



IN SEARCH OF A REAL EUROPEAN IDENTITY



We often have a tendency to confuse the concepts of identity and values! The common values which we so often consider form part of our "European

model" such as solidarity, responsibility or equality before the law are universal values which, while they may well have been first formulated in Europe, have since spread to all five continents, something which we can be proud of. The real question, however, concerns a real European identity, that is to say the feeling of being part of a common destiny, which gives the European project a sense of purpose.

Today, the European Union's progress towards greater integration, justified as a necessary response to the challenges of globalisation and the need to consolidate the achievements of the past 60 years of the European construction process, requires ever greater public support and, above, all, the acceptance of a real transfer of power to European level! Without greater public support, national governments will always be tempted to revert to using Brussels as a scapegoat and checking any real increase in unity and European cohesion!

Following the failure of the Constitutional Treaty at the hands of the voters in France and the Netherlands, the heads of state and government ultimately decided to bury the symbols that identify Europe (EU flag, motto, anthem) against

a background of general indifference!

Sixty years after its foundation – the ECSC Treaty dates back to 1951 – the European Union is still traversed by doubts and replete with question marks. While opinion polls show that the vast majority of Europeans still expect as much as ever from the European project, there is a significant lack of understanding among people as to how it works! Indeed, the dual role of national governments and the European Union would appear to be becoming increasingly problematic and a source of much confusion. The European Union has been granted increasing powers over the course of its existence which now extend far beyond the field of economics: social policy and relations, budgetary policy, education, environmental policy, foreign policy, migration, defence ... Yet these are also the very areas where the public is used to demanding explanations from its national governments, who today hide behind the mysterious powers that be in Brussels, whom they make responsible for those decisions that are hard to swallow, such as the recent austerity measures necessitated by the fallout from the economic and financial crisis.

In the 1950s and 1960s, it was easy to convince the people of Europe, ravaged by the horrors of war, of the need to bring their resources together to establish and develop an area of peace and prosperity. There was no need to elaborate any more detailed arguments. Neither Jean Monnet, nor Robert Schuman, nor Konrad Adenauer nor any other of the founding fathers sought to justify the European project other than by doing what was needed at the time, against the background of an ever greater Soviet threat at Europe's borders. The question of a European identity

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never really arose, particularly as it was seen as self-evident or rather as a dream that had been shattered by the fervent nationalism of the past, a dream that needed to be reborn!

The European dream had always been present in Europe's subconscious ever since the foundation of the Roman Empire yet we had to wait until the second half of the twentieth before we saw the first non-hegemonic and peaceful attempts at achieving this sense of unity. There has always been an

intense flow and exchange of ideas in Europe and we need only mention the influence of such great thinkers and luminaries as Voltaire at the court of the King of Prussia or Jean-Jacques Rousseau, who was feted by the most enlightened courts of Europe!

Unfortunately, after nearly two centuries of conflict, this sense of a common identity has been pared down by the resurgence of nationalism and the founding fathers faced a gargantuan task in overcoming these feelings of resentment born out of such heightened passions. In this context, the Franco-German process of reconciliation, supported by travel, twinning programmes and a particular emphasis on young people should be seen as exemplary! It is somewhat sad that other countries have not followed down this path...

The question of forging a genuine European identity is therefore as relevant today as ever and I believe it should become a priority for European employers!

It is no coincidence that this sense of belonging is above all to be found among the former pupils of the European schools, among students who have taken part in the ERASMUS programme, among participants of various European projects or among anyone who has worked either closely or from afar with the EU institutions!

A stronger identity must be nurtured by achievements and projects that can help establish this sense of belonging to a common destiny!

And so, in their own small way, the YOUNG EUROPEAN ENTREPRENEURS seminars, which were first launched by the Employers Group in

2009, have also contributed to this desire to create a genuine European spirit.

Equally, I feel it is important to support such unique instruments as the European Small Business Charter or the EU patent! Not only are they attractive instruments in themselves, they are also vehicles for expressing the common identity of businessmen who are able to proudly assert their membership of the EU.

