European Economic and Social Committee
Employers' Group

Newsletter

April 2023

The Western Balkans and EU enlargement
20 YEARS AFTER THE THESSALONIKI SUMMIT

©Shutterstock/Alexandros Michailidis

This year in June it will be twenty years since the Thessaloniki EU-Western Balkans Summit, when EU leaders solemnly re-confirmed Europe's commitment to the integration of the Western Balkan countries and reaffirmed their prospect of EU membership. Twenty years on, only Croatia has joined the EU, in 2013, and all the other Western Balkan countries are still in the waiting room.

In the meantime, the world has changed. Europe has changed and Russia's aggression in Ukraine has undermined Europe's geopolitical stability and security, making it even more important to put the Western Balkan region and EU enlargement to the forefront of the EU's priorities and find ways to re-energise the enlargement process.

With the current enlargement process, everything is taking too long. Frontrunners in the accession process Montenegro and Serbia have been negotiating EU accession for the last 8-10 years, with no clear roadmap in sight. North Macedonia and Albania have, in March 2022, started long-overdue formal accession negotiations, which had been blocked for 20 months by bilateral issues between Bulgaria and North Macedonia.

Following a lack of will among political leaders in the country to fulfil the remaining key criteria in election and judicial reform over four years, Bosnia and Herzegovina unblocked this stalemate in December last year and received candidate status from the EU Council. At the same time, the Council has approved visa liberalisation for Kosovo* citizens, that should take effect from 1 January 2024 at the latest. Kosovo* also formally applied to join the EU in December 2022 and is hoping to obtain candidate status soon. (*This designation is without prejudice to positions on status, and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.)

The reasons why enlargement is taking so long lie on both sides, with the Western Balkan countries and with the EU. The Western Balkan countries have been slow in reforming and meeting the EU criteria for membership, sometimes even backtracking on democratic reforms, fundamental values and freedoms. On the other hand, the EU is not delivering on its promises, and some Member States are hesitant to enlarge the EU.

Because of the slow progress in enlargement, the EU is losing its transformative power in the region, and third country players such as Russia and China are increasing their presence in the region.

Why does all this matter?

The Western Balkans is part of Europe. Given its geographical location, surrounded by EU Member States on all sides, the region is important to the EU in terms of security, stability, trade and transit routes.

The EU is the leading trade partner for all of the Western Balkans, with almost 70% of the region's total trade, while the region's share of overall EU trade is only 1.5%. EU companies are by far the leading investors in the region, accounting for 61% of FDI in 2021. Exports to the Western Balkan countries have more than doubled in the last ten years and imports have more than tripled during the same period. The Western Balkans is a market of 17 million consumers.

Even though the EU is providing substantial technical and financial support for EU integration to all six Western Balkan countries to help them implement the necessary reforms and align with EU rules and regulations, statistical data show that economic and social convergence with the EU in terms of GDP per capita and in reaching EU standards is slow. So far, regional economic integration, mostly because of a lack of political will from the governments concerned, has led to little progress towards EU accession, has failed to speed up economic convergence and genuine cooperation and integration within the region, leading to certain disappointment among the citizens in the region.

The way forward:

Given the importance of the region for the EU, the new security and geopolitical situation, and the many challenges still remaining in the process of integration of Western Balkan countries, one of the possibilities to speed up and revive the enlargement process is to progressively integrate certain sectors and areas. Aligning and harmonising rules in the Western Balkan countries with EU norms and standards prior to their formal accession could pave the way to selected privileged access to the European single market. When a country meets certain benchmarks, it could also be allowed to access European programming and funding. However, any backsliding in the reform process of the Western Balkan countries would mean a reversal of this process.

Enhanced cooperation between the Western Balkan countries themselves and with the EU in many other sectors such as telecommunications, transport and energy, facilitation of and commitment to the green and digital transitions, and regional cooperation will all contribute to economic growth, climate mitigation and the well-being of citizens.

As was the case for previous enlargements, a clear timetable leading to full EU accession of the Western Balkan countries can be a decisive incentive to carry out the necessary reforms in a relatively short period of time.

Reforms are key for European integration, but more importantly, they are crucial for improving political and economic governance, the rule of law, media freedom and the conditions for civil society. This is in the shared interest of the citizens of the Western Balkans and of the EU.

