European Economic and Social Committee
Employers' Group

Newsletter

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THE NEW PRIORITIES OF GROUP I: UNLOCKING COMPETITIVENESS FOR SHARED PROSPERITY

The Employers' Group has adopted the new Group's priorities, that will guide our work for the year to come and beyond. "Unlocking Competitiveness for Shared Prosperity" is the core objective.

The EU is dangerously lagging behind global competitors, such as US and China, and the Single Market, that should be one of the tools to counter this, is still fragmented and incomplete.

In the face of the current global challenges and the urgent need for a significant increase in productive investments, prioritising competitiveness must be at the forefront of the political agenda, supported by concrete policy actions.

Our economy urgently needs a business-friendly EU, where competitiveness is based on excellence and sound competition, instead of subsidies or protectionism, and where businesses have competitive access to all necessary resources.

EU businesses need a regulation that is conducive to productivity, where the administrative burden is minimised, and the Single Market is fully functioning. They need solid trust between enterprises and policymakers to attract investments, as well as the safeguarding of their interests in relation to international competitors.

To achieve all this, we call for 10 business-friendly policy actions as top priorities:

A radical reform of the regulatory approach

Regulatory requirements are preventing businesses from investing in their future, as they are forced to allocate resources to navigating red tape. Streamlining regulation, reducing administrative burdens, and rolling-out the Competitiveness Check and SME test is paramount.

Productive Innovation Systems

This means focusing on high-value investments, focusing resources on innovation, and attracting and retaining top talent.

High Technological Capacity

We need to increase capabilities in technologies essential for defence, security and the green transition (such as AI and 5G), and support technology start-ups.

Strong Industrial Base

We need to ensure competitive access to resources, develop a Comprehensive Critical Raw Materials Policy that supports the green and digital transitions, and adopt an integrative approach to Industrial Policy.

Integrated Financial Markets

The EU must develop the Capital Markets Union and the Banking Union, mobilise private capital, and ensure competitive access to finance.

Adequate Access to Labour

This means increasing labour market participation, simplifying labour migration and increasing the mobility of workers, as well as providing training and access to EU funds to align workforce skills with business needs.

Effective Energy and Transport Systems

We need to secure low-carbon energy supply, including nuclear power, and prioritise infrastructure and accelerate investment in transport infrastructure, while also addressing mobility needs for defence purposes.

Equal Trading Conditions

The EU needs to boost trade agreements and reciprocity with key global partners to secure a strong position for EU companies; make effective use of Trade Defence Instruments to protect the Single Market against global market distortion; and improve EU market surveillance and product traceability.

Business-oriented Green Transition

This means aligning policies for sustainable growth by promoting investment in the green transition while boosting competitive industrial development, and by promoting a "Green" Single Market in technologies, products and the circular use of materials.

Efficient Public Finances

We need to increase funding to strengthen security and use public investment to leverage private investment; safeguard a level playing field and sound competition among EU Businesses to ensure transparent implementation of state aid rules and promote healthy competition; develop supportive taxation policies.

These actions are urgent if we want to harness the positive impact of competitive businesses on a robust economy and a globally influential EU.

The Letta and Draghi's reports were a wake-up call: either the EU restores its competitiveness, or it may face difficult trade-offs on welfare, environmental standards, and core freedoms.

We cannot afford that. It is time to turn words into action.

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A competition policy at the heart of EU's competitiveness

With this own-initiative opinion, the EESC intends to contribute to the ongoing debate on the role that competition policy should play in making the EU more competitive, while maintaining the European model of a social market economy that has, so far, delivered high levels of prosperity.

While competition law enforcement has proven to be essential to secure consumers' welfare and the level playing field within the EU, there are different views as to how this should be achieved. Letta proposes building a more integrated single market allowing companies to scale up, respecting fair competition and consumer protection principles: achieving real market integration in the electronic communications, finance and energy sectors is key for the EU's economy to thrive. Draghi calls for competition rules to be revamped to allow EU firms to adapt to the changing world and raises concerns about EU firms' inability to compete without scaling opportunities similar to those offered to foreign firms, stressing the role that competition law should play in closing the innovation and productivity gap. Ursula von der Leyen's political guidelines advocate for a new approach to competition policy that will support companies scaling up in global markets, while ensuring a level playing field. This should be reflected in merger assessment so that innovation and resilience are fully considered, while stressing that market concentration resulting in higher prices or lower quality should be avoided.

There are also different views regarding the role that public aid should play. Letta proposes expanding EU funding support by creating a State aid contribution mechanism, requiring Member States to allocate a portion of their national funding to financing pan-European initiatives and investments. The Opinion, based on exchanges with experts from academia, private practice, DG COMP and national competition authorities, argues that competition policy must be flexible enough to accommodate such interventions while maintaining a level playing field for all market participants. It considers current rules as fit for purpose, while advocating for streamlining procedures and considering new policy approaches. Regarding merger control, it needs to evolve to better reflect the current economic reality. Traditional merger assessments often fail to consider the importance of infrastructure investments, innovation, and sustainability. Merger control assessment should ensure that mergers do not stifle innovation or hinder sustainable development. Additionally, the EESC proposes that innovation-driven mergers, which currently fall outside the Commission Merger Regulation thresholds, and on which the ECJ ruled recently in the Illumina-Grail case, should be brought under scrutiny to prevent potential anti-competitive practices. State aid plays a crucial role in supporting EU companies' efforts to transition towards more sustainable practices. The Opinion emphasises the importance of ensuring that public support is used efficiently to enhance spillovers and reinforce European value chains. Only with this coordinated European approach, State aid can help create a more competitive and resilient EU economy. The document also calls for a more streamlined approach to State aid procedures, providing clear guidelines and enhancing legal certainty for businesses.

Finally, the recently adopted competition instruments, the Digital Markets Act (DMA) and the Foreign Subsidies Regulation (FSR), will play a key role in supporting the EU's competitiveness by introducing new rules to increase contestability in digital markets and to address distortions caused by foreign subsidies in the EU single market. Sufficient resources are needed to enforce them, as well as guidance to clarify uncertainties around their enforcement.

In conclusion, the Opinion argues that there is no contradiction between competition and competitiveness. On the contrary, current tools are fit for purpose, while enough flexibility, streamlined procedures and sufficient resources are needed to ensure that competition policy helps enhancing EU's competitiveness.

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Turning challenges into opportunities for an enlarged Single Market

When Jacques Delors laid down the foundations of the Single Market, he rooted it in the four freedoms – the free movement of people, goods, services and capital – and based it on 20th century principles. Today, the Single Market continues to be a cornerstone of European integration and values, but the international scene has profoundly changed.

Europe has lost ground in the world order, EU competitiveness has faded and the US and China have overtaken the EU on many indicators. Time has come for a new Single Market, whose building blocks have been laid down in the Enrico Letta's report.

EU enlargement, which so far has been a success story, offers an opportunity to develop the Single Market's potential, particularly in the underused services sector. Despite accounting for 70% of the EU's GDP and employment, only 17.6% of services are traded across borders, highlighting barriers such as regulatory fragmentation, complex licensing requirements and professional restrictions. Addressing these obstacles through targeted reforms could unlock substantial economic gains with potential benefits of up to EUR 457 billion. Moreover, integrating candidate countries into a streamlined services market during the enlargement process would foster economic convergence, drive innovation and enhance resilience across the Union. This would ensure that the benefits of enlargement are more evenly distributed, supporting both new and existing Member States in building a competitive, future-ready Europe.

With a population of around 60 million people (2023 data), the candidate countries could represent a significant boost for investments, economic opportunities and jobs.