The action taken on the external markets to support the efforts of BUSINESSEUROPE and EUROCHAMBRES to bring Europe's business interests together also forms part of this commitment and I welcome the fact that European business circles are increasingly meeting together under the banner of the twelve stars in European Chambers or Associations, from Tokyo to Washington and from Delhi to Beijing.

Furthermore, a well-targeted Europe 2020 strategy that enjoys the full support of the business world could be a truly unifying factor in the European Union itself! Equally, it would be useful to breathe new life into projects that focus on our common European resources such as our universities, large-scale infrastructure networks, European centres of innovation, the European media, regional development strategies not to mention the process of opening Europe up towards its most isolated regions. Private sector support for these projects will be essential if they are to have the credibility and scope they need.

By calling on the EU to ensure it has the means of its ambitions through an ambitious European budget, we would also like to show that it is possible to achieve economies of scale by putting more into the common European pot!

However, there is still plenty of work to be done to convince European public opinion; a new report should be prepared on the cost of non-Europe so as to calculate the budgetary impact on the public of the duplication of measures and a lack of synergy between national budgets!

We should make it our new objective to forge a genuine European identity!

Henri Malosse

PRESIDENT OF THE EMPLOYERS' GROUP

“We often have a tendency to confuse the concepts of identity and values!”

MARITIME PIRACY ORCHESTRATING THE EU RESPONSE

To the ordinary man in the street "maritime piracy" evokes the medieval scourge of the seas. The revival of the phenomenon in our days is here to stay unless action is taken on several fronts. Piracy in the Indian Ocean has evolved into a major challenge facing European shipping and European seafarers. Its repercussions regarding the EU are manifold:

- ◆ Merchant vessels transiting the infested sea areas off the coast of Somalia (larger than the Mediterranean Sea) are subject to pirate attacks. In 2010, 440 attacks took place worldwide, 27 ships of all flags continue to be held by pirates and 625 seamen of various nationalities are held hostages for months under appalling conditions. A 60% increase of attacks was registered in 2010 compared to previous years. Such attacks act as a disincentive for the attraction of Europeans to maritime careers at a time of worldwide scarcity of seafarers. Their scarcity inevitably leads to delocalization of European shipping companies and deflagging of EU ships to other continents.
- ◆ Piracy raises a heavy toll on world trade by sea and world economy e.g.: ransoms ranging from 5 to 15 million Euros per incident, increased insurance premia, employment of private guards, high-tech equipment on board, increased freight rates for re-routing vessels around Africa, deployment of navies/military convoys in the transit corridors. According to recent estimates of Chatham House London, the total annual cost of piracy to the world economy amounts to 7-12 bn \$! It is also estimated that 18.000 vessels pass on a yearly basis from the infested sea areas.
- ◆ The presence of an unprecedented multinational naval force patrolling and assisting in convoys has not deterred the escalation of the attacks because the root causes of piracy lie ashore: namely, lawlessness. The long term solution should address the root causes and not only the symptoms: establishing the rule of law in Somalia by strengthening the economic and social infrastructures of a functioning state. The impunity of pirates is due to the lack of adequate jurisdictions and legislation to prosecute pirates.
- ◆ Last but not least, the "imitation" effect to other areas of the world (e.g. Indonesia, Nigeria, South China Sea, Malacca Straits) should not

be overestimated. The phenomenon, which started off as a reaction of Somalian fishermen for overfishing in their seas by Western fishermen, turned into sophisticated pirates with gadgets and connections in Western European markets who have become "heroes" in their local communities.