The enlargement of the EU provides opportunities to increase stability in Europe and strengthen the EU's geopolitical position, as well as to widen the single market. This equally applies to the Western Balkans, as well as to the countries of the Eastern Partnership that recently applied to join the EU (Ukraine, Moldova, Georgia), provided that they meet the necessary criteria for EU membership.

About the author:

Dragica Martinović Džamonja

Member of the EESC Employers' Group

Croatian Chamber of Commerce

EESC Employers' Group launches new priorities to boost competitiveness and achieve prosperity for all

The Employers' Group of the European Economic and Social Committee launched its policy priorities for 2023 and beyond. In a paper entitled "Driving Prosperity for All: A Competitiveness Agenda for the EU", the group outlined a number of actions needed to restore business confidence and prosperity for all.

"Businesses deliver common good, day in day out. They are an integral part of society and play a pivotal role in creating jobs, providing sustainable goods and services that improve people's quality of life, even in times of crisis," said Stefano Mallia, President of the Employers' Group.

"But in order to make sure that businesses continue to make a difference, we need an EU competitiveness agenda," Mallia added.

The Russian aggression against Ukraine has ushered in a new economic and geopolitical environment. Consequently, the EU (more than its global competitors) is suffering from extremely high energy prices and inflation. At the same time, other global economies subsidise and favour their own industries. These are factors that create the risk of the EU's deindustrialisation. To successfully cope with these problems, and other current and future challenges, the Employers' group considers that the competitiveness and resilience of the EU economy must be strengthened.

In this context, the Employers' Group has decided to update its priorities in 2023, calling for a Competitiveness Agenda.

Since the end of the Lisbon Agenda in 2010, competitiveness has fallen off the EU map.

"Nobody argues that that strategy had its flaws, but it also had its goal set in stone: to make the EU the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion," said Mallia, adding that the goals were not achieved because the EU had failed to address structural problems, which continue to dog us to this very day. "What we need is the political will to finally put competitiveness first, because competitiveness matters."

The Group's document outlines a new economic and industrial path that would apply to all businesses (industry, services and agriculture). Based on two pillars, creating common good and focusing on the essentials, the Employers' Group priorities call for three areas of action:

1. Access to basic production resources at competitive prices. This applies equally to energy, raw materials, labour, capital, and data. This means improving conditions for energy and raw materials' domestic production and for building resilient ecosystems and diversifying foreign suppliers. At the same time, the availability of an adequately skilled workforce should be ensured by facilitating mobility and economic migration, as well as setting up effective life-long learning systems anticipating change.
2. To enhance open markets with equal rules. Building on the benefits and progress made over the last 30 years of the Single Market, the EU must persistently and decisively identify, and systematically remove, market barriers, while avoiding the creation of new ones. Member States must adhere to common rules and avoid gold-plating and new national regulations that conflict with EU rules, helping to avoid market fragmentation and loss of economies of scale.
3. To ensure business-friendly regulation and taxation. Businesses need a policy framework that fosters entrepreneurship and encourages enterprises to innovate, invest and trade. This requirement applies equally to regulation, taxation and allocation of public funding. Embedding a competitiveness check, which we employers have called for over the past two years, is part of the solution. Accelerating permit procedures would also prevent relocation and speed up the deployment of competitiveness.

To read and download the full paper, please click here.

How the Good Friday Agreement helped grow economic prosperity on the island of Ireland

The Good Friday Agreement, signed on 10 April 1998, marked a turning point in the history of Ireland and Northern Ireland. The landmark peace accord ended decades of conflict and violence between the two communities and laid the foundations for a brighter future. One of the most significant outcomes of the agreement has been its positive impact on the economy of the island of Ireland. The agreement planted the seeds for mutually beneficial economic cooperation for both North and South.

©Peter Byrne

Prior to the signing of the Good Friday Agreement, the island of Ireland looked economically desolate compared to what it is today. The situation was particularly dire in Northern Ireland, where unemployment rates were among the highest in Europe. The Troubles, as the violence was known, had caused significant damage to infrastructure, with many businesses and industries forced to close. This also had a major impact on both regional and inward investment, resulting in stunted economic growth. In the Republic of Ireland, the situation was slightly better, but still far from ideal.

