



European Economic and Social Committee

# EESC-Employers.Today

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European Economic and Social Committee  
Employers' Group

## YES to an enlarging Europe that opens itself to the world

Jagiellonian University  
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## THE EUROPEAN EMPLOYERS SAY YES TO A EUROPE THAT CONTINUES TO ENLARGE AND OPEN UP TO THE WORLD

An exceptional moment: on 10 April 2008 the Employers Group experienced a day rich in discussion and full of emotion.

Rich in discussion because we dealt with the issues of globalisation and enlargement without false pretences. These two processes pose some risk to the European economy and to our population. Seen from an overall perspective, however, we only stand to gain from

globalisation. A more densely populated Europe, wholly united under the aegis of the Community project, is an achievement which the founding fathers and pre-war generations could not have even dreamt of. It is now within reach. Why spoil the pleasure?

Globalisation is a reality which we have all been hoping for, for quite some time now: finally seeing the North-South divide bridged and emerging countries at last emerge. New markets are opening up, and with it new opportunities. The incredible development potential of Southern and Eastern European countries can only be the harbinger of a better future, provided that all continents are involved and there are no "globalisation rejects". Why spoil the pleasure?

European Employers say YES to an enlarging Europe, YES to a Europe which opens itself up to the world. However, if we are to enlarge and open up to the world, our businesses, more than ever before, need a Europe which is complete, which has a genuine, functioning internal market, economic policies that require minimum government coordination, new common policies on the environment, energy, migration, education and research, greater



cohesion, more solidarity, better governance. We believe in the economic future of Europe, in the future of its industry, its services, its agriculture and its professions. The state of European businesses determines the welfare of our people and the level of their commitment to the European project.

### THERE SHOULD BE NO OPENING UP, NO ENLARGEMENT WITHOUT A CORRESPONDING DEEPENING OF EUROPEAN INTEGRATION

It was symbolic that we should have delivered this message in Poland, the first of the Eastern bloc countries to free itself, peacefully, from the clutches of dictatorship. Symbolic too that we were privileged to dine in a spirit of togetherness, celebrating the 50th anniversary of the EESC and of the Employers Group, in the salt mines of Wieliczka, a symbol of the fight for dignity by Polish workers and the



Polish people, last but not least it was one of the places which Pope John Paul II visited in 1979 during his first official visit to Poland after his appointment.

Many emotions then, thanks to our honourable Polish employer friends who demonstrated their efficiency and showed great sense of politics. We would like to thank not just them, but also all the colleagues of the Polish Confederation of Private Employers (PKKP), as well as staff in our Group secretariat who gave their best to ensure this event, on the 50<sup>th</sup> anniversary of our Committee and the European Union, will always remain engraved in our memories.

**Henri MALOSSE**  
**PRESIDENT**  
**EESC EMPLOYERS' GROUP**

"Whilst the theme of our conference may appear to be rather general, it is of immediate importance for Polish businesses" – said **Henryka Bochniarz**, president of PKPP Lewiatan, at the



opening of the conference. "Our firms have adapted to the conditions of the Single Market much better than expected. Estimates suggest that cross-border trade with our EU partners exceeded a total of

EUR 132 billion in 2006, with the balance of trade in Poland's favour. Polish firms increased the value of their sales to other EU markets by nearly 80% during the first three years of Poland's EU membership alone, with imports increasing at a similar rate. That is why, in this age of globalisation, it is important for the EU to keep step with competition from the rapidly developing new "tigers" of the world economy: China, India and Brazil."



**Henryka BOCHNIARZ**  
**Jacek KRAWCZYK**

**Henri MALOSSE**, President of the EESC Employers' Group  
**Henryka BOCHNIARZ**, President of the Polish Confederation of Private Employers  
**Waldemar PAWLAK**, Deputy Prime Minister of Poland and Minister of Economy



**Waldemar Pawlak**, Deputy Prime Minister and Minister for the Economy discussed the effects of EU enlargement, on the world of business and on EU society as a whole. In his opinion, Europe could and should meet the challenges of global competition, if it develops its competitive advantage on the global market through "**well organised work, knowledge and modern technologies**".