The "Savings and Investments Union", proposed by Letta, would mobilise private capital and strengthen Europe's competitiveness. Enlargement also means greater access to critical raw materials and a more resilient and sovereign Europe.

But we must learn our lesson from the past. Despite the significant gains in growth and jobs, previous enlargements have created a dynamic of winners and losers, due to unbalanced economic opportunities for various company types, across different sectors.

Considering the different levels of preparation of candidate countries with regard to adaptation to the rules of the internal market and the impact that enlargement will create on the new trade flows across local economies, we must be careful.

This is why our opinion urges the EU Commission and candidate countries to manage the impacts of enlargement to avoid recreating that same dynamic, and to give specific attention to SMEs, both in the EU and the candidate countries to properly spread out the benefits. With EU markets opening during the integration process, candidate countries should strictly comply with the EU standards to avoid creating potential disadvantages for the EU Member States' operators.

It is clear from the preliminary market analysis on the redirection of trade flows between the EU and the candidate countries that enlargement will bring a net benefit for EU exporters of industrial goods and services, while some sectors will be undercut by the lower production costs of some of the newcomers. Closer integration with the EU's single market and targeted financial support will not be sufficient for achieving accelerated socio-economic convergence.

Considering Russia's aggression against Ukraine, security and defence must be addressed comprehensively and must be taken into account in energy, financial, and cyber security policies. Given the impact on energy security, economic development, and the political stability of the Western Balkan economies, we need a change in the approach to the EU accession process of the Western Balkans by offering a phased accession to the EU single market.

This more dynamic approach offers political upsides and could restore enthusiasm for a process that has been quite challenging.

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Social economy and State aid rules

How to support social economy in line with State aid rules: this is the question we address in a current EESC opinion. So, what is the problem there?

Social economy entities often perform functions formerly run by the State, responding to concrete social needs of Europeans. They cover a wide range of sectors, such as social and health care services, circular economy, social housing, combating poverty and food waste, and the participatory production of energy from renewable sources, to name but a few.

In addition, this sector employs a significant number of people: 11 million or over 6% of the employed population. The current State aid rules, however, do not facilitate access to credit and funding for social economy entities as much as needed.

As the opinion explains, some of the rules are too restrictive. While the objective, e.g. to avoid market distortions, is correct, not all support measures automatically lead to such distortions.

In many instances cross-border activities of social economy entities in the social and health sectors do not affect substantially the competition between Member States. Therefore, these activities should be considered secondary in the Commission's assessment of State aid.

The EU social economy model is one of the distinctive features of the EU. It is the foundation for safeguarding European welfare and our social protection systems. Of the four million social economy entities in the EU, 246.000 are structured as businesses and provide assistance and solutions to key challenges faced by Europeans.

Our opinion underlines that these functions should be recognised by State aid rules. It proposes, concretely, to introduce flexibility provisions by relaxing the application of State aid rules in the case of funding that combines EU and national funds, such as funding under the European Social Fund (ESF) and the European Regional Development Fund (ERDF), which is granted at Member State level.

This type of funding – although governed by EU law to a large extent – is currently subject to State aid rules, whereas State aid rules do not apply to funding that comes fully from the EU and is managed at EU level without State involvement, such as under Horizon Europe.

Another lever is the General Block Exemptions, which cover 90% of State aid, and are granted without prior approval by the European Commission. They should be reviewed and explicitly recognise social economy entities.

The current stumbling block in this area is the lack of a legal definition of these entities. Given their varied nature, this is not an easy hurdle to overcome.

The EESC opinion suggests taking into account primarily the statutory obligation for social economy entities to reinvest all or most of the profits in pursuit of general interest objectives.

Finally, the opinion identifies a lack of knowledge and expertise amongst national authorities in making proper use of the leeway that is provided in the EU General Block Exemption Regulation (GBER) for granting support.