For the time being, there is no global strategy in place for the eradication of piracy. European shipping, controlling 42% of the world fleet, is a victim of such attacks and has a legitimate and keen interest in eradicating the phenomenon. Mobilization at all levels is necessary (UN, EU, NATO, US, China, Japan and other nations) to address the multifaceted ramifications of piracy. Governments and international organizations should recognize the seriousness of the problem, the changed circumstances leading to murder/ill treatment of seafarers, the threat of pirates to the free flow of world trade and should take immediate action to bring this intolerable situation to an end. Urgent action to eradicate piracy should be taken in the following areas:

- Naval resources and response (patrolling, convoys).
- Best management practices of ships to avoid / avert attacks.
- Human Element issues: antipiracy training of seamen.
- Legal aspects: establish adequate jurisdictions, legislation, court and prison system.
- EU humanitarian aid should be stepped up to establish capacity building ashore.
- Media / public perception of piracy.

The EESC has already prompted action on the piracy problem in two opinions (2008, 2009) and in its Conference on maritime professions (11/3/10). The magnitude of the problem compelled the International Maritime Organization (IMO) to declare as its main theme for 2011 "Piracy: Orchestrating the Response". In 2010, ITF (International Transport Workers Federation) submitted a petition to the IMO with nearly one million signatures calling governments to "End Piracy Now". The EESC Transport Section decided to adopt an own initiative opinion later in 2011 in order to sensitize the organized European civil society and the political will for the solution of the problem.



Anna BREDIMA
Member
Employers' Group

"Establishing the rule of law in Somalia by strengthening the economic and social infrastructures of a functioning state"



Joost van IERSEL
Member
Employers' Group

“The vision must be based on Europe’s socio-economic assets, its entrepreneurship, its technology, and a future-oriented mentality”

EUROPE 2020

European integration finds itself in rough waters. The recovery of some national economies is well on its way, but on average the score is too low. The foreseeable future is unpredictable, for instance the oil price. Differences between national economies tend to widen. Tensions within the Eurozone, and beyond, are illustrative. The situation is most challenging. The European economy has in an increasingly competitive environment to adjust to political objectives as low carbon and low energy production. Meanwhile it has, parallel to reducing public budgets, to catch up with societal issues, such as, for instance, ageing populations with consequences for the volume of the workforce, for health costs, and for pensions.

ONE VISION

Under present circumstances we wholeheartedly support the political decision by the Commission and the EU-Council in 2009 to start Europe 2020, an overarching and holistic strategy to all EU policies, which encompasses smart, sustainable and inclusive growth. Political and economic dynamics require a vision as a firm basis for operational policies and approaches to sustain a self-confident European position in the world that is, in spite of its great potentialities, obviously under pressure. The vision must be based on Europe’s socio-economic assets, its entrepreneurship, its technology, and a future-oriented mentality. Such approach is also indispensable to counterbalance feelings of uncertainty and euroscepticism that tend sometimes to prevail. Europe 2020, although not an inspiring or sexy expression, can indeed deliver such badly needed vision, under three conditions.

- 1 - The Commission should continue to integrate convincingly Europe 2020 in its overall programming.
- 2 - The Council as well as the individual Member States should act in the same vein.
- 3 - Europe 2020 must continuously be communicated by the Commission and the Council as a main driver for adjustment and future-oriented policies. These conditions are only partly fulfilled.

PLENTY OPPORTUNITIES

The Commission is now on its way to present Europe2020 in its concrete form. The so-called

Semester, aiming at creating a more reliable framework for National Reform Programmes that are to be discussed and criticised more openly and transparently than in the past, is making a promising start. So do also the proposals of the Commission on the seven flagship initiatives which must help to bring framework conditions in the European economy up-to-date and to ensure in all Member States enhanced competitiveness, sustainable growth, and job creation. This coherence between macro- and micro objectives as well as a closer commitment of Member States to the EU instead sticking to formal subsidiarity is very welcome and needed. But, beware, the outcome is still pending. The Lisbon Strategy ended as a failure. It would be terribly discouraging, if Europe 2020 would finish in a similar stalemate.

