Openness, sustainability and assertiveness are key drivers for the updated EU trade policy. In the new normal – after COVID-19 – geopolitics, climate, digitalisation, human rights and labour issues will have impacts on trade. It is time to rethink global and EU rules and to design effective tools for better market access and a level playing field. The EU as a global actor must act smartly when adopting the new EU trade policy.

The wind of change is blowing in the global economy. After decades of positive development, globalisation is taking steps backwards. Tension between superpowers like the USA and China is growing. Protectionism, regionalism and nationalism seem to be increasing. Global markets may move towards trade blocs. This is challenging for the global economy and global value chains – and for Europe as well.
Fortunately, the digital and green economy is taking steps forward – not only in Europe but also in Asia and the USA. Massive stimulus packages are supporting rapid development in many countries. However, the digital and climate-neutral economy does not recognise national borders and should build on modern global rules.

An open economy, free trade and fair competition can only work well from a European perspective if they are based on predictable, modern global rules and bilateral trade deals. In a sustainable global economy, we should no longer favour any free riders who benefit from illegal State aid, carbon leakage, corruption, human rights or labour abuses, or other action against international standards.

The EU trade policy is an essential and effective tool to respond to the wind of change. The EU must work for a rules-based, open economy, free trade and fair competition. It must improve market access and ensure a level playing field from a European perspective. It must open new markets for European goods and services in third countries. But it must also create more of a level playing field for Europeans both in third markets and within the EU’s internal market. Europeans must have better opportunities to trade, invest and join public procurement procedures in third countries, when mutually imported goods and services from third countries must respect EU internal market standards.

The EU must now focus on two issues. Firstly, the modernisation of the World Trade Organization (WTO) and multilateral trade agenda is very relevant for the EU because over 60% of EU external trade is still based on general WTO rules. The modern WTO agenda will cover issues related to traditional and digital trade as well as sustainability, the climate and labour in order to ensure a level playing field. If the 164 WTO members can agree on a reform of the WTO and its agenda, the whole global economy will benefit from that.

Secondly, the smart use of bilateral EU free trade agreements (FTAs) can improve market access and ensure more of a level playing field from a European perspective. Modern EU FTAs should always reflect European values and international standards. They must support our interests, from trade to digitalisation and sustainability, so as to change the global business environment, including value chains.

For example, after COVID-19, the EU must assess its economic dependence on the rest of the world and how EU trade and industrial policies with EU FTAs can support companies by providing solid and fair business conditions for exports, imports and investments. The diversification of supply chains may be an important step towards strengthening the EU’s resilience.

With 46 FTAs with 78 countries, the EU has the world’s largest network of trade agreements. It is strategically important that the EU continue to strengthen this unique EU FTA network by updating old deals and signing new ones. Although the EU is now the most important trading partner for over 70 countries around the world, by 2024 about 85% of the world’s GDP is expected to be generated outside the EU. At present, the EU may have the strongest negotiating power, but the situation may change. The EU must smartly use offensive and defensive trade policy in a way that supports European interests in the short and long term. Furthermore, the EU must strategically cooperate with trading partners on priority trade matters.

The EU and its 27 Member States can improve stakeholder engagement in trade policy from preparation to enforcement. At a time when the narrative of international trade is changing, closer stakeholder cooperation may help us to understand the coming changes, from geopolitics to human rights, and from the climate to high-tech tools like artificial intelligence.

An effective and successful EU trade policy should support trade, investment and jobs creation. It should drive sustainable growth, competitiveness and decent jobs, and support successful agriculture and better consumer choice both abroad and in Europe. Positive economic development needs a strong combination of different policies. Trade policy is only one part of the solution. It cannot resolve social inequality, but it can support the right kind of development. After all, it is important for the EU to differentiate temporary and COVID-19-related changes from permanent ones before making any final decisions based on the new EU trade policy strategy. Trade matters in the post-COVID-19 world.


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Choosing the right instruments to implement the European Pillar of Social Rights Action Plan is vital to its success

The publication of the European Pillar of Social Rights Action Plan was highly anticipated. While it can provide useful guidance for Member States and the Union in their efforts towards competitiveness, growth, employment, structural reforms, productive investments and ensuring people’s wellbeing, it has to be underlined that there is no social dimension without a sound economic foundation. Another important element is that the Pillar contains principles, which shall be pursued primarily through non-binding actions, based on constructive social dialogue and always taking into account different socio-economic environments and the diversity of national systems, including the role and autonomy of social partners.

EU legislation should be reserved for truly cross-border issues. Moreover, if the Union legislates on social policy, all initiatives should be based on evidence, proof that they fulfill their purpose, and subject to competitiveness checks, as a control measure to avoid proposals that hinder increased competitiveness, more jobs and sustainable growth. The division of competences between the EU and Member States, where social policy is mainly a responsibility for Member States, shall be fully respected.

Competitiveness and higher productivity based on skills and knowledge are preconditions for the social dimension of the Union. Labour market developments must be supported, not over-regulated or hindered. If Europe is to cope with global competition, growing digitalisation and new business models, innovation and flexibility are needed in terms of employment, working hours and labour mobility.

The current situation calls for labour markets in Europe to continue to be reformed, but it shall be done in different ways in different parts of the Union, building on their different labour market models. In some EU countries, it may be a matter of changing minimum wages or achieving lower indirect labour costs. In other countries, it may be a matter of introducing more flexible forms of employment or changing social security systems to stimulate employment. This means that preference must be given to soft law instruments, maintaining the possibility of generating and deploying flexible and tailor-made solutions.

As the Porto Declaration states that “the social dimension, social dialogue and the active involvement of social partners have always been at the core of a highly competitive social market economy”, the Plan is a good opportunity to demonstrate that Member States and their social partners can deliver a proper response to the challenges that labour markets are facing after the pandemic. Social dialogue and collective bargaining are best promoted if the state or the EU are involved neither in setting the criteria for collective bargaining agreements nor in enforcing them, and where the parties have full responsibility for both. The view of the Plan that “support to employment and workers cannot be successful without support to companies and entrepreneurs. A vibrant economy remains central to Europe’s future prosperity and a key source of new jobs” can be endorsed and shall guide its implementation. Employment creation, however, is not about new legislation or other obligations increasing the burden on companies. Competitiveness and higher productivity based on skills and knowledge represent a recipe for maintaining the wellbeing of European societies.

The possible monitoring of the Plan and the respective national reforms should happen in the framework of the open method of coordination and the European Semester. The European Semester should be used as the reference framework for supporting Member States’ and social partners’ efforts to improve – through reforms – the performance of national employment and social policies. The existing coordination mechanisms of the Members States, as well as of the Commission, are the appropriate instruments for ensuring the engagement of all relevant stakeholders at national level in implementing the Pillar, including as regards its mid-term review. Guidance in using the existing coordination mechanisms should be a priority for the Commission in relation to the Member States.

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The restrictions and lockdowns imposed by national governments to limit the spread of the COVID-19 virus have had a major impact on the EU economy, but the development and roll-out of vaccines brought back some optimism to economic forecasts. According to the projections of the European Commission, the EU economy is forecast to grow by 4.2% in 2021 and to strengthen to around 4.4% in 2022. The latest data on business and consumer confidence, referring to the month of May, are on the rise. Foreign trade has also started up again. In short, trust is returning.

Our goal now is to overcome in a lasting and sustainable way the growth rates that the EU recorded before the pandemic.

For that, the work programme should clearly show that the Single Market remains the key driver of a competitive EU economy.

The Single Market is a vital enabler of the recovery and reconstruction of the economies of both individual Member States and of the EU as a whole. Any obstacles need to be removed and an uninterrupted flow of goods, services, capital, data and people across borders ensured.

It is crucial to restore freedom of movement in the Single Market to pre-COVID-19 conditions as soon as possible, to deepen it in all areas, and to focus on how the robustness of supply and value chains should be further improved through business-driven diversification.

National recovery and resilience plans
The coherence between the Commission’s recommended flagship areas and the real thematic contents of the National recovery and resilience plans should be closely monitored. There is also the challenge posed by the fact that not all Member States are recovering at the same pace.

Business, workers and civil society organisations have a key role in the implementation of the National Recovery and Resilience Facility plans, their review process and their monitoring by establishing more formal procedures that facilitate real discussions.

Fiscal policy response
The decision of the Commission to keep the general escape clause active in 2022 is reasonable and should be supported. Any premature withdrawal of fiscal support should be avoided, as there are many companies and sectors hit harder than others and which would need additional support to get back to their pre-crisis levels. The Commission should also consider an extension of the Temporary State aid framework by the end of 2022, thus allowing Member States to continue to support the economy, while respecting the competition rules, in order to avoid distortions of the Single Market. However, these arrangements would have to be followed by a process of fiscal consolidation to improve the state of public finances in the Member States.