The Good Friday Agreement led to the formation of the North South Ministerial Conference, where legislators meet to discuss problems facing the island as a whole. This has helped industries such as agriculture and tourism. It also led to the formation of a trade and business development body - InterTradeIreland - which helps facilitate business on both sides of the border. Through this cooperation, a range of all-island initiatives have been developed to promote economic growth, including cross-border investment programmes, joint research and development projects, and regional development strategies.

The Good Friday Agreement has been a key driver of economic prosperity in the region. Since the agreement was signed, Northern Ireland has experienced significant economic growth, particularly in the areas of trade and investment. This growth has been supported by the removal of trade barriers between the Republic of Ireland and Northern Ireland, as well as the provision of funding for cross-border infrastructure projects. There has been a positive impact on job creation, particularly in industries such as tourism, hospitality and construction. In addition, the agreement has helped attract foreign direct investment to Ireland and Northern Ireland, with many international companies choosing to set up operations on the island as a result of the improved political and economic climate.

Economic cooperation between Ireland and Northern Ireland grew exponentially following the signing of the Good Friday Agreement. Reports show that cross-border trade between Northern Ireland and the Republic of Ireland has increased significantly since the agreement was signed. The reports also highlight the important role that cross-border supply chains play in the economy of the island of Ireland. Many businesses in Northern Ireland rely on suppliers based in the Republic of Ireland, and vice versa. The removal of trade barriers between the two jurisdictions has helped to support the growth of these supply chains, resulting in increased efficiency and competitiveness for businesses on both sides of the border.

The positive impact of the Good Friday Agreement on the economy of Northern Ireland is also reflected in GDP growth figures. According to the Office for National Statistics, GDP in Northern Ireland has increased steadily since the agreement was signed, with the region experiencing growth rates above the UK average in recent years.

While the Good Friday Agreement has been instrumental in fostering economic prosperity on the island of Ireland, unforeseen political developments do occur - the most challenging is of course Brexit. Whilst 55.8% of voters there voted to remain, the UK as a whole voted to leave. It is heartening to see the progress that has been made on resolving some of the more difficult challenges arising from this decision. The Windsor Framework is evidence that solutions can and will be found as the outcomes of Brexit manifest themselves.

In conclusion, the Good Friday Agreement has been a key driver of economic prosperity on the island of Ireland. The removal of trade barriers, the provision of funding for cross-border infrastructure projects and the improvement of the political and economic climate have all contributed to the growth of the region's economy. While there are potential threats to this prosperity, the positive legacy of the agreement provides a solid foundation to move forward with confidence and hope.

About the author:

Peter Byrne

Member of the EESC Employers' Group

Chambers Ireland Representative

Founder of British Irish Chamber of Commerce

Interview with Oleksandr Kogut, Government Affairs Director at Kyivstar

"RECEIVING LIFE-SAVING INFORMATION IS AS IMPORTANT AS ACCESS TO MEDICAL CARE"

Last year was an extremely challenging one for the whole of Ukraine and all sectors of its economy. How did your industry fare in the turbulent year of 2022?

The past year has shown the importance of stable communications for society. The ability to get in touch or receive life-saving information is as important as access to medical care, food or shelter. That is why the main achievement of the telecoms industry is that telephony and internet services are available despite shelling, bombing, destruction and technical difficulties.

In addition to the destruction of telecoms infrastructure, the industry has had to overcome many other challenges caused by the war. These included providing communication services to people who were forced to migrate abroad or to other regions of Ukraine, helping emergency services to keep the public informed, providing internet to bomb shelters and refuges, and assisting the Armed Forces of Ukraine and internally displaced persons.

Almost 90% of Kyivstar's network is operational and provides subscribers with communications. Even during the worst missile attacks and prolonged blackouts, the share of working equipment did not fall below 70% on average across the country. Timely preparation of the network for operation in critical conditions played a role in this.

Mobile operators also help each other in eliminating emergencies, sharing equipment and communication channels. The telecoms industry has become more united in the face of a common threat and proved to be a reliable pillar of the nation.

What was the motivation to invest in the midst of a war the likes of which Europe has not seen in 70 years?