In particular, the legal framework for aid for Services of General Economic Interests is not being properly harnessed by public authorities. They often fail to give sufficient attention to the high degree of discretion that the Treaties confer on them and find the SGEI rules difficult to apply from a technical and bureaucratic point of view, particularly when it comes to developing specific entrustment acts and being able to apply complex legal concepts such as "reasonable profit".

Hence our opinion identifies a need for specific training for national administrations to unlock the potential and the sharing of national best practices.

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Tourism in the EU: social sustainability as a driver for competitiveness

Tourism is a key sector for the EU's economy, one where the EU can build new competitive advantages and thereby help to increase its global competitiveness.

The European Commission policies for the tourism sector that complement Member States' tourism initiatives have thus far secured the sector's contribution to the EU's economic and social development.

But now the European tourism sector needs a new orientation that takes into account how all components of a tourist destination are interconnected to deal effectively with the rising international tourism flows: ecosystems, communities, local economy and visitors.

The new tourism development model should be based on a holistic approach. We can no longer take volume as the main measure of success, but rather the added value in the framework of a sustainable tourism strategy.

We should focus on practices that restore and enhance the natural, social and economic capital of tourist destinations and on clearly positive impacts on local communities and ecosystems. That means:

- adopting a **development approach** that manages tourism as a complex system, intricately connected to the ecological and social systems. A way to evaluate tourism should be established, shared by all parties involved, as proposed by the 'destination stewardship' approach;
- bringing together the interests, expectations and capacities of **companies, governments, research centres, associations, trade unions, NGOs** and other entities in the tourist sector that promote cooperation between local communities and the State and boost social dialogue;
- moving towards "**regenerative tourism**" that focuses on nature and people and learns from science and technology, rather than 'conservation', which means the least negative impact;
- shifting to a **circular tourism system** that promotes the active improvement of local ecosystems, the well-being of local communities, the prosperity of local economies and the integration of technological innovation.

On the basis of the above, the contribution of the European Commission to support local communities, prioritise restoring ecosystems, increase the resilience of local communities and implement circular economy principles, is essential. It is also important for the EU to finance specific tourism programmes, including regenerative tourism pilot projects, circular practices, renewable energy, eco-design of infrastructure and ecosystem restoration, and the use of artificial intelligence (AI) tools to improve the management of tourism flows, optimise resources and customise travellers' experiences.

Finally, strengthening social dialogue in the sector is also very important to successfully implement the measures taken and improve the quality of employment, while at the same time enhancing policies to upskill and attract staff and taking into account the sector's seasonal nature.

Through legislation, financial incentives, transnational cooperation and an inclusive governance framework, the EU can lead the transformation of tourism and ensure that it contributes to the EU's global economic competitiveness.

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Developing Europe's strategy for the Arctic

Why is the EESC taking up the question of Arctic policy now?

The Arctic is facing unparalleled change and increasing challenges. For the four million people who live and work in the Arctic, climate change has far-reaching effects on their livelihood and environment. For the rest of the world the melting sea and land ice opens up opportunities, from access to raw materials to new industrial activities and sea routes. These factors have led to increasing interest from rivaling world powers. The Russian war of aggression against Ukraine and the Russian military build-up in the Arctic have also changed the conditions for international cooperation on Arctic matters, not least in the context of the Arctic Council.

Consequently, Europe's interest in the Arctic is increasing, not least because the supply – in Sweden, Finland, Norway and Greenland – of raw materials needed for the green transition could improve Europe's strategic autonomy and competitiveness. The new legislative mandate of the EU institutions is an opportunity to take stock of the EU's Arctic strategy and adapt its policies towards the Arctic.

Extensive consultation with Arctic stakeholders

In December 2023 the EESC adopted an information report based also on a hearing in Brussels and a fact-finding mission to Tromsoe (Norway) and Kiruna (Sweden). Furthermore, a fact-finding mission to Nuuk (Greenland) in October 2024 provided valuable input to the opinion as well. This interaction with local civil society stakeholders, including business associations, labour unions and indigenous peoples' associations, as well as local authorities, has revealed a unique, vibrant and entrepreneurial region trying to navigate its way through challenging circumstances.