Including investment-based initiatives in its 2022 work programme
To ensure we make optimal use of an historic EU financial effort and find our way out of this unique crisis, we urgently need a well-articulated European economic agenda, effective better regulation policies and fewer restrictions at internal EU borders. An effective industrial strategy must thus remain at the heart of the EU’s recovery programme.

Recovery and transition must be simultaneous
While many companies are still striving to survive, businesses are facing the challenge of transforming themselves in order to deliver on the EU’s digital and green goals. The green transition must be managed in a way that maintains competitive value chains, jobs and companies. Companies must be supported in their transformation, and not only with financial instruments, but also by enabling new sustainable business models, otherwise they will lose their competitiveness. The different starting points and challenges regarding the transformation that companies, sectors and regions face should be also taken into account.

The European economy constantly requires further improvement of the business environment.

Good regulation is a cost-efficient way of supporting the recovery. The principle of better regulation and competitiveness checks should be guaranteed when introducing any new policy measures. The need for a favourable business environment applies to regulation, taxation and the allocation of public financing alike, given that investment in innovation lays the foundations for European success.

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Climate change will continue to accelerate the risk of economic damage, enhanced inequality and loss of life due to the increased frequency and intensity of climate-related extreme weather. With the recently adopted EU strategy on adaptation to climate change, the European Commission wants to counteract this trend and adapt Europe to the impacts of climate change smarter, swifter, more systemic and with enhanced international actions. With the opinion “New EU strategy on adaptation to climate change” the EESC provides civil society’s perspective on this topic that is important for our all livelihoods.

Building on the Paris Agreement and the 17 Sustainable Development Goals (SDGs) as frameworks for action, the EU introduced the European Green Deal (EGD) on 1 December 2019 to reach the goal of climate neutrality by 2050. The four cross-cutting priorities of the EGD include making Europe a climate-neutral continent, protecting human life, animals and plants by cutting pollution, helping European companies become world leaders in clean technologies, and ensuring that the green transition is just and inclusive. These four overarching goals are to be achieved by implementing policies in the following nine areas: biodiversity, From Farm to Fork, sustainable agriculture, clean energy, sustainable industry, building and renovating, sustainable mobility, eliminating pollution and climate action. The EU aims to become climate neutral by 2050 and has already proposed a plan to further cut emissions by at least 55% by 2030.

In line with the EGD, the Commission proposed the first European Climate Law (March 2020) and the European Climate Pact (December 2020) aiming to set out the conditions for an effective and fair transition, provide predictability for investors, ensure that the transition is irreversible and give all European citizens a voice and space to design new climate actions, share information, launch grassroots activities, and showcase solutions that others can follow. In response to the pandemic, the European Council agreed on 21 July 2020 to spend a total of EUR 1.8 trillion, including the enhanced 2021-2027 long-term EU budget and the Next Generation EU recovery facility, to help Europe recover from the coronavirus pandemic. The Commission strongly encouraged the Member States to include investments and reforms in their plans in the following flagship areas: Power Up, Renovate, Recharge and Refuel, Connect, Modernise, Scale-up, Reskill and Upskill.

The EESC strongly supports the European Commission’s new EU strategy on adaptation to climate change, adopted on 24 February 2021, which sets out how the European Union can adapt to the impacts of climate change and become climate resilient by 2050. The strategy has four objectives, to make Europe’s adaptation smarter, swifter and more systemic, and to step up international action on adaptation to climate change.

The EESC stresses the need for equal emphasis on financing mitigation and adaptation. It points to the importance of integrating the risks and deep uncertainties (when the probabilities of events are not known) related to climate-related natural disasters into the models and tools used to design macro-fiscal policies. It argues for a stakeholder-inclusive approach to the co-design and co-development of the relevant adaptation pathways. It advocates informing the authorities charged with the responsibility of preparing the "National Energy and Climate Plans" that adaptation and mitigation strategies should be given the same emphasis. The opinion calls for the conservation and protection of ecosystems using nature-based solutions and for the adoption and implementation of the circular economy.

The EESC agrees that the implementation of the new EU Adaptation Strategy, as well as the EGD, should be part of a systemic approach, aspiring to simultaneously address multiple objectives and promote policy instruments and technological solutions that can be used across the various sectors of the economy.