Kyivstar does everything possible to protect communications for the public and for critical state institutions and enterprises in Ukraine. This is our main motivation.

That is why we invested UAH 5.9 billion (EUR 148 million) in technological development in 2022 and plan to continue investing in network development in 2023, including the construction of 1 000 new base stations. In addition, we paid UAH 10.8 billion (EUR 269 million) in taxes to the Ukrainian budget, an increase of almost UAH 600 million (EUR 15 million) compared to the peaceful year of 2021.

Besides the persistent uncertainty, what do you perceive as the biggest difficulty when doing business in Ukraine?

Firstly, Russian missiles and other attacks have destroyed almost 10% of Kyivstar's base stations. Up to 80% of Kyivstar's infrastructure in the de-occupied areas had been destroyed, and will cost at least UAH 1.5 billion (EUR 37.4 million) to repair.

©Shutterstock/Oleksandr Polonskyi

Secondly, more than 3.5 million Kyivstar subscribers moved to western Ukraine from other regions when the war started. Accordingly, telecommunications traffic there increased by 30-40%. We already lack enough radio frequencies to provide quality service to these subscribers and businesses, so we need new radio frequency bands.

Thirdly, there is the matter of mobilising the company's unique technical specialists, who work hard to keep communications open.

What would be further needed to support Ukrainian companies in 2023?

Most important is war risk insurance. Next is access to funding for rapid recovery, primarily to rebuild critical infrastructure and increase its resilience. In the mobile sector, tax or other preferences for EU suppliers involved in rebuilding Ukraine's infrastructure would be very useful. This would allow the necessary equipment and licences to be provided to Ukrainian companies at an affordable price.

Do you think shifting Ukraine from a wartime to a peacetime economy will be an opportunity to make it a testing ground for the green and digital transitions?

According to a new joint assessment released today by the Government of Ukraine, the World Bank Group, the European Commission and the United Nations, Ukraine's recovery and reconstruction needs have risen to EUR 383 billion. And this is only for the period 24.02.22 – 24.02.23. This is an incredible amount of money, but at the same time an incredible opportunity to modernise the country, including in the digital sphere, and this should be based on the principle of "build back better" – significantly reducing the digital divide between urban and rural areas, ensuring equal access to digital infrastructure and guaranteeing the long-term development of digital services.

Read the full interview here.

©Kyivstar

About the author:
Oleksandr Kogut
Government Affairs Director at Kyivstar

The European Commission's recommendation on Social Dialogue comes at the right moment

One of the main functions of social dialogue is to contribute to shaping the business environment and managing changes in working life. However, the positive results of social dialogue should not be taken for granted, as social dialogue cannot simply be considered as an instrument that can be implemented. With our economic and social systems under stress, the Commission Communication on strengthening social dialogue in the European Union could not have come at a better time.

Across the EU, examples still exist where social dialogue is weak and, sometimes, the legal framework does not provide space for social partners to negotiate. This weakens the positions of social partners, but also decreases their capacity to engage in collective bargaining and attract new members.

When looking at successful national models, it becomes clear that effective social dialogue must include:

- representative and legitimate social partners with the knowledge, technical capacity and timely access to relevant information to participate;
- the political will and commitment to engage in social dialogue;
- respect for the fundamental prerogatives and autonomy of social partners, freedom of association and collective bargaining and an enabling legal and institutional framework to support social dialogue processes with well-functioning institutions.

The EESC opinion SOC/764 "Strengthening social dialogue" was discussed at the EESC's April Plenary session. This opinion deals with the Commission Communication on strengthening social dialogue in the European Union ("the Communication") and the Commission proposal for a Recommendation on strengthening social dialogue in the European Union ("the Recommendation"), presented on 25 January 2023 as part of the European Pillar for Social Rights Action Plan.

In its opinion, the EESC agrees with the Communication that more needs to be done both nationally and at EU level to support collective bargaining coverage. At the same time, it is important to preserve the voluntary nature of collective bargaining and create the proper environment to make the process attractive and mutually beneficial. The process needs to be as inclusive as possible. Mechanisms for monitoring the coverage of collective agreements should be developed in the Member States with the involvement of social partners.

