are expected to continue growing over the coming decades, it is of paramount importance to have the right policies in place. Increased employment levels and access to people with the right skills are greatly needed to maintain our social model, to reap the benefits of technology and digitalisation, and to respond to demographic challenges.

The EU Talent Pool (EU TP), proposed by the Commission, will be the first EU-level voluntary matching tool for interested Member States (MSs), open to "low, medium and highly-skilled job-seekers" from third countries. Only employers established in those MSs will be able to publish their job vacancies. It will not provide a specific new entry route into the EU.

The matching function should be structured in such a way that proposes matches between workers and employers that correspond to the skills and qualifications of the worker and the needs of the employer.

For the Employers' Group at the EESC, it is of considerable importance that the EU TP be designed as a practical, reliable and easy-to-use tool that is attractive for workers and employers and supports fair and ethical legal labour migration into the EU.

It should ensure that migrant workers and EU employers are provided with information on the laws to comply with, as well as on their rights and responsibilities, e.g. rules concerning the effects of a worker losing their job after a shorter period of time than initially agreed upon.

Transparent and trustworthy information about accessing jobs in EU MSs, including about the recognition of qualifications, needs to be provided on one single EU website for workers and employers. Companies must be able to rely on support from the EU TP when recruiting third-country nationals.



In the EESC opinion we underline that setting up the EU TP must build on the work of the revision of the Single Permit Directive and the Long-term Residents Directive, in order to ensure efficient and timely access to work and residence permits for migrant workers.

We also express the view that the role of intermediaries and agencies, including for subcontracting, should be clarified, as currently many employers use their services at national level. In the Commission's proposal this matter is not addressed.

Another important aspect is that the EU TP initiative should not result in an increased administrative burden for employers who ask the National Contact Point in the Member State where they are established to transfer their job vacancies to the EU TP platform. There should be a simple add-on function for the transfer of vacancies from national public employment services to the EU TP. A possible role for private employment agencies should also be considered.

Suspended access for employers in the event of a breach of their obligations should be defined in terms of time and proportionality to the violation concerned. Similar limitations should be considered for third-country nationals who abuse the right to reside and work legally in the EU.

Labour shortages and the identification of shortage occupations need to be discussed with sectoral and national social partners. The initiative should motivate MSs to involve the social partners at cross-industry and sectoral level and the relevant civil society organisations working with migrants and refugees, as well as education and training stakeholders, in discussions and decisions at national level, notably as regards the identification of shortage occupations and the provision of periodic feedback on their assessment of how well the TP is functioning. Workable solutions can be only achieved when labour market organisations are involved in decision-making.



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UN challenges the OECD as a forum for international taxation-setting

Many UN member countries are dissatisfied with the way that international tax work has evolved in the course of the OECD/G20's work on Base Erosion and Profit Shifting (BEPS) and work on a global minimum corporate tax (Pillar 1 and 2). Despite the OECD's inclusion of not only OECD countries but also some 145 countries in the Inclusive Framework (IF), both the outcome and the process have been criticised. Many developing countries will not end up with the promised increased tax revenues since the developed countries will largely retain the right to tax corporate profits. Initiatives have therefore been taken to increase the role of the UN in setting international tax rules.

In December 2022, the UN General Assembly adopted a resolution entitled "Promotion of inclusive and effective tax cooperation at the United Nations" (A/RES/77/244). It puts forward ways to improve domestic resource mobilisation and the importance of making international tax cooperation more inclusive and effective.

Accordingly, and as set out in the resolution, the General Assembly decided to begin intergovernmental discussions at the UN's headquarters on ways to strengthen the inclusiveness and effectiveness of international tax cooperation by agreeing on a United Nations intergovernmental process.

A UN Economic and Social Council (ECOSOC) Special Meeting on International Cooperation in Tax Matters was held in New York on March 18 with the involvement of the UN Tax Committee and other stakeholders, including international and regional organisations, business, civil society and academia. The morning session was devoted to the Ad Hoc Committee for drafting terms of reference for a United Nations Framework Convention on International Tax Cooperation.

The work will now continue at high speed. The substantive scope of the draft terms of reference and the rules of procedure for the Framework Convention will be presented as early as the first session of the Ad Hoc Committee on 26 April–8 May 2024. A second session will be held on 29 July–16 August 2024 and the Committee's report will then be submitted to the General Assembly.

The Ad Hoc Committee had already asked for input and suggestions ahead of the ECOSOC meeting. The EESC was one of the organisations contacted and the president of the ECO Section mentioned in the EESC's response that a consensual approach to decision-making, as was employed at the EESC, was very important. Our revised Rules of Procedure could



A framework convention or agreement describes a type of legally binding treaty which establishes broader commitments for its parties and leaves the setting of specific targets either to subsequent more detailed agreements (usually called protocols) or to national legislation. In essence, a framework agreement serves as an umbrella document.

therefore serve as an example for the rules to be laid down in the Framework Convention.

From a business perspective, it is important that tax uncertainty and the risk of international double taxation be eliminated or at least reduced. This calls for strengthened international tax cooperation. A stable and fair international tax system will lead to increased investment, which is needed for global development and growth, thereby making it possible to meet environmental and social challenges. Public investment is not nearly enough to cope with the huge challenges of our time. Therefore substantial private sector investment is required.

Businesses are concerned that international tax agreements are being challenged. The OECD has a large and competent tax department and a consensual approach is adopted when decisions are made. This doesn't mean that all countries agree with the direction being taken in the work. Smaller developed and open economies have often objected to the OECD's process and outcomes in the last few years. In the UN, the tax department is very small and majority voting is often the norm. From a business perspective, the new Convention must strive for consensus if it is to be effective in reducing tax uncertainty for businesses. The way in which decisions will be prepared and adopted is therefore very important, as will be the upcoming Rules of Procedure. Cooperation between international bodies must not result in duplication of work. Furthermore, inclusive consultation with stakeholders is needed to secure stable rules over time.

During the ECOSOC debate, the G77 plus China and the African Union supported the new convention, as did 45 Least Developed Countries (LDCs) (Africa 33, Asia 8, Caribbean 1, Pacific 3). There are currently 193 UN Member States. Businesses expressed their concerns about increased tax uncertainty and the risk of double taxation.

Even if the process of setting up the Convention is a speedy one, it will take many years before the UN can successfully challenge the OECD as the standard-setter in international tax

agreements. Nevertheless, the UN will have a significant influence on international tax rules in the coming years, in particular for developing countries.



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Extraordinary Group meeting of the EESC Employers' Group

"THE PROMOTION OF INNOVATION AS A KEY DRIVER FOR EUROPE'S COMPETITIVENESS"

The extraordinary Employers' Group meeting that will take place during the Belgian Presidency will focus on the promotion of innovation as a key driver for Europe's competitiveness.

Innovation is indeed a key component of Belgium's economy and its productivity, and has been encouraged and supported by several instruments and policy measures, be it at the federal or at the regional level. By showcasing best practices in fostering synergies between the private sector, businesses and the R&D community, the conference aims to present the Belgian example and discuss the situation in different EU Member States.



EXTRAORDINARY MEETING OF THE EESC EMPLOYERS' GROUP The promotion of innovation as a key driver for Europe's competitiveness

14/05/2024 | 09:30 - 12:30 | Rue Ravenstein 4, Brussels

The conference will be officially opened by the Federal Minister for Foreign and European Affairs, Hadja Lahbib, who will comment on the ongoing Belgian Presidency of the Council.

EESC Employers' Group invites main Ukrainian employers' and business organisations to Brussels

Since the beginning of the war, the EESC Employers' Group has supported Ukrainian employers' organisations in bringing the needs of Ukrainian businesses, especially SMEs, to the attention of European decision-makers. The EESC Employers' Group has engaged with the main Ukrainian employers' group and business organisations, and has pushed EU policy-makers to help Ukraine firstly to withstand Russia's invasion and secondly to boost its reconstruction towards a green and digital society.

Our next initiative will bring Ukraine's main employers' organisations to Brussels, with the goal to help them establish and continue building relationships with relevant EU institutions, particularly in view of Ukraine's membership process.



On 14 and 15 May, five Ukrainian organisations will first join the EESC Employers' Group event on *The promotion of innovation as a key driver for Europe's competitiveness*, and will afterwards meet with high-level representatives from different DGs of the European Commission and the European Investment Bank.

Employers' Group statement in the wake of the EESC signing of the La Hulpe Declaration on the Future of the European Pillar of Social Rights

THE EU SOCIAL POLICY ACTIONS MUST BE BETTER ALIGNED TO STRENGTHENING COMPETITIVENESS

The EU is lagging behind its competitors. In 2023, EU growth was only 0.5%, compared to 2.5% in the US and 5.2% in China. This, together with past and on-going crises clearly indicate that the EU is in dire need of reforms to improve the business climate and deserves a European Competitiveness Deal to restore growth and industrial competitiveness.

The Employers' Group welcomes the invitation for the EESC to be one of the signatories of the declaration La Hulpe Declaration on the Future of the European Pillar of Social Rights and indeed signalled that it did not oppose that the EESC sign the declaration. It is important to include organised civil society in the discussions on the EU social dimension. Moving forward, we equally expect the EESC to also participate in future initiatives concerning competitiveness.

The Employers' Group would like however to express serious reservations about the content of the declaration. Amongst the main shortcomings the Group has identified are, for example:

- No explicit acknowledgement of the fact that economic growth, competitiveness and higher productivity, based on entrepreneurship and skills and knowledge, as well as well-functioning internal market are prerequisites for achievements in the social field. There is no social dimension without a sound economic foundation.
- The text seems to aim to anticipate the next European Commission's policies and work programme(s), which should be left to the prerogative of the next political mandate.

For this reason, the decision to not oppose the signing of this declaration by the EESC cannot in any way be understood as anticipating the position of the Employers' Group to initiatives that might be proposed in the field of social policies during the next EU legislative term.



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Labour and skill shortages remain a major challenge for companies to operate and grow. The Employer's Group asks for well-functioning, flexible and adaptable labour markets with active labour market policies, longer and more diverse careers, as well as more people in the job market, including through labour migration and integration of migrants. Promoting different and new forms of work, as well as providing conditions that encourage self-employment and entrepreneurship, are means of attaining our goals, together with more efforts on upskilling, reskilling and effective life-long learning systems.

We need adequate and sustainable social protection systems, and comprehensive education and training systems based on a competitive economy, contributing to better economic and social convergence.

Social partners and governments have a key role to play, supported by EU-level action if needed, with full respect of national models, national competences as well as the subsidiarity and proportionality principle. The EU already has a wide array of legislation on the labour market and social matters. In order to avoid over-regulation that hampers companies from creating new growth and jobs, we should focus on implementing and enforcing the existing measures instead of proposing new legislation.

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