Find the opinion NAT/815 “New EU strategy on adaptation to climate change” here: https://europa.eu/JH44kn

About the author:
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The EESC Employers’ Group organized the webinar “Challenges of the Digital & new EU Economy” under the auspices of the Portuguese Delegation on 14 June. Speakers were Employers’ Group President Stefano Mallia, Paulo Barros Vale (Portuguese Tourism Confederation), Ricardo Castanheira, (Permanent Representation of Portugal to the European Union), José Manuel Fernandes (European Parliament), Luís Mira (Portuguese Farmers’ Confederation), Emilie Prouzet (Federation of Commerce and Distribution), Daniel Ribeiro (Portuguese National Trade), Patrícia Marques Ferreira (OutSystems), Vasco de Mello (Portuguese Commerce and Services Confederation) and Gonçalo Lobo Xavier (Portuguese Association of Distribution Companies).

Following recommendations were gathered at the EESC Employers’ Group webinar “Challenges of the Digital & new EU Economy” (14/06/2021) and at the EESC SME Category’s panel on “DSA and SMEs” (02/06/2021).

1. **Digital infrastructure**: Europe is lagging behind in terms of its vital infrastructure. The COVID-19 crisis has shown that bridging the digital urban-rural divide is an imperative if we want to make digital a genuine lever for sustainable development throughout our continent. The deployment of fibre and 5G is crucial in cities as much as in rural areas: Europe needs a Digital Rural Act!

2. **Digital literacy for both citizens and businesses**: currently, only 56% of Europeans have basic digital skills. There are only eight million skilled workers whereas we need 20 million. 40% of European SMEs have no presence on the Internet. Europe needs a rapid and courageous approach to the digital transformation, based on investment in breakthrough technologies, connectivity and skills to successfully challenge global competition. The digital transition can only become a reality if all Europeans have basic digital literacy and if there is a sufficient skilled digital workforce. Women, in particular, need to be the focus. The EU and Member States must make optimal use of the RRF national plans and all existing financing instruments (DEP, INVESTEU, Structural and Cohesion Funds) to build a true DIGITAL Union.

3. **Digital sovereignty**: European business has firmly supported the key objective of restoring Europe’s Digital Sovereignty, while remaining open to free trade and supporting the multilateral system. We therefore welcome the Digital Services Act (DSA) and the Digital Markets Act (DMA) as part of Europe’s answer to create a level playing field for all online services in our Digital Single Market, in line with European values and standards. However, three out of five of the world’s biggest online platforms are Asian and European platforms remain small in size. This can cause disruption to business and trade as we face a growing shift from physical to on-line shopping, which will remain a key trend, even in the aftermath of the COVID-19 pandemic. If the EU wants to become a geopolitical actor with real digital clout, it must leverage both its regulatory power and reinforced industrial and technological capabilities to advance the European model of digitalisation and shape the global environment. Furthermore, in order to enhance trust in digitalisation and make it a success, we have to involve companies and citizens and we have to enshrine basic fundamental rights.

4. **A fully-fledged Digital Single Market**: harmonising legislation on the basis of the country-of-origin principle will help European companies not to have to deal with 27 different legal systems. Only by avoiding further fragmentation of the digital Single Market will Europe’s companies be able to scale up in the European Union. Businesses need legal certainty, predictability and framework conditions creating a level playing field in a market where competition conditions are fair for everyone. The inclusion of the SME perspective is crucial to create new opportunities and avoid unnecessary barriers, especially as the vast majority of digital platforms are SMEs. The EU must also encourage cross-border shared digital projects between different Member States.

Watch the full event here: https://youtu.be/EdFwwhghl70
Common Agricultural Policy

**PRESERVING THE ECONOMIC SUSTAINABILITY OF FARMS**

In the current European context, the new CAP draws together a multitude of issues as best it can. Thanks to the determined action of certain countries, its budget, while decreasing, has been preserved, but more and more is being asked of it.

For 50 years, the CAP has ensured food sovereignty and, by promoting significant productivity gains, it has made it possible to keep prices reasonable for consumers.

For 40 years, thanks to regional policies that support disadvantaged and rural areas, it has made it possible to preserve rural areas and develop the land.

For 30 years, by taking environmental concerns into account, the CAP has made it possible to develop agro-environmental practices that benefit ecosystems.

For 20 years, the CAP has limited distortions in international competition and no longer competes with developing countries. With cross-compliance and then greening, it has encouraged all farmers to move towards environmentally-friendly practices.

But we work with living organisms in rapidly changing conditions and, for 50 years, we have had lower incomes than the rest of society! The new CAP will have to support farmers in the agro-ecological transition and give them the means to meet the major challenges we face, by promoting performance on three fronts: economic, social and environmental, thus meeting the challenge of ensuring that the next generation can take over!