# YES TO ENLARGING EUROPE!

**On the first of May 2004, the dream of my generation, the generation of my parents' and grandparent's came true - Poland joined European Union. We came back to where we always had belonged - to the family of European democratic nations.**

When on December 13<sup>th</sup> 1981 communists in Poland introduced Martial Law, they not only committed crime, but in the first place they did try to take away from us our hope for better future, hope for decent life and dignity. They did not "appreciate" our motivation to improve Polish reality of this time, our desire to open the country to the world.

Living in completely isolated country became our only reality for a number of years. 1989 and first half democratic election in Poland - was great and rewarding. We - the society - won and the first non communist government took power in Warsaw. Subsequently also office



of the President of the country was taken over by the Solidarity leader Mr Lech Walesa. It felt finally, like back at home again.

At the beginning we had to struggle with so many difficulties: hyper inflation, state owned economy, Russian troops in our country, shortage of foodstuffs or gasoline. We were able to deal

with many of these difficulties thanks to good leadership and tremendous social enthusiasm. We were able to deal with them also because we had it clearly in our minds, that Europe is our direction. Establishing new relation with EU was one of the first priorities of new non communist governments and it resulted in strategic agreement being signed in December 1991.

## THE PATH TO EUROPE WAS SET FORTH

It took longer that we hoped it would. Instead of the second half on 90s' we became a member of EU in 2004. The work, which had to be done within our country, was bigger that many had expected in the beginning of 90s'. Still main direction was very clear: Poland as a member of European Union on equal basis. There was a lot of determination amongst the people and politicians. There was overall

consensus that "European" projects are out of current political game and are the priority. Good and sensible priority. There was bigger understanding for difficult reforms, which had to be undertaken, in order to meet EU requirements and standards.

Today in 2008, four years after Polish accession to the EU, almost 80% of Poles support Polish membership in European Union. It is more and more "us Europe" attitude, that "them" European Union. We already can

see a lot of changes that happened after accession, of which perhaps those in the



Jacek KRAWCZYK  
Vice-President  
Employers' Group

peoples' minds are those, the most important. We think "bigger" we act even more openly; we go out and seek new challenges in entire Europe and beyond.

Poland made a long way from where it was back in 1981. I turned 18 years of age when Marshal Law was introduced; I was a part of this great change between then and now. My generation was "lucky" - we were part of it and we benefited from it tremendously.

Yes to enlarging Europe? Of course: **YES TO ENLARGING EUROPE!** Europe, which enlarged several times in the last decades but also Europe, which will enlarge in the future. This open perspective for nations outside of EU, for other generations waiting for their chance, is more than important. We should not take this opportunity away from anybody in Europe. We should appreciate desires of individuals and nations to step up in order to join European Union family.

It does really work. Haven't we seen this in Krakow during our Group I extraordinary meeting?

## I WAS AND I WILL REMAIN A EURO-ENTHUSIASTIC

Not only because of the rapid creation of systems that are promoting the inflow of capital, new technologies and innovation and that are benefiting my country, but rather because, in my opinion, this is the only proper way of ensuring that Poland pursues the right path of development and that Poles can enjoy an appropriate standard of living. For 45 years we were cut off from reality and now we have to catch up quickly.

It has been four years since Poland joined the EU and we are already at a stage where we can carry out a very detailed evaluation of our membership. It goes without saying that in the case of entrepreneurs; this assessment will be very subjective and based upon the sector we represent, our expectations and our knowledge of how the EU functions.

### WE HAVE SUCCEEDED

As early as the start of the decade, when the possibility of Poland joining the EU became very real, I played an active part in setting up the Polish Confederation of Private Employers Lewiatan (PKPP Lewiatan), an organisation intended to represent the ever growing and increasingly powerful private sector in its relations with those who govern our country and thus the Polish economy. And we succeeded. We created an organisation which has become the main voice of private business interests.

Similar, although rather more

personal reasons prompted me to set up an industry organisation in 2002 – the Polish Union of Private Employers of the Cosmetics Industry. The Polish cosmetics industry is rather exceptional in Europe. Over 400 of the producers and operators are of Polish origin and they have an almost 50% share of the cosmetics market by value. This,



**Henryk ORFINGER**  
Chairman of the Board  
COSMETIC LAB DR IRENA ERIS SA

just 19 years after the country's transformation, combined with the fact that all the global players from this sector have been present in our market for many years, proves the exceptional strength of Polish businesses in the cosmetics industry. It is also for this reason that I consider it a failure that the industry still does not have its own representative in Brussels, in COLIPA, the organisation that represents the industry at European level. The obstacle here is that global producers such as P&G, Henkel and Unilever, who have their own representatives in COLIPA, are blocking our membership, thus preventing Polish producers from taking part in decision-making at European level.

