EU elections 2024

WHATEVER THE RESULTS, THE EU MUST ACT DECISIVELY

We are on the eve of possibly the most important EU elections since 1979, when Europeans voted in European Parliament elections for the first time, by universal suffrage. Polls suggest that this time far-right parties will secure significant gains, reflecting a trend we have been witnessing across many of our countries for several years.

Although it is difficult to know how coalition-building will play out, it is clear that the centrist coalition that has long dominated the Parliament may be replaced by an EPP - ECR - ID majority, putting democratic values under pressure and imposing a polarised political model that has divided countries and fragmented the electorate.

The question is, how can we make sure that we are able to take the European venture forward, in spite of a possibly divided and divisive European Parliament?
Recent research and surveys show that economic and social issues are the main factors determining voting choices. People bear their own well-being and that of future generations in mind when they enter the voting booth. There is no doubt that economic security will be one of the top priorities for the new European Commission.

In 2008, the eurozone and the US had equivalent gross domestic products (GDP) at current prices, of $14.2 trillion and $14.8 trillion respectively (€13.1 trillion and €13.6 trillion). Fifteen years on, the eurozone’s GDP is just over $15 trillion, while that of the US has soared to $26.9 trillion. These numbers are not without meaning. To put them into perspective: Italy is just ahead of Mississippi, the poorest of the 50 states, while France is between Idaho and Arkansas, in 48th and 49th place, respectively. Germany doesn’t save face for the EU: it lies between Oklahoma and Maine (in 38th and 39th place, respectively).

To ensure its economic security, the European Union will need to use the until recently discredited concept of industrial policy to promote sectors and firms that it deems to be strategic. But it will have to use this wisely if such policies are to make a difference to the EU’s economic growth.

For many years, with the EU displaying a positive trade balance, many did not see that our competitiveness was at risk. We trusted the global level playing field and the rules-based international order, expecting others would do the same. But now the world is changing rapidly and the EU needs to up its game and respond quickly to all those wake-up calls that it has hitherto ignored.

Other regions are no longer playing by the rules and are actively launching policies to enhance their competitive advantage and redirect investment towards their own economies, at the expense of ours.

China, for example, is aiming to become a “world power” in innovation by the middle of the century and ensure domestic production along all parts of the supply chain for green and advanced technologies, while securing access to the required resources. By 2020 it was spending almost 2.9trn yuan ($420 bn, or 2.8% of GDP) on science and technology, according to Rhodium Group, a consultancy. The government’s contribution exceeded 60% if generous tax breaks were included. A sixth of the money ended up with universities and research institutes. Roughly 60% went to companies. This rapid expansion is leading to significant over-capacity in multiple sectors and is threatening to undercut our own European industries which in a number of cases are still in the initial stages of establishment and growth.

With the Inflation Reduction Act, the United States are using a large-scale industrial policy to attract high-value domestic manufacturing capacity to within its borders – including the manufacturing capacity of European firms – while using protectionism to shut out competitors and deploying its geopolitical power to re-orient and secure supply chains.

According to former ECB President Mario Draghi, now tasked to deliver a report on EU competitiveness after the EU elections, we have never had an equivalent “Industrial Deal” at European Union level, even though the Commission has been doing everything in its power to plug this gap.

As such, despite a number of positive initiatives that are under way, we are still lacking an overall strategy as to how to respond in multiple areas. Without strategically designed and coordinated policy actions, not least a review of the regulatory burden of some policies, it is inevitable that some of our industries will reduce capacity, shut down or relocate outside the European Union. This is in fact already happening as we speak.

So, whatever the Parliament’s colours, we need to be focused on a common political direction that will allow us to regain ground globally.

We need a strategy to ensure that we have the resources and inputs we need to fulfil our ambitions without increasing our dependencies. For that we need common sense, not polarisation.

Enrico Letta set the scene for an urgent upscaling of Europe’s competitiveness in his report on the Single Market. Draghi will do the same and, I am sure, will go even go further, as he did in a recent speech calling for “radical change”.

But the only way that political polarisation will not turn into something ugly and destructive is by remaining focused on the task in hand and acting together. Restoring our competitiveness requires us to act in an unprecedented European Union way. These are extraordinary times which require extraordinary actions.

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Peace calls for more arms

The peaceful coexistence of democratic states has never ceased to be our philosophy. The emphasis on peace is the most outstanding achievement of nearly 80 years of this great project which we call the Union. Aversion to military action and the ability to resolve conflicts through negotiation and compromise have become the new DNA of Europeans. It is something we are proud of, but also something that has made us lose our vigilance. We naively believed that armed aggression had been eliminated from our chemosphere once and for all.

On 22 February 2022, we were abruptly reminded of the urgency of our situation. It is one thing to acknowledge our past mistakes, but it is another to take decisive action to prevent their recurrence. We are now beginning to draw practical conclusions from these painful experiences. One such crucial measure is the ambitious new programme, the European Defence Industry Programme. This project aims to establish a framework for a common European arms industry, a vital step in ending years of neglect and ensuring our collective security.

The truth is that we are sailing into uncharted waters, and we must move very carefully so that somewhere along the way, we do not lose things that have always been most important to us, values that lay at the foundation of the European Union. Any spending on arms programmes should result from a deliberate financial architecture so that it will not force us to abandon other programmes vital to our prosperity and the European community. This will be critical in building broad support for a universal arms programme.

This is one of the reasons why, after a lengthy discussion, we have decided to open our opinion with an axiological recommendation to the European Commission so that, before we get bogged down in the technical details of the armaments plans, we give ourselves some time to communicate to the European people the reasons why we had to decide to devote so much time and energy to armaments programmes. Explaining that standard security guarantees are critical to building peace and a secure framework for our democratic prosperity. Hence, the European Defence Industrial and Technological Base (EDTIB) is now essential for all our endeavours, peace, and achieving our dreams.

This realisation has led us to advocate for an increase in the budget for developing strategic cooperation for the arms industry, which currently stands at €1.5 billion. We understand the challenges posed by the current geopolitical environment and difficult economic conditions, but we believe that the potential benefits of this programme far outweigh these challenges. We have no other choice but to act now and create a stable framework for broad international cooperation on joint arms programmes, joint procurement and the development of new technologies. This programme will be available to all member countries, including Ukraine, whose experience would be invaluable in creating new modern weapons.

Our programmes should not be limited to traditional arms companies. We believe in the importance of inclusivity, reaching out to medium-sized companies and ensuring that all member countries, including Ukraine, have a role to play in this initiative. This is not just for economic reasons, where the military industry could be a vital element for the revitalisation of the EU industry, but also for strategic reasons, to ensure the critical elements of our safety are scattered all over Europe. Moreover, this inclusivity is crucial for psychological reasons, to give everyone a sense of purpose and a role in building a new framework for peace.

At the same time, we must remember not to let business objectives overshadow the initiative’s primary goal of strengthening the EU’s defence resilience, and we must not exclude our longstanding allies from the programme. While building our own EU defence resources, we should work closely with other countries, especially within NATO, to expand the broader resilience of democratic states worldwide.

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New Growth Plan and Reform for the Western Balkans: A STEP TO TAKE THESE COUNTRIES OUT OF WAITING ROOM

This year we are celebrating the 20th anniversary of the historic ‘big bang’ EU enlargement when 10 Central and Eastern European countries became members of the EU.

On the contrary, there was no cause for celebration last year, when we reached another milestone – 20 years since the Thessaloniki Summit when the EU Heads of States and Governments gave their commitment to the EU integration of Western Balkan countries.

In a two-decade long enlargement process only one country has joined the EU (Croatia in 2013), and all the other countries are still in the waiting room, to which were added in 2022 Ukraine, Moldova and Georgia.

Despite much progress and engagement of the EU in the Western Balkans, the EU’s commitment to enlargement has in the last 20 years been inconsistent and the EU is sometimes not delivering on its promises. Some Member States are also hesitant to welcome new members. This has led to scepticism and doubts as, and as a consequence the EU is losing its transformative power in the region allowing third countries’ interests and influence to spread.

On the other hand, six Western Balkan countries (Serbia, North Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Kosovo (this designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICIJ Opinion on the Brussels Declaration, 13 December 2023.)) have been slow in reforming and meeting the EU criteria for membership, sometimes even backsliding on democratic reforms, fundamental values and freedoms, and some are not even aligning with the EU CFSP which is seriously hindering their rapprochement with the EU.

What is especially worrying is that young people are disillusioned and leaving their countries, with serious consequences for future socio-economic development.

So, something needs to change: We need a new impetus, and to that end the initiatives for gradual integration of certain sectors into the EU single market is a very good instrument to support preparations for membership and already bring tangible benefits to candidates during the accession process (such as acceding to the SEPA, lowering transaction costs, lowering roaming costs, investment and connection of transport and energy infrastructure).

Socio-economic convergence is an essential prerequisite for enlargement countries to integrate with the EU.

The EU is the leading trade partner for all Western Balkan countries, with almost 70% of the region’s total trade. EU companies are by far the leading investors in the region, accounting for 55% of foreign direct investments in 2022. Exports to the Western Balkan countries have more than doubled in the last 10 years and imports have more than tripled in the same period. The Western Balkans is a market of 17 million consumers.

But economic convergence of WB economies with the EU is weak and the gap is increasing. Average GDP per capita in purchasing power for the WB is between 27-50% of the EU average. This gap is and will remain a challenge unless gradually closed.

To achieve convergence and implement necessary reforms more resources and a different approach are needed. To that end the EC proposal from November 2023 for the New Growth Plan and Reform and Growth Facility for the Western Balkans is very welcome.

The Facility will cover the period from 2024 to 2027 and is expected to provide up to EUR 2 billion in grants and EUR 4 billion in loans to the EU’s Western Balkan partners. It will complement the existing Instrument for Pre-accession Assistance (IPA III), considerably increasing financial assistance to partners in the region. It will support also the EU’s Western Balkan partners in undertaking EU-related reforms and stimulate their economic convergence with the EU, based on ambitious reform agendas. The Facility will also promote partners’ alignment with EU values, laws, rules, standards, policies and practices with a view to future EU membership.

The New Growth Plan and Facility mean more money and incentives for WB countries, with strong conditionality and predictability between reforms and funding.

In our EESC opinion we stress that a gradual, predictable and merit-based approach to acquiring increasing benefits for candidates during the EU accession process, including integration into the EU single market, is the best way to proceed towards enlargement of the EU. We welcome the robust conditionality approach in the Reform and Growth
Facility, emphasising key reforms in democracy, rule of law and human rights, including minority rights.

In line with the EU partnership principle and the social and economic objectives of the plan, the EESC insists that social partners and civil society must be involved in developing, implementing, monitoring and evaluating the reform agendas in a timely and meaningful manner.

One of objectives of the New Growth Plan and Facility is to accelerate regional economic integration as a stepping stone for WB economies to better integrate into European value chains and improve their competitiveness and better integrate in the EU single market.

Increased intra-regional economic cooperation and trade based on EU standards will unleash the untapped economic potential of the region, increase competitiveness of companies by fostering cross-border production chains, leverage regional comparative advantages, create new jobs, be beneficial to consumers and attract investors to benefit from a bigger market.

A recent Eurochambres survey shows that 82% of companies in the WB support the Common Regional Market. However, conditions for increased regional cooperation need to be advantageous and business friendly, based on EU standards.

In order to facilitate intra-regional trade and help businesses and citizens deal with diverging legal practices and costly regulation, we recommend in our opinion to establish in each country a centralised online portal, along the lines of Digital Gateway in the EU.

Besides geostrategic importance, enlargement is also a business opportunity for European companies, and we need to see the benefits of this. Globalisation is dying, we need to think about Europe’s strategic autonomy, stay strong and resilient, and we need to consider the Western Balkans as an integral part of European solutions to global challenges.

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Mission of main Ukrainian employers’ and business organisations to Brussels

UKRAINE AND EU NEED TO KNOW EACH OTHER TO SOLVE PROBLEMS TOGETHER

Since the start of Russia’s unjustifiable invasion of Ukraine, the EESC Employers’ Group has intensified its efforts to make the needs of Ukraine’s businesses heard at the EU level. The latest initiative was to invite Ukrainian employers’ and business organisations to Brussels to help them establish and further develop relationships with relevant EU institutions, particularly with a view to Ukraine joining the EU.

Representatives of five of Ukraine’s main employers’ and business organisations came to Brussels on 14 and 15 of May. Their agenda included meetings with relevant directorates at the European Commission as well as a meeting with the Brussels office of the EIB, in which they could raise key questions for Ukrainian businesses. To see how the EESC Employers’ Group works in practice, the Ukrainian representatives were also invited to participate in the extraordinary meeting of the Employers’ Group in Brussels, which Enrico Letta also joined to discuss his report on the future of the single market.

With the war now into its third year, the business climate is tough in Ukraine. Next to the overarching challenge of security, businesses have to deal with many resulting problems, including the lack of staff due to mobilisation and migration, an unstable energy supply, and uncertainty resulting from the lack of long-term provisions regarding Ukraine’s access to the single market. In Brussels, the Ukrainian representatives discussed EU support measures, including the Ukraine Facility and the Ukraine Plan.

Although the situation in Ukraine is still unstable and the list of problems is indeed long, it will be important to shift the political narrative to all the opportunities offered by the rapprochement between the EU and Ukraine. In the end, the more Ukraine and the EU cooperate, the more they will understand each other – and, finally, the better they will be able to solve all challenges to the best advantage of all sides.
The incoming European Parliament and the Council will be faced with the task of setting a 2040 climate target for the European Union. As the goals for climate neutrality by 2050 and 55 percent emissions reduction for 2030 are already laid down in EU Climate Law, the 2040 target is a midway point that opens the debate on EU climate and energy policy in the 2030’s.

Consideration for the 2040 target must be anchored in the global context. In the UN climate process, parties are required to submit their next nationally determined contributions (NDC) under the Paris agreement by early next year. The breakthrough UN climate conference COP28 in Dubai at the end of 2023 called for parties to align their contributions with the 1.5 degree goal. The 2040 target will form the basis for the EU NDC and will impact also how seriously other major economies take their pledges.

Additionally, the EU is not navigating its climate policy in a vacuum. We are impacted by the subsidy race fueled by the US Inflation Reduction Act, and the dominance of China in clean technology supply chains. Our industry was hit hard by the energy crisis. Public economies are strained by increased defence spending and aging populations. Europe must therefore steer its path to the climate targets in a way that safeguards its competitiveness, maintains its industrial base and builds on a solid economic basis.

The European Economic and Social Committee is the first EU body to adopt a stance on the target. The opinion to that was adopted at the EESC’s May plenary proposes supporting the 90 percent target recommended by the outgoing Commission while underlining that this can only be achieved through policies that safeguard European competitiveness, ensure a just transition, and use all net zero and low emission technologies.

From the perspective of the Employer’s group, the role of business is central in achieving the climate targets. At this point, climate policy is all about investment. We need investment in the decarbonisation of industrial processes such as steel and chemicals, investment in the manufacturing of net zero technologies such as batteries and hydrogen, and investment in clean energy production that will enable the former.

Leveraging the benefits of climate leadership will require an environment that is open to developing, adopting and scaling up new technologies in Europe. The EU should aim to not only improve its self-sufficiency in net zero technologies and materials, but also seek to increase the exports of European cleantech products and services. At the same time, Europe must promote a global level playing field, for example by expansion of carbon pricing.

Electrification is at the heart of the transformation. An ambitious 2040 target will require the EU to electrify over 50 percent of total energy consumption and almost double power generation while decarbonising the power sector by 2040. This should be closely followed by heating and cooling. Availability of affordable and secure clean energy is the foundation for the decarbonisation of other sectors, such as industry, transport and construction.

While already aiming for 2040, we first need to get to 2030. This should not be taken for granted. Many policies agreed during this mandate, such as the Carbon Border Adjustment Mechanism and the Emissions Trading System for transport and buildings, will only come fully into force in the coming year. Businesses and households will require support in adapting to the new regulative environment, and regulation should be streamlined to alleviate the administrative burden, particularly for SMEs. Therefore, the next Commission should focus more on implementation than coming up with new legislative proposals. This was also recognised by Enrico Letta in his report on the Single Market.

In the upcoming mandate, the focus should be in designing a pathway to the climate targets where we not only maintain but gain competitiveness through the transition. Reducing our dependency on imported fossil fuels strengthens our energy security, while the availability of affordable clean energy could become a genuine competitive advantage for Europe. This requires climate policy that builds on market-based approaches and a wide range of technologies.

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The number of patients benefiting from nuclear medicine is growing, mainly because of scientific breakthroughs. European researchers and businesses have developed some of the latest innovative radioligand cancer treatments, such as pharmaceuticals targeting endocrine and prostate cancer tumours and disseminated metastasis. In comparison with traditional treatments, modern radionuclide therapy offers good targeting of cancer cells and is often less harmful to the body. Tens of thousands of cancer patients need targeted radionuclide therapy, which is often the only treatment available.

However, before reaching the patient, the supply chain of nuclear medicine is highly complex. It includes the supply of source materials and their storage, irradiation, processing, logistics and application. Once the radioisotopes are produced, they must be processed, shipped and used within a relatively short period of time, some on the same day, others within a few days, depending on their half-life. They are highly and quickly perishable.

Surprisingly enough, these characteristics are not always reflected in cross-border transport and customs procedures. For instance, when it comes to cross-border transport, there are several barriers, leading to situations where priority may be given to perishable goods such as shrimps over radioisotopes being on the way to saving a patient’s life.

This is why in its opinion on the supply of medical radioisotopes, the EESC calls for better cooperation among Member States for the regulatory and procedural barriers to be removed.

Europe has to provide production incentives in order to ensure better strategic autonomy in the supply of radioisotopes. Despite being a world leader in the supply of medical radioisotopes, Europe has critical dependencies on the US and Russia for the supply of metallic high-assay low enriched uranium (HALEU) and for the supply of some enriched stable isotopes for radioisotope production targets. The EU remains highly dependent on Russia for the supply of stable isotope targets, which allow the production of certain radioisotopes used in modern or developing molecular radiotherapies. This presents a veritable challenge to the supply chain for this specific radioisotope, for which the global demand is expected to triple in the coming years.

The supply chain also depends on the systems of production using reactors or accelerators, as well as on processing and delivery to hospitals. To ensure equal access to care, the Member States, and in particular research centres and hospitals, should work together more closely. Access to radiation therapy is not uniform across the Member States, especially in the development and pilot phases. The aim is to have faster access to medicines in the research phase or in compassionate use, as well as to improve access for small hospitals that may lack expertise and infrastructure. For some patients, this access can be vital.

The European funding of research, development and innovation in nuclear medicine, particularly in the Horizon and Euratom programmes, is crucial to respond to the needs of patients. Europe should have strategic projects of common interest in this area under the EU’s future Multiannual Financial Framework (MFF). The European Commission’s SAMIRA strategy and the European Radioisotopes Valley Initiative (ERVI), in connection with Europe’s Beating Cancer Plan, are valuable projects. The European Commission should go further and include nuclear medicine more prominently in Europe’s Beating Cancer Plan and in the Horizon Europe Mission on Cancer.

Member States should also finance public health policies with focus on medical radiological and nuclear technologies. This will give a good signal to the industry and will allow the research and innovation as well as industrial infrastructure to be developed and grow in Europe. It will also attract more people to the sector.

Read the full article in EESC info: https://europa.eu/!Rc8qHr

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

In the framework of the Belgian Presidency of the EU, the Employers’ Group, together with the Belgian employers’ federation (Verbond van Belgische Ondernemingen (VBO) - Fédération des Entreprises de Belgique (FEB)) held a conference to highlight the importance of innovation for EU growth and competitiveness.

Members also had the opportunity to visit two companies at the forefront of innovation, namely GSK in Wavre (the group’s largest factory in Europe and an emblematic example of the ‘Belgian Health & Biotech Valley’) and the IMEC research centre in Heverlee (world leader in the semiconductor and nanotechnology industry).

The speakers sounded the alarm bells. While countries like the United States and China are investing massively in innovation, the EU is dangerously losing ground, particularly due to sometimes overly restrictive regulations that hamper research and development. European regulations, although essential to guarantee legal certainty, free movement and a level playing-field in the single market, can sometimes create direct or indirect obstacles to innovation. This situation is particularly worrying given the importance of innovation for ensuring successful energy and digital transitions in Europe and for strengthening its competitiveness on the global stage.

“For Europe to remain competitive and strengthen its position on the global stage, it must promote innovation in all its forms and make it a strategic priority. We see that, for example, in terms of innovation, the United States innovates, China reproduces and the EU regulates. This visit to Belgium by the EESC Employers’ Group was an opportunity to highlight Belgium and its expertise in research and development,” stated Pieter Timmermans, CEO of the VBO-FEB.

In this context, the VBO-FEB and the EESC Employers’ Group reiterated their plea for research and innovation and their promotion to be at the heart of the strategic priorities of the next European Commission (2024-2029).

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“To regain a position as a global technological leader, the EU must first identify the main strengths and weaknesses of the European innovation landscape. An ‘innovation stress test’, as proposed by the Belgian Presidency of the Council, for the evaluation of new legislation and policy initiatives could then become an effective instrument for improving the innovation ecosystem in Europe,” said Group president Stefano Mallia.

The conference was followed by an exchange of views with Enrico Letta on his recent report on the deepening of the single market and more precisely on his proposals to make Europe a better place for investment and talent in order to fuel innovation.