Today, agriculture is undergoing a revolution and to ensure its sustainability, I repeat, we must also preserve the economic sustainability of farms. In view of this primary objective, and with a budget that is down by 2%, I believe that the CAP does not allow all farmers to make a decent living from their work. But the CAP cannot and should not act alone!

In the light of these issues, consumers must agree to pay a fair price for food produced in a sustainable way, and not favour the import of products with lower standards. The food chain must ensure that value is shared more equitably.

Research and innovation must provide solutions for the resistance of crops to disease and variations in temperature or humidity, for improving animal welfare, especially at the end of their lives, for reducing carbon emissions, etc.

The stakes are huge and it is together, without confrontation between the environment, employees and agricultural production, that we will find the path to sustainability.

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Employers’ Group meeting with Commissioner Wojciechowski

To deliver on the European Green Deal, the European Commission will have to rethink policies in a variety of fields, not least in the agri-food sector. The initiatives linked to agri-food promotion, the renewal of the CAP and the “Farm to the fork” strategy will transform our current reality to achieve a more socially sustainable, environmentally friendly and healthy food production. To make this socio-economic transition a success, it is essential to involve all stakeholders in the reorganization of the European food markets.

The EESC Employers’ Group believes that we should provide entrepreneurs with the adequate conditions so that they can thrive and create innovative and decent jobs in a recovering economy. The EESC Employers’ Group can play a critical role in creating an enabling and encouraging business environment also for the agri-food sector that meets the challenges and seizes the opportunities of sustainable development.

During the ongoing COVID pandemic, the EU’s agri-food sector has shown resilience and continues to play a key role in providing Europeans with high quality and safe food. The Employers’ Group has acknowledged the crucial role of the agri-food sector also in its position paper "Help businesses survive the Corona crisis" by stating that all actors in the EU food supply chain deserve strong support on the European and national levels, while food security should remain one of the top EU priorities for the future.

As the role and competitiveness of the agri-food sector are of utmost importance to employers and businesses across the EU, the EESC Employers’ Group has organised a debate with Janusz Wojciechowski, European Commissioner for Agriculture on 13 July 2021 at 14:30 to discuss about the future of the European food markets.

Find out more about the event: [https://europa.eu/!XYq8vm](https://europa.eu/!XYq8vm)
We need an international agreement to address digitalisation and the use of new business models. The agreement must be fair to all countries, in particular to smaller developing countries.

COVID-19 has exposed the existing inequalities in our societies, with women, young people and those from poorer socio-economic backgrounds being hit the hardest. While globalisation has reduced global inequality, the pandemic has laid bare the significant disparity in economic resilience between and within wealthier nations, emerging market economies and low-income developing countries.

In order to reshape the European economy in line with the objectives stated by the European Commission into a more sustainable, greener and digitalised economy, investments must support environmental goals, while digitalisation contributes to an increase in productivity. Both private and public initiatives are needed if we are to meet environmental, economic and social objectives. Competition must take place on a level playing field. A minimum corporate tax rate and the allocation of tax revenues among countries may contribute to such an outcome.

Now, we are counting on the OECD to find consensus and ensure that its members do not engage in competition with one another or with the 139 countries that have signed up to the Inclusive Framework. An agreement is expected at the G-20 Venice meeting on July 9 and 10.

The Employers’ Group urges everyone to respect the tax sovereignty of smaller countries, as it is in everyone’s interest to achieve a sustainable, ambitious, and equitable agreement on the international tax architecture.

The agreement will transfer tax revenues to countries with large consumer markets. These countries tend to have high corporate tax rates. Since the G-7 comprise the very largest economies, an agreement would also need to take account of the situation of smaller economies, given the need to comply with the EU Treaty when an agreement is transposed into EU Law.

Most EU Member States do not have a large consumer market and their need to collect taxes for their social objectives must be respected.

It is of the utmost importance that businesses achieve clarity around how their investments will be taxed. An agreement between all countries is therefore urgent. In particular, any uncertainty about the outcome in the US Congress of implementing the rules in the United States needs to be removed.

As the pandemic comes under control, we have an opportunity to transform and relaunch the global agenda with renewed global governance and leadership. We welcome the willingness to coordinate action on critical minerals and semiconductors to promote diversified sources that will bring about more resilient global supply chains.

It is imperative that supply-chain resilience and technology standards are set in such a way that democracies are aligned and support each other. It is in this spirit that we can develop a new partnership to build back a better and fairer world.

The EESC Employers' Group welcomes the G-7 Historic Tax Reform Accord and calls on all countries to conclude an agreement on international taxation rights.