### A CONSEQUENCE OF GLOBALISATION

What I am referring to here is a consequence of globalisation, which, on the one hand, opens up new markets to us and creates new opportunities but, on the other hand, causes specific problems on the local market, where global producers in cooperation with global trade networks (which are gradually acquiring a dominant position) have a clear advantage over national producers. The key thing is that we should be able to take part in decision-making at European level and that our voice should be heard.

We have a lot to say and to contribute to the future of the industry at European level.

We are seeking to do this today through the Polish government and its structures, but this is very difficult work and were it not for our good relations with MEPs and the PKPP Lewiatan office in Brussels, we would be completely cut off from vital sources of information. We can only dream of having influence.

The Cracow conference, which took place in April this year, was an example of action aimed at improving understanding of the role of individual countries and their economies in the process of opening up an ever expanding Europe to the world. It provided an opportunity to hear individual points of view that are key to Polish entrepreneurs; entrepreneurs from a country whose economy is experiencing dynamic growth and which is becoming an increasingly important element in an expanding European Union.

## ENLARGEMENT - A STIMULATING CHALLENGE

Enlargement is one of the most powerful instruments for implementing EU policy. It has fostered prosperity, opportunities for growth and the promotion of European values. The fifth enlargement was a major challenge not only in quantitative terms, because it involved 12 countries, but also in qualitative terms, due to the absence of a market economy tradition, and for socio-cultural reasons. It had a dual entrepreneurial and social impact.

### A DOUBLE IMPACT

With regard to the entrepreneurial impact, economic integration led to economic growth in all the new Member States, with an average annual GDP rate of 4.3%. Moreover, it expanded the Single Market, offering new trade opportunities, and put the competitiveness of EU-15 economies to the test. Thus, in recent years, total trade has doubled in the EU, foreign direct investment has risen, and heightened competition has pushed up productivity and brought down prices.

In addition, the Single Market has encouraged a new division of labour. EU-15 companies have relocated their production units in order to cut costs, thereby securing jobs in their countries



**RODRIGUEZ GARCIA-CARO**  
EESC MEMBER

of origin and creating others in the new Member States.

With respect to social dialogue, labour relations in these countries differ in certain aspects from those in the EU-15. Independent bipartite dialogue between employee and employer organisations has yet to be fully developed.

With regard to the social impact of enlargement, it is worth mentioning that unemployment rates, regional imbalances,

inequalities in income distribution and lower salaries have encouraged

migratory flows from the new Member States to the other EU countries. Nevertheless, only 2% of Europeans live outside their country of origin. Moreover, migrant workers have made a very positive contribution to host country economies by meeting the needs of their labour markets.

### AN IDEAL PLATFORM

Furthermore, in order to speed up the convergence of the new Member States, the latter will progressively gain access to funds under the Common Agricultural Policy, and they will receive 51.3% of cohesion funds.

In conclusion, enlargement is an ideal platform for tackling globalisation due to the advantages it presents in terms of trade and investment growth and the simultaneous expansion of the area of peace, freedom, solidarity, justice, stability and democracy. Nevertheless, we need, on the one hand, to address the new challenges, such as decision-making with 27 Member States, the stabilisation of the Western Balkans or the accession of Turkey, the Former Yugoslav Republic of Macedonia and Croatia. On the other hand, we need to explain the advantages of enlargement to European citizens, and drive the neighbourhood policy forward in order to promote security and stability in Europe



# A NEW REASON TO BUILD UP EUROPE

Europe has incurred substantial delays and missed many opportunities. Globalisation will force us to galvanise into action.

## CRISIS AND GLOBALISATION

The crisis affecting Europe is caused by its difficulties in adjusting to competition by a lack of vision and collective will amongst States, as well as a lack of enthusiasm, confidence and ownership. European companies lack effective common tools and are caught between shrinking national horizons and the lure of globalisation.

## EUROPE

### OUR THE GREATEST ASSET IN FACE OF GLOBALISATION

Europe is the number one market in the world in terms of GDP, and the world's trading partner. It has succeeded in introducing a single currency of global standing which offers an alternative to the dollar. It speaks with a single voice at the WTO and in international negotiations.

### EUROPE'S POTENTIAL HAS NOT YET BEEN FULLY EXPLOITED

#### EUROPEAN SUPPLY-SIDE POLICY NEEDS TO BE DEVELOPED

We have managed to create a euro-market based on a European demand-side policy. However, we have not succeeded in creating "euro-enterprises" based on a European supply-side policy. The Jean Monnet formula has been turned on its head: we have brought States together, but not Europeans.

- The failure which is the Statute for a European Company: after 35 years of delays, only 70 companies have adopted it, and there are no provisions for SMEs;
- Taxation of companies put on the backburner: no harmonisation of the tax base or rapprochement in view, even within the eurozone;
- No support from EU competition policy for the introduction of

genuine "euro-enterprises";

- Delays with trans-European networks and public/private partnerships hamper our competitiveness.



**Bruno VEVER**  
Secretary-General  
Europe and Enterprises

### WE SHOULD FIRST AGREE AMONGST OURSELVES WHAT OUR DEMANDS ARE VIS-À-VIS THE REST OF THE WORLD

**Intellectual property:** linguistic impasse to the Community patent for the past 30 years. This needs to be overcome by applying the rules set out in the London Protocol.

**Services (2/3 of GDP):** after the failure of the Bolkestein Directive, and the much too limited measures which followed it, European self-regulation in services needs to be given a chance.

**Public procurement (16% of GDP):** 90% of sector closed off in spite of very strict directives. They will remain closed off as long as there is no interest amongst States to buy European. This would require greater cooperation at European level and support for euro-enterprises.

**The environment:** lack of a common research policy aimed at introducing new standards. The budget for the European RDP remains too small (5%) compared to national programmes which dominate (95%).

### WE NEED TO DISPLAY A COMMON IDENTITY ON THE INTERNATIONAL SCENE

**Customs:** it is counter-productive to have 27 customs administrations within a single customs union, instead of a unified European customs, which is the only way to ensure efficient protection against fraud, counterfeiting and unfair competition.

#### Export credit insurance:

Differences between national rules lead to unjustified discrepancies in the way companies in Europe are treated. A common set of rules needs to be promoted.

#### Unified representation of the Euro:

this was meant to happen as of 1998. However, it was not until November 2007 that an ECB/Eurogroup/Commission troika was formed to visit Beijing. The Euro lacks effective common internal and external governance.

**European trade missions:** the exclusive predominance of national missions has the effect of dividing us unnecessarily. We also need European trade missions which allow us to defend ourselves and assert our common interests better. However, this requires more genuine Euro-Entrepreneurs!

### GLOBALISATION MAKES IT IMPERATIVE FOR US TO SPEED UP EUROPEAN CONSTRUCTION

Globalisation today forces us to move forward beyond the Europe of simple coalitions between States and away from a Europe of "the lowest common denominator". It is crucial to step closer to a Europe that can overcome the challenge of globalisation: a more and better integrated Europe that generates a "multiplier effect" capable of releasing latent energies and creating economies of scale. To achieve a winning Europe we first need to "make it possible and profitable to be European". The association Europe & Enterprises has recently presented its "Euro-entrepreneurs" specifications to make the most of Europe".

## A MOTOR FOR ECONOMIC GROWTH

EESC's Employers' Group arranged 10<sup>th</sup> April 2008 a meeting in Cracow. The theme for the meeting dealt with the implications to business of the enlargement of the European



**Filip HAMRO-DROTZ**  
PRESIDENT, REX SECTION

Union and of globalisation. The meeting, in which also numerous celebrities and representatives from Poland participated, proved to be most successful because the theme is of highest importance for the European business community, regardless of sector, size or geographical activity. Speakers and the audience expressed dynamic views above all about the opportunities which the enlargement and globalisation brings to European companies.