A PERSISTENT COMMITMENT

Briefly, there are plenty opportunities, but the overarching strategy of Europe 2020 must keep its momentum. Conflicting interests, protectionist temptation, short-term objectives of governments and resistance from various parts of society make the realisation of this highly political adventure far from easy. A vision, persistent commitment and targeted communication is crucial. The Commission should present continually and clearly the interconnected objectives of the strategy as cornerstones for a strong and stable Europe. Amidst all kinds of short-term and often conflicting political commotions in a Europe that is still characterised by diverging socio-economic realities, it is very important to keep an eye on the mid- and long-term common perspectives. Successful projects in the past show that this task falls naturally to the Commission. A persistent commitment of President Barroso and of the Commission at large is also needed to inspire societal and political groupings across Europe to join in the same vein. From an economic point of view this would be most desirable for business and job creation. But also beyond, a strong commitment to Europe 2020 is needed and may inspire many to European coherence and integration which is now of critical importance in a very challenging world.

BANK RESOLUTION FUNDS

In 2010, the European Commission drew up two very closely connected communications of considerable importance for the financial sector in response to the financial crisis and the decisions taken by the G-20 in September 2009 and June 2010. These were the Bank Resolution Funds and the EU Framework for Crisis Management in the Financial Sector.

The Communication on bank resolution funds sets out the Commission's thinking on how the financial sector could contribute to the cost of financing the resolution of failing banks. It explains how a harmonised network of national ex-ante bank resolution funds (BRF), funded by levies on banks, should be a part of an EU framework for crisis management in the financial sector and bank resolution. The objective of the European Commission is to introduce an EU approach to BRF and ultimately to set up a pan-EU Resolution Fund. However, the Commission believes that it would be very difficult to begin with the creation of a pan-EU Resolution Fund in the absence of an integrated EU supervision and crisis management framework. For that reason, it is considered that an appropriate first step would be the creation of a system based around a harmonised network of national *ex ante* resolution funds linked to a set of coordinated national crisis management arrangements.

The Communication explains the purpose and potential size of BRFs and the conditions under which they might be established. These funds are part of a European framework for managing financial crises, BRFs would be able to resolve failing banks in a way that minimises the costs of bank failure to the public. The common resolution tools are expected to ensure that orderly failure is a credible option for any bank, irrespective of its size or complexity.

In its opinion, the EESC shares the Commission's concern that taxpayers' money should not be used to cover bank losses and supports in principle the establishment of a harmonised network of national ex-ante bank resolution funds (BRFs), together with any measures, such as increased oversight and improvements to corporate governance, aimed at strengthening the financial sector.

The Communication does not state categorically whether the proposed BRF scheme is part of the prudential regulation or conceived as a fiscal measure and accordingly, it does not give a clear answer as to whether the levy is a tax or a fee. The Committee's opinion calls for clarity on the nature of the scheme and its priorities.

The Committee considers that in order to establish a workable bank resolution funds scheme, Member States should agree beforehand on the adoption of common methods and uniform rules in order to avoid distortions of competition. Unfortunately, the signs are that things are moving in the opposite direction. The various countries are following different rules and approaches in establishing their BRFs. Some Member States have even declared that at this stage they will not be establishing BRFs at all. Others have preferred to pursue the option of merging the prevention and bank resolution functions with the deposit guarantee functions in a single, broader fund. The EESC welcomes the Commission's intention to explore the potential synergy between deposit guarantee schemes (DGS) and bank resolution funds, whilst ensuring that DGS have sufficient capacity and resources to guarantee protection for depositors.

The macroeconomic implications of establishing the BRF scheme are also a cause for concern, since there is a risk that it might impact on the lending potential of the banking sector. The Committee believes that before any steps are taken to introduce bank levies, the Commission should conduct a thorough assessment of the cumulative effects of levies and BRFs. Making a decision on introducing a Bank Resolution Fund requires an estimate of how much the entire scheme would cost, to what extent it would impact the lending potential of the banking sector and how long it will take before the BRF is made strong enough or it reaches its target size. The EESC recommends tailoring these estimates to a worst case scenario in order to make sure that the scheme is realistic and workable in a crisis period when, on the one hand, banks will face difficulties making their contributions to the BRF, and on the other hand, the funds' resources will be needed.



Lena ROUSSENOVