

Newsletter

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US elections: we must be ready to go it alone on key strategic issues



Donald Trump has won the US elections and will become President for the second time. The vote is clear and must be treated with respect. But what now?

The EU and US remain key geopolitical and trading partners as our relationship is grounded in the principle of reciprocity. There is no room for isolationism or protectionism in today's

interconnected world, as such approaches undermine our mutual and global cooperation and economic prosperity.

The EU and the US are each other's largest trading partners. EU-US bilateral trade is at historical highs, with over €1.6 trillion in 2023 and with bilateral investment stocks topping €5 trillion. The US is a major source of foreign direct investment (FDI) in

the EU, with US FDI in Europe estimated at around \$3.6 trillion, while EU investment in the US is approximately \$3 trillion. This mutual investment strengthens economic interdependence and creates millions of jobs on both sides of the Atlantic.

For this reason, it is important to continue working on our relationship. The imposition of tariffs on EU goods, as Trump has previously suggested, implementing tariffs of 10% to 20% on imports from all countries, including the EU, is a dead-end street. This is why we call for a more open dialogue and a forward-looking agenda for cooperation.

The EU-US Trade and Technology Council (TTC) has facilitated dialogue on critical issues such as artificial intelligence and semiconductors. If on the one hand the dialogue must be strengthened and upgraded, on the other the EU must speed up its policy reforms, get its act together and look for the best way to find ways of cooperation with the US.

We must also prepare for the scenario that on important matters such as climate change and Ukraine we will have to go it alone. This is a very real scenario and as such we should start working on it as the de facto new reality.

Implications will also affect the area of security. The burdens of a common security policy that protects us from the threats of totalitarian powers must be fairly distributed. NATO members, in particular within the EU, have a duty to significantly increase their security and defense budgets on a permanent basis.

This will require great efforts and sacrifices, but these are indispensable for safeguarding freedom, democracy and human rights. The European Economic and Social Committee made this position clear and early on. If this fairer burden-sharing is guaranteed, this should also have a positive impact on the upcoming talks on our future economic cooperation.

Strengthening transatlantic economic relations can and should be designed in such a way that the result is a win-win-win partnership for the EU, USA and Canada. Economic strength is always the basis for political strength. Here we must talk to each other and not about each other, we must support each other and not hinder each other.



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Priorities of the Polish Presidency of the Council of the EU

Poland will take over the presidency of the Council of the EU on 1 January 2025. Its priorities aim to strengthen the EU's role in the international arena and improve the quality of life of EU citizens.

The main priorities of the Polish Presidency revolve around security, based on six pillars:

1. **military security** by developing the EU's defence industry;
2. **energy security** by eliminating dependence on external energy sources and ensuring a fair EU climate policy;
3. **economic security** by focusing on the EU single market's ability to compete with third countries and on the future of cohesion policy and the new EU Multiannual Financial Framework;
4. **food security** in the context of the EU Green Deal and the future of agricultural policy;
5. **health security** by securing Europe's pharmaceutical

independence, promoting the mental health of young people and boosting preventive healthcare;

6. **information security** by strengthening cybersecurity and the fight against disinformation.

A seventh pillar is planned to be added, namely civil security, focusing on the ability to respond during unexpected crises.

Beyond security, the new priorities touch upon a wide range of key areas:

Sustainable development and green transformation

Sustainable development remains one of the main priorities of the Polish Presidency. This means strengthening cooperation to reduce greenhouse gas emissions, investing in renewable energy sources and working towards the integration of



ecological policies with economic policies.

Security and stability in Europe

Poland will actively work to strengthen the EU's common defence policy, with an emphasis on cooperation in the field of cybersecurity and strengthening Member States' defence capabilities. Another priority will be to respond to crises, including on the EU's eastern border, and to continue supporting neighbouring countries, such as Ukraine, in their efforts to integrate with Europe.

Social and economic cohesion

Poland will promote cohesion policy, which aims to reduce social and economic inequalities in Europe. Particular attention will be paid to regions with a lower level of development, supporting innovation, education and access to modern technologies. The Common Agricultural Policy and regional policy will be important elements of the strategy.

Increasing the EU's role in global governance

Poland will also strive to increase the EU's role in the world, especially in the face of growing geopolitical tensions. During the presidency, Poland will focus on promoting European values, such as democracy, human rights and the rule of law, in relations with third countries. Poland will also strengthen cooperation between the EU and the US and support the EU's enlargement towards the Western Balkans, as well as deepening cooperation with the countries of eastern Europe.

Strengthening the role of young people and civil society

Poland, with its young people in mind, will promote initiatives

aimed at increasing the participation of young people in decision-making processes at EU level, as well as the development of youth policy in the EU. It will also strive to support civil society organisations and promote participatory democracy, which will enable the public to be even more involved in political and economic processes.

Reforming EU institutions and building public trust

Ensuring the sustainable development of the EU institutions and making them more transparent and efficient will be another priority of the Polish Presidency. Poland will strive to strengthen the trust of EU citizens in the EU institutions, promoting public dialogue and transparency in decision-making.



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The Case for a More Developed Securitisation Market in Europe

Securitisation is a proven financial tool that Europe urgently needs to develop further. It allows banks to bundle loans into securities, transferring risk to investors and freeing up capital. This process enables banks to lend more to EU businesses and households. With massive investment needed for economic recovery and the green transition, securitisation is essential for supporting growth, especially as public finances are constrained.

Yet, the EU's securitisation market remains underdeveloped compared to the United States. In 2022, new EU securitisation issuances totaled only €135 billion, while in the U.S. the figure reached \$2.5 trillion. The U.S. market's strength lies in extensive securitisation of mortgages, supported by entities like Fannie Mae and Freddie Mac, creating deep liquidity and broad investor participation. The significant gap between the two markets underscores the missed opportunity in Europe to mobilise more credit through securitisation.

The Letta and Draghi reports emphasise the importance of a robust securitisation market for boosting EU competitiveness and funding needs, especially for SMEs and sustainable projects. They argue that securitisation can play a pivotal role in economic growth when public financing is limited. Responding to this, the European Commission has launched a consultation to improve the regulatory framework for securitisation, demonstrating a commitment to unlocking its full potential. The EESC, through the own initiative opinion I co-signed with Philip von Brokdorff, is actively participating in this dialogue.

Securitisation still has a negative image due to the 2008 financial crisis, where risky practices in the U.S. mortgage market caused widespread instability. However, it is crucial to distinguish this from the European experience, which has been far more stable. Even during the crisis, EU securitisation held up better, thanks to stricter regulations and prudent lending practices. Post-crisis reforms have further increased transparency and improved risk management, ensuring that securitisation in the EU operates safely and efficiently.

Key Benefits of Expanding Securitisation

1. **Freeing Capital and Supporting Growth:** securitisation uniquely enables banks to offload loans, free up capital, and extend more credit to businesses and households. This is vital in Europe, where economic activity depends heavily on bank lending.
2. **Stability Through Regulation:** the European securitisation framework has proven to be resilient.

Reforms have enhanced transparency and risk controls, ensuring robust oversight. Continued regulatory vigilance will maintain stability, preventing the recurrence of issues seen in the US pre-crisis market.

3. **Cross-Border Harmonisation:** fragmentation in the EU securitisation market reduces efficiency and liquidity. Harmonising laws, such as insolvency and tax regulations, would facilitate cross-border activity, making the market more integrated and attractive to investors.
4. **Green Securitisation:** a dedicated framework for securitising green investments could channel significant private capital into renewable energy, sustainable infrastructure, and eco-friendly projects, supporting the EU's climate objectives and attracting sustainability-focused investors.

Securitisation, when properly regulated, can be a catalyst for economic growth and resilience in Europe. It is the only tool that effectively frees up bank capital, making it possible to boost lending when public finances are constrained. By addressing regulatory and structural barriers, the EU can better mobilise private investment, support economic growth, and fund crucial sustainability projects.

The EESC, through our active engagement, is committed to shaping this important debate and I am proud to advocate for a stronger, more effective securitisation market that meets Europe's economic and social needs.



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Sector-specific industrial policies: the twin transitions

Although we are still at the start of the twin technological and environmental transitions, the question of the young people needed to achieve them is already causing concern. On average, only 26.6% of all university students – that is one in four students – are enrolled in STEM (science, technology, engineering, mathematics) pathways in Europe.

The Deloitte study – already the third on the subject – warns of skills shortages in the EU. Germany leads the table with 35.8%; Finland follows with 34.7%; then Greece with 33.5%; Estonia with 31.1%; Romania with 30.9%; Portugal with 29.2%; France with 25.7%; Italy, second-to-last, with 24.9%; and finally Spain with 24.5%.

The EU is lagging behind in many technologies and depends on foreign input of knowledge, technological components, raw materials and active ingredients. There is also a need to increase the resilience of the EU's strategic economic assets, protecting intellectual property rights and critical infrastructure, in order to avoid foreign control thereof, and to keep control of stable, secure supply chains which can ensure effective technological, climate and environmental diplomacy.

The priority is therefore enhancing and training the necessary human and scientific resources as part of a strategic foresight plan and taking a consolidated view of the needs of the sector, factoring in the inversion of the demographic pyramid.

In addition to these issues, a continuous foresight exercise is needed, focusing analysis on industrial policy sector-specific prospects, with a view to regaining competitive positions at global level. The results of the analyses call for targeted measures to support the various strategic sectors: chemicals, health, biotechnologies, pharmaceuticals, metallurgy, cybersecurity, the agri-food industry, services and financial and human capital.

Ongoing measures are also needed to promote the development of a genuine European single market in order to ensure greater autonomy from external dependencies. An industrial action plan is called for that will serve as a basis for rethinking our sector-specific industrial strategies to enable us to undergo the transitions together and tackle all the challenges we face. For our industries, it is imperative to:

- secure access to critical raw materials (CRMs);
- manage companies in a carbon- and water-efficient way in order to address the energy/water/CRM nexus;
- integrate progress linked to digitalisation;
- access financial resources;



- have a skilled workforce, ongoing training and retraining programmes, paying particular attention to SMEs, specifically through the introduction of a human and social roadmap.

In the chemicals sector, the EU needs to maintain the right balance between its ambitions, which must both respect the environment and take into account competitiveness requirements, so that chemicals legislation is effective and promotes innovation and that its approach is based on risk rather than on bans, ensuring and promoting the full uptake of chemical recycling. Still in the new and successful chemical sectors, health-related products and biotechnology and biomanufacturing discoveries play a crucial role in the chemicals industry and offer many opportunities.

As regards the metallurgical industry, any further decline would be unacceptable, as it could seriously undermine the EU's strategic autonomy, all of its industrial sectors (the rail, nuclear, maritime, space, automotive industries, etc.) and, consequently, the future of EU industry.

In the ITC sector increasing attention needs to be paid to cybersecurity, where there are growing risks and complex threats. The current fragmentation needs to be remedied and enhanced cooperation between the Member States promoted, providing for best practices to develop coordination and information exchange, carry out continuous risk assessments on European communication infrastructure and networks, and implement preventive technical assistance programmes that are accessible to all companies, especially SMEs.



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The cost of non-Schengen on the EU single market

Romania and Bulgaria might finally get the green light to become full members of the EU free-travel zone. At a meeting on 22 November in Budapest, the internal affairs ministers of Hungary, Austria, Bulgaria and Romania agreed to "initiate the necessary steps" to set a date to lift checks on land borders with Romania and Bulgaria, on the condition that joint efforts to stem irregular migrants arriving through the Western Balkan route.

The Schengen Agreement is essential for the free movement of people, goods, services and capital within the EU, and is a key factor in the EU's economic success. Limitations adversely affect the EU's competitiveness and economic growth, and hamper the full realisation of the social market economy, as envisaged in the Treaties.

For years, Member States have been temporarily reintroducing border controls. However, the economic and social impact of these decisions on the single market has not been subject to evaluation. The European Commission assesses physical trade barriers, but this only covers border blockades, demonstrations and truck attacks. The effects of land border controls, including the temporary reintroduction of border controls by Schengen Member States, are not taken into account.

In 2023, the Council agreed to lift internal air and maritime border controls with Bulgaria and Romania as of 31 March 2024. However, checks at internal land borders have been maintained.

By taking active steps towards the full integration of Bulgaria and Romania into the Schengen area, the EU can strengthen its internal cohesion, enhance its competitiveness and uphold the fundamental principles of free movement and solidarity that underpin the European project.

According to the European Parliament, non-Schengen membership could affect market expectations surrounding the status of these countries within the EU. It is a political signal that could have a bearing on the yields of government bonds, the prices of financial assets and the interest rates faced by firms and households, and could harm the real economy.

Both countries pay billions of euros annually due to increased logistics costs, delays in delivering goods and equipment, and increased fuel and driver costs. These direct costs are inevitably passed on to consumers through higher prices, impacting workers' physical and mental health.



This situation hampers tourism. It also impedes the free movement of labour, limiting opportunities for workers from Bulgaria and Romania to seek employment in their neighbouring EU Member States. This limitation affects the construction, agriculture and services industries, which rely heavily on seasonal and temporary workers.

In his report on the future of the single market, Enrico Letta calls on the EU institutions to firmly oppose any attempt to limit freedom of movement between Member States, including technical restrictions on routes and road transport, and any suspension of the Schengen Agreement.

It is high time that the Council set a date for lifting land border controls between Bulgaria, Romania and the other Schengen Member States. A final decision regarding the finalisation of this issue is expected at the EU Council for Justice and Home Affairs meeting on 12 December.



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Blue diplomacy: Empowering Youth, Women and Indigenous and Local Communities

Following up on the EESC opinion on blue diplomacy, it is clear that we need to focus on young people, women and indigenous and local communities (including migrants and people with disabilities), as these population groups are not only some of the most vulnerable to water stress but could actually contribute to blue diplomacy.

As we welcome the appointment of an EU Commissioner for Environment, Water Resilience and a Competitive Circular Economy, we call on the EU to pay due attention to these groups in its international cooperation and to suggest a lighthouse partnership programme to address how to empower them.

To do this, better access to water, sanitation and hygiene (WASH) services is crucial, as it frees up time for education and training and opens up more options for employment and for contributing to water management and policies. New technologies coupled with indigenous knowledge, adequate funding and information campaigns on water are necessary enablers of empowerment.

In this context, youth empowerment is crucial but requires a positive outlook for the future in terms of education and employment. Besides water-related competences, young people should be provided with civic and entrepreneurial skills, so that they can contribute to water management and policymaking, as today's drivers of change and future decision-makers. In some communities, such as indigenous ones, young people are tasked with leadership by their communities, and lessons can be drawn from their experience.

Women's empowerment is equally important. Proper WASH services are fundamental, considering that in most of the heavily water-stressed areas women and young girls are burdened with finding solutions at the expense of their education, employment opportunities and personal development. To enable women's entrepreneurship, it is necessary to provide equal access to infrastructure, land and financing and to establish corruption-free business conditions. Women should also be supported in holding leading positions in politics and businesses contributing to water management and blue diplomacy.

In addition, concrete platforms for meaningful dialogue between indigenous groups and governments are necessary, alongside more proactive and systematic involvement of indigenous people in international cooperation processes.

However, this cannot be possible without blue and digital



technologies, as they are instrumental for improving water management and access to clean water and sanitation. Due to the critical nature and interconnections between water, energy and digital systems, infrastructure needs to be developed in its entirety. Source protection, wetlands preservation, prevention and control of pollution and bio-contamination are vital for sustainable water management. Many indigenous groups continue to apply strong ethics of water stewardship, and their engagement is critical for meeting growing water challenges.

To achieve all this, meaningful partnership and funding, both at EU and national level, are paramount for the development of infrastructure and capacity building. It is important to exchange good practices and to provide incentives for donors' programmes to stay in the water sector and to also encompass rivers, lakes and other wetland ecosystems. It is also necessary to map and monitor the use of funds to ensure it is effective. Our efforts to highlight the need for strengthening water resilience gained strong public support: according to a recent Eurobarometer survey, 78% of Europeans believe the EU should take stronger action on water problems. This means we are on the right track. Now we must intensify our work, cooperate more closely and build on the momentum. I strongly believe in our success.



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SME Assembly 2024: Shaping Europe's Future

A strong delegation of the Employers' Group attended the SME Assembly, the annual flagship event dedicated to small and medium-size enterprises, held in Budapest from 18 to 20 November. The Assembly gathered key European and national policymakers, entrepreneurs, and business representatives, placing a spotlight on the role of SMEs in improving our economy's competitiveness.

Led by Group President Stefano Mallia, our delegation actively engaged in the policy workshops and breakout sessions focused on tackling the multiple challenges that SMEs face. The agenda covered a wide range of topics, including better regulation, access to finance, and international trade.

Speaking in different panels, our members presented their views on relevant topics such as the way forward after the AI Act, Tools for Better Regulation, and SME Competitiveness and Performance Review. Our delegation emphasised that to facilitate the green and digital transition, SMEs need time and support to implement existing regulations, and that they should be protected from the cumulative burden of the big amount of legislation adopted in the recent years.

Addressing the SME Envoy Network meeting, our president Stefano Mallia underlined that the European and national institutions must prioritise the simplification of legislation and the reduction of reporting obligations for SMEs. They must fully apply the competitiveness check in the policymaking processes, and act more decisively to resolve the Single Market fragmentation based on the recommendations of the Letta and Draghi reports.

President Stefano Mallia further underlined that EU economy risks of being locked in a middle technology trap, where the current policy programmes are not focusing enough on industries with greater potential for innovation, and that the number of leading innovators in Europe is significantly decreasing compared to the United States. In this regard, sound competition and excellence must be encouraged rather than protectionist policies and a subsidy race.

In the margins of the SME Assembly, our President had a very constructive bilateral meeting with Mr. Hubert Gambis, Deputy Director-General of European Commission's DG GROW, discussing the joint commitment to support the EU competitiveness agenda, and the next steps to put the recommendations of the Letta and Draghi reports into practice.



The SME Assembly was also an occasion to celebrate the success of multiple entrepreneurial initiatives through the European Enterprise Promotion Awards. The award categories included promoting the entrepreneurial spirit, supporting the digital and sustainable transition, and improving the business environment and supporting the internationalisation of business. Check out all the selected initiatives in the dedicated blog.

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