The main recommendations of the opinion

In our opinion we stress that with an updated, coherent and ambitious policy, the EU could play a more important role in developing a resilient and prosperous Arctic.

We suggest that a systematic stocktaking exercise be carried out, evaluating how EU funds and instruments are used by Arctic stakeholders. Such an exercise should build on input from civil society representatives and aim to simplify procedures for beneficiaries and/or aid local communities in handling the complicated requirements. The exercise should also help clarify if there are enough funds and the right programmes to support the EU's strategic objectives in the

Ellen Nygren, Anders Ladefoged, and Simo Tiainen outside the Commission's office in Nuuk, Greenland.

region. More generally, the EESC calls for Arctic decision-makers at all levels (whether international, EU, national, regional or local) to apply more rigorously legal obligations and draw inspiration from best-practice standards and mechanisms for including, consulting and empowering all sections of local civil society, including indigenous peoples. Attention must be paid to how investments and projects can benefit local communities to ensure that all parts of these communities, including indigenous peoples, young people and women, have sufficient resources to take part in the decision-making process. Such investments must be done in accordance with indigenous rights.

Considering the urgent need to address climate change and the need for more European self-sufficiency, projects related to renewable energy and the extraction of the raw materials needed for the green transition generally take too long (up to 10-15 years) but could be made more efficient without foregoing proper environmental and socio-economic scrutiny.

In particular, stepping up cooperation with Greenland would give the EU the opportunity to diversify its access to critical minerals and would present an obvious opportunity for a partnership based on a shared commitment to democracy, rule of law and human rights. A strong cooperation with Greenland should, therefore, be prioritised in the EU's upcoming multiannual financial framework (MFF) negotiations.

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Electricity still at the forefront of EESC's concerns

Despite numerous attempts to reform the electricity market, electricity is still a major concern for citizens and businesses. After the terrible energy crisis of 2022, the situation is less critical but still worrying: the increased deployment of renewable energies, at much lower production costs, has not been sufficiently reflected in prices, and investments in electricity grids are still needed to properly manage the deployment of renewable energies and self-consumption.

In this context, the EESC has adopted Opinion TEN/837 on the future of electricity supply and pricing in the EU.

Firstly, the opinion points out the need for a review of the rules of the European electricity market, which would combine the objectives of climate neutrality by 2050 with security of supply and the guarantee of reasonable prices for domestic and business consumers. All this while guaranteeing access to electricity for the most vulnerable sectors of the European population.

Unfortunately, the recently adopted reform was rushed through without the necessary impact analysis and, in light of the results obtained, has failed to guarantee European citizens and businesses a stable electricity supply with competitive, stable and predictable prices.

The Opinion advocates a governance model in which investors find the legal certainty to undertake the large investments needed and suggests the possibility of creating a public company (called E-Facility) to be an electricity market maker that would flatten the volatility of the electricity market.

It proposes to encourage small-scale generation as a means of ensuring reasonable electricity prices for consumers, both domestic and business, while increasing the flexibility options of electricity grids without having a disproportionate impact on system costs.

Unfortunately, as the oft-cited Draghi Report has pointed out, the EU has a major competitive disadvantage in electricity prices compared to major trading partners and it is imperative to narrow the electricity price gap so that companies can compete in the international arena and domestic consumers can effectively benefit from the advantages of lower costs of renewables.

All analysts' expectations of electricity price increases are very high, almost doubling by 2030 if no immediate action is taken. Therefore, the EESC calls for the EU institutions and national governments to take action at both the regulatory and fiscal levels to moderate the expected electricity price increases.

The new European Commission should address, with realism and pragmatism, a review of the electricity market rules, after a thorough impact study, to ensure that electricity is no longer at the top of the agenda of domestic consumers, businesses and governments.

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