European companies have a valid point-of-departure to meet globalisation. The integration in Europe is an unparalleled success story after the creation of the United States of America. In 50 years, since the establishment of the European Community, Europe has developed from a split, politically unstable and poor region to the richest and most stable region in the world. Europe belongs now globally to the strongest economies, representing approximately

20 percent of world's GDP. Europe is today a world trade power as regards both goods and services. Euro is becoming the leading currency in the world and the single market is offering a very strong home market for companies.

But there are, naturally many challenges for business stemming from globalisation. Global competition is constantly becoming stiffer, above all from companies in emerging economies, such as China, India, Russia and Brazil. Companies' production costs are increasing due to rising raw material and energy prices. The global economic environment is uncertain due to the economic turndown in the United States and the turbulences at the financial markets. The productivity performance in Europe is not the best and Europeans are relatively reluctant to set up new companies. In Europe we have the heaviest burdens upon business as regards regulations and administrative practices. Also demographic pressures exist as the age structure is quite high in Europe comparing with other regions in the world.

To tackle these challenges and meet globalisation as an opportunity BUSINESSEUROPE has proposed "The winning priorities". The message is directed to the European Governments and the EU institutions. Purposeful actions

must be taken to further implement the reforms for growth and jobs. The European home market must still be integrated as it is the motor for economic growth, employment and wellbeing. European social systems should be reformed to respond to global changes and credible actions should be taken to promote a secure, competitive and climate-friendly energy system. Also all kind of protectionism should be meaningfully tackled.

Companies naturally fulfil their responsibilities in forming globalisation to a win-win concept. Strong and improved, as well as responsible competitiveness is the key concept.

The meeting was also informed about the way the EESC contributes to globalisation. EESC has, in parallel with business' international networks (see for instance the Business Summits) established



several platforms with third countries and regions, for instance Round Tables with China and India, contact groups with Latin America and Eastern Europe, in which our members strengthen interaction with representatives from these countries.



# AN IMPORTANT POLITICAL UNDERTAKING

The round table and discussion at Group I's spring meeting in Krakow once again highlighted the topicality of the EU enlargement issue. It is not just about enlarging the single market and adopting common rules in the form of the "acquis communautaire". Each wave of enlargements to date has also represented an important political undertaking, and has brought us a step closer to the aim of guaranteeing all Europeans equal opportunities for development and giving them the possibility to influence events in a globalised world.

Slovenia joined the European Union four years ago. As a member of the Core Negotiation Team for the Accession of Slovenia to the EU, in which I represented above all the interests of Slovenian businesses, I was brought face to face with the process and consequences of membership. The contributions made by participants at the Kraków round table bore out my personal experiences and perception that when we joined the EU our points of departure in each country, as well as our expectations, differed substantially. The consequences faced by businesses and society as a whole in the individual countries were a good illustration of this point. Even today, we are still confronted by those consequences in many areas and have been trying to deal with them more or less successfully.

## THE "THICKNESS" OF THEIR WALLETS

The process of adapting businesses to the single market

is a very demanding one and remains incomplete. I remember very well the disaster scenarios that some economists predicted



**Cveto STANTIC**  
**EESC MEMBER**

for Slovenia's small economy following entry to the EU: large-scale job losses due to increased competitive pressures, the failure of numerous

businesses, especially smaller and medium-sized ones, the collapse of the real estate market, difficulties in agriculture and the food industry, brain drain etc.

The economy did not experience any negative shocks at all. Quite the opposite, macroeconomic indicators suggest significant progress in all areas: stable growth in GDP (last year as much as 6.1%), major growth in exports due to greater competitiveness and better access to foreign markets, unemployment at a record low, stable economic and legal environment for entrepreneurs, better access to capital markets, successful adoption of the Euro.



Net pay has increased 29% on average for Slovenians since entry to the EU. Coupled with a substantially lower increase in prices (14.5%), this clearly suggests a real increase in

purchasing power and overall prosperity. I am convinced that Slovenia would be making much slower progress if it were not a member of the EU.

## A HOPE OF A BRIGHTER FUTURE

Faster progress and an improvement in economic and social conditions is also what the public yearns for in the European States to the South East of Slovenia, which make up the Western Balkans region. Unfortunately though, political instability, attitudes which look to the past rather than the future, ethnic tensions, corruption, constitutional instability and defunct democratic institutions prevent faster growth in economic and social prosperity. Unemployment and poverty only exacerbate nationalistic perceptions and inter ethnic hatred. Political instability and economic stagnation in the Western Balkans could present a threat to peace in Europe and the entire world. That is why faster and more decisive action by Europe is needed. I am convinced that a comprehensive strategy aimed at faster political, economic and social

development in the region would boost the EU's standing as one of the main protagonists of stability and development in the world. Only the clear, unquestionable prospect of a European future would give the public in that part of Europe hope of a

brighter future. That is why I have no reservations in calling for further waves of enlargement, an EU that opens itself up to the world and sets a shining example for others.

# INNER GLOBALISATION

The European enlargement was a sort of “inner globalisation” which continues to be a success story because it occurred in a framework of shared rules. Thus governance is the key driver for global integration. The Pace and the depth of global changes we are witnessing are unprecedented, but changes also bring concerns: acute pressures on traditional industries, increasing competition in market access and in raw materials; natural resources and ecosystems put under serious threat. Furthermore emerging economies perform growth rates much higher than the EU. Given this picture let me draw your attention to some areas where global governance is particularly needed.



**Marco FELISATI**  
EESC MEMBER

1 - **Investments** boost employment and productivity, provide greater access to new technologies and create more competition. Securing investment means focusing all players’ policies on market opening, transparency, non-discrimination, predictability and reciprocity, since these elements ensure a favourable environment for investment, mergers and acquisitions. The “*Investment*” chapter disappeared from the WTO agenda in 2003. In lack of a multilateral agreement, the EU must call on the respect of the two basic principles of *transparency* and of *non-discrimination*.

2 - Most emerging countries combine high growth rate with high **Non Tariff Barriers** hard to detect and to remove, such as subsidisation, low-cost or non-repaid loans, undervaluing of selling currencies, protectionism in public procurement markets. Moreover EU manufacturing shifts to Asia following appealing derogations to technical, trading, social and environmental standards.

3 - **Intellectual Property Rights violations** deprive right-holders of their revenue and put at stake the viability of innovative productions. Thus business needs harmonized global rules to protect innovation. The recognition and the enforcement of intellectual property rights are key to invest in creativity, research, design and quality. But adopting rules is not enough: the real challenge lies in their enforcement. In many countries IPR rules are satisfactory but their enforcement shows serious deficiencies.

4 - Fighting the **climate change** can be a win-win operation for

environment and business, developed and developing countries only if a level-playing field will be established through a concerted global effort to shape a post-Kyoto agreement. Business has a key role in enhancing technology transfer, however it must not be unduly penalised by unbalanced policy that divert resources from innovative investment and give rise to protectionist claims.

Industry is part of the solution but it cannot act in isolation. All social and economic sectors need to contribute in reducing our societies’ carbon footprint. Ambitious emission reduction targets must not be applied only to industry, but also to service and transport, households and society at large.

5 - Business needs **stable access to raw material**, but in recent years the growing global demand generated shortages and price increases. Emerging economies often use policy measures to feed domestic needs such as export restrictions, dual pricing and restrictions on foreign investment or access to land resources. The EU bilateral agreements should be used to secure meaningful progress in this area by addressing discriminatory practices. More effective tools should be enforced in Europe to closely monitor the raw materials market and its impact on competitiveness.

# EU-JAPAN RELATIONS

Since the end of 1990s, Japanese enterprises, especially those in the manufacturing sector, have made significant investments in the EU, thus making the EU-Japan relation much closer.

In 2006, the value of Japan's exports and imports have reached the historical level of €524 billion and €494 billion respectively, as a result of the remarkable and steady increases since the beginning of 21<sup>st</sup> century. One of the reasons for this development is the clearly rising level of Sino-Japan bilateral trade. Several decades ago, China's decision to open her economy was one of the key factors in promoting globalization of the world's economy. There was a popular phrase in Japan at the time, "Threat of China" which meant that, due to massive inflow of Chinese goods into Japan, jobs would be lost domestically. However, the fact is that there has been both an increase in Japanese imports from China and Japanese exports to China, thus helping to preserve jobs in the Japanese labour market.

## THE JAPANESE CONTINUE TO INVEST IN FOREIGN MARKETS

Next, we will look at investment and overseas production by Japanese industries. According to the Ministry of Finance, Japan's foreign direct investment increased to 5.85 trillion yen in fiscal 2006,

compared with 3.20 trillion yen in fiscal 2000. This shows that Japanese companies are continuing to invest in foreign markets. It should be noted that the EU is the second most



**Prof. Dr. Hiromasa Kubo**  
EU Institute in Japan, Kansai

important market for Japanese overseas investment with a value of 1.41 trillion yen, significantly larger than investment into China, which stands at 0.36 trillion yen. The most important country for Japanese investment is the U.S., where Japan invested 1.86 trillion yen in fiscal 2006.

## PRODUCTION FRAGMENTATION

There are several reasons for such massive investment into the EU by Japanese businesses. High economic growth in New Member States is one very important factor. Moreover, it should be noted that Japanese business are now deploying their production sites across the enlarged EU, a phenomenon that can be explained by the modern economic theory referred to as "Production Fragmentation." That is, say, establishing an R&D Centre in Germany, a sub-component production site in Hungary, an assembly plant in the Czech Republic and a back-office in Poland, according to the

comparative advantage of the country concerned. All of these sites are linked to each other. Before the Fifth Enlargement, such a strategy would have been costly, due to import duties.

Japanese companies have already adopted very similar strategies across Asia. However, compared with the business environment in Asia, the EU has the following advantages:

### Transportation costs -

Most Asian countries are divided by seas. Although ocean freight is generally cheap, Asian companies have to tranship from ships to trucks or from trucks to ships, thus making transportation costs expensive. The situation in the EU is rather different.

**Technical standards** - In Asia, each country has its own standards. Furthermore, in Asia, there are lots of different free trade agreements with different definitions of, say rules of origin, which hinders the efficient allocation of production sites.

**Foreign exchange rates** - Most currencies of the New Member States are more or less pegged to the euro, which stabilizes bilateral exchange rates. However, the situation in Asia is rather different and there is no comprehensive exchange rate arrangement. Therefore, Asian companies are faced with the instability of their currencies, thus making their Asian strategy more difficult to formulate.

In conclusion, Japanese business has come to the recognition that globalization is an opportunity and is trying to exploit it, even in the Enlarged EU.



# BRINGING NEW OPPORTUNITIES TO EUROPE

The Employers Group extraordinary meeting was held in the wonderful setting of Jagiellonian University in Krakow, Poland. The university is the second oldest university in



**Brenda KING**  
PRESIDENT  
SOC SECTION

Central Europe and one of the oldest in Europe and has been ranked as the best university in Poland. It seemed a fitting venue to bring together employer organisations from across Europe to discuss the theme **"YES to an enlarging Europe that opens itself to the world"**.

I made a few comments on the second roundtable discussion panel on the topic "Globalization, a new reason to build Europe". The participants in the discussion, who included **Henri Malosse** from France, President of EESC's Employers Group; Professor **Jerzy Hausner** from the Krakow University of Economics, **Filip Hamro-Drotz** from Finland, President of the EESC's Section for External Relations; Professor **Hiromasa Kubo** from the European Union Institute in Kansai, Japan; **Wojciech Morawski**, President of Atlantic S.A.; **Rafał Stepnowski**, Board chairman of Jeppesen Poland; **Bruno Vever** from France, Secretary-general of Europe & Enterprises.

The panel agreed that globalisation can bring opportunities to Europe however there is an urgent priority to strengthen internal policies such as investment in research, innovation and education as these are central drivers for growth and jobs. The panel also observed that the further enlargement will equip the EU to prepare for the challenges of globalisation as member states cannot do this on their own.



## Krakow in facts and figures

With a population of 756 000 and an economy ranging across sectors as diverse as information technology, tourism, agriculture and traditional industries, Krakow has become an attractive location for foreign investment (EUR 9 billion in 2007).

In addition, Krakow makes a significant contribution to Poland's intellectual capital, with 23 institutions of higher education, 20 000 teaching staff and around 191 000 students. The number of works of art and monuments makes up around a quarter of Poland's cultural heritage. This earned the city *its listing in 1978 as a UNESCO world heritage site and the title of European capital of culture in 2000.*

The city, a major tourist centre, welcomed around eight million visitors in 2007, of whom 6.8 million were holidaymakers. Of these, 2.5 million were foreigners, mostly from Great Britain, Germany, Italy, the United States and France.



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