Open, transparent, pre-established objective criteria for determining the representativeness of social partner organisations, set in agreement with them and avoiding excessive administrative burdens, are crucial for Member States that still lack long traditions. The existing national

©Shutterstock/melitas

practices where social dialogue is well developed and mature, including mutual recognition between the social partners' organisations, need to be respected.

What needs to be highlighted positively in the Recommendation is that it aims to improve tripartite social dialogue at both European and national levels, referring, among others, to the importance of allocating sufficient time for consultations throughout the policymaking process, ensuring adequate institutional frameworks and ensuring access to the relevant information needed in order to participate in social dialogue.

In its opinion, the EESC underlines that, in some Member States, the tripartite dimension of social dialogue is more formalistic rather than meaningful. With adequate implementation and monitoring, the Recommendation could be an important step forward in improving this situation. Fostering tripartite dialogue at European level would be particularly important around aspects related to employment and social protection, for example through due consideration to the creation of tripartite advisory committees on these issues.

The Commission's announcement to assign the role of Social Dialogue Coordinator in each Commission service is a very positive step, but we suggest that this should be done only in the relevant DGs.

To further support social partners in engaging in social dialogue and in implementing social dialogue agreements, whether EU or national ones, it is also important that social partners in countries where social dialogue is currently weaker have access to additional capacity-building support.

The budget lines, supported by the ESF+, that are dedicated to social partners and CSOs, should be separated to better outline the specific roles and track the outcomes. In addition, a clear set of criteria for State Aid tests (approved by the Commission) is needed, as this appears to be an issue in some Member States. These criteria should be applied when the national authorities assess the compatibility of social partners' project activities with State Aid rules.

About the author:
Mariya Mincheva
Co-Rapporteur of the opinion SOC/764 "Strengthening social dialogue"
Vice-President of the EESC Employers' Group

30 years of the single market
A CRITICAL REVIEW

The European Union is celebrating 30 years of the single market, which allows its citizens to study, live, shop and work in any EU Member State by ensuring the free movement of goods, services, capital and people. It is not an overstatement to say that the single market is the essence of the European Union, the great instrument that has enabled the removal of political, social and economic borders in order to move towards European citizenship and identity.

©Shutterstock/Valery Evlakhov

The occasion calls for a thorough reflection, and the European Economic and Social Committee addresses this very subject in its opinion INT/1011 on The Single Market at 30 – how to further improve the functioning of the Single Market, which was discussed in its April plenary session. This opinion considers that "the internal market has been, and still is, one of the great political and economic successes of the European integration process", but that "a critical review and a new improvement is still needed, not only in terms of what remains to be achieved, but also in terms of the new challenges to be faced". This also includes the necessary revision of the tools to control and develop the single market.

The events to which the European Union – and the whole world – have been exposed in recent years, namely the COVID-19 pandemic, the energy crisis and Russia's invasion of Ukraine, invite us to reflect on how to create a single market that is more resilient and less dependent on the outside world. The way forward is to improve the functioning of the single market and the competitiveness and sustainability of businesses, including the quality of work, citizens' rights and consumer protection.

Across the pages of the opinion, one key word for the future of the European Union stands out: competitiveness. The opinion stresses the need to create a level playing field for all businesses by "promoting growth and fair competitiveness, and creating a business-friendly and socially friendly environment". The main concern for the EESC are the problems relating to the shortcomings of the single market that affect the competitiveness and sustainability of businesses. In short, excessive legislation and the poor quality of legislation – as well as the administrative hurdles to proper functioning that businesses all too often encounter – hamper European competitiveness. In its opinion, the EESC calls for an assessment of each rule "in terms of its contribution to the competitiveness of companies and the well-being of citizens".

The opinion mentions the existing buying alliances in some economic sectors as an example of good practices for boosting competitiveness in view of the ability that some sectors – such as retail and wholesale trade – have shown to unite and become stronger at European level.

Moreover, in order not to lose competitiveness, it is also necessary to influence the free movement of people and workers, as one of the pillars of the single market. The challenge at present is to speed up the recognition of qualifications and diplomas among the Member States, and to address the preparation of the European workforce for the new demands of the labour market, such as the digital transition, among other things.

Finally, the opinion on the 30 years of the single market dedicates a space to the priorities of the Green Deal, which also reflect the need for a competitiveness-based approach. To this end, "[t]he use of zero-emission technologies needs to be promoted, and workforce training needs to be adapted quickly". As stated in the opinion, "[g]reen investments could usher in a long period of growth in the EU's internal market and at the same time make an important contribution to the fight against climate change"; however, its timelines and ambitions need to be adapted to the new reality in Europe, marked by the war in Ukraine and inflation.

All those involved in building the European Union have a duty to raise awareness among younger generations of the importance of the steps that have already been taken to build what we have today, as well as the obligation to warn of the risks facing the single market and to try to set some guidelines in order to overcome them and make further progress towards a stronger and more consolidated shared future.

About the author:
Felipe Medina Martin
Rapporteur of the opinion INT/1011 "The Single Market at 30 – how to further improve the functioning of the Single Market"
Member of the EESC Employers' Group

Enhancing digital competitiveness

In the accelerating race for global competitiveness, digitalisation could be the EU's basis for re-claiming its leading position. A forward-looking medium-term perspective is needed to chart the way forward in the digital transition process.

EESC opinion INT/1010 on Further enhancing digital competitiveness puts the focus on the EU's competitiveness in the context of the digital transition towards a more sustainable economic growth model. The opinion addresses the measures and policies that are necessary in order to further enhance the EU's digital competitiveness, and in particular to enable businesses and workers to benefit from the digitalisation process.

The European level has shown signs of moving in the right direction: Both competitiveness and digitalisation are by now major focus areas of the EU agenda.

However, a successful transition requires a firm and unrelenting commitment on the part of the Member States. This commitment has already been expressed in recovery and resilience measures at individual Member State level; nevertheless, the Member States may not all be moving towards digitalisation at the same pace and with the same intensity, which is crucial if the EU is to become more competitive.

The EU must rely more than ever on the single market, but, just as importantly, it should also focus on access to foreign markets; investment and access to funding; tax systems; research and innovation; skills and measures to strengthen the labour market; MSMEs; and the twin transitions, while at the same time considering the sustainable finance framework whereby competitiveness is consistent with social and environmental objectives. The digital transition is key to all this since it provides the basis for boosting innovation, increasing competitiveness and developing the labour market, while at the same time creating opportunities for growth.

In its opinion, the EESC acknowledges the many initiatives and policies that have been applied to increase competitiveness in the past, no doubt with good intentions. The reality has shown,

©Shutterstock/kkssr

however, that the EU is now lagging behind the US and China when it comes to productivity. Against this background, digitalisation offers an opportunity to make up ground with respect to both the US and China, while at the same time applying an economic growth model that is more sustainable and focuses on both the economic and the social wellbeing of EU citizens.

European citizens must be involved in the digital competitiveness strategy and must feel reassured when it comes to one of the most relevant topics in the area of digital and data collection: cybersecurity. The EU needs to promote a European data economy by enhancing the availability, accessibility, and transfer of data, accompanied by appropriate data protection. To this end, the EU needs a more strategic approach in order to enable stakeholders to gather, store, pool, share and analyse data securely. It is crucial to accelerate initiatives towards sector-specific cross-European data spaces in order to enable better analysis and use of data . The data spaces could seed and boost new scalable industrial innovators and start-ups. A well-functioning single market in data is also crucial because it is intrinsically linked to the single market in goods, services, capital and people, as well as to energy and transport systems.

The global race for competitiveness is on. We can use digitalisation to our advantage, but to get the most out of it, we need to be strategic.

About the author:
Gonçalo Lobo Xavier
Rapporteur of the opinion INT/1010 "Further enhancing the EU's digital competitiveness"
Member of the EESC Employers' Group

Editors
Daniela Vincenti | daniela.vincenti@eesc.europa.eu
Katharina Radler | katharina.radler@eesc.europa.eu

Contact
European Economic and Social Committee, 99 Rue Belliard, 1040 Brussels
Tel. +32 (0) 2 546 82 07 | Fax: +32 (0) 2 2 546 97 54
gr1@eesc.europa.eu • www.eesc.europa.eu/employers-group

@employers_EESC
EmployersEESC

Print:
QE-AH-23-004-EN-C
ISSN 2467-4478

Online:
QE-AH-23-004-EN-N
ISSN 2467-4494

EESC-2023-37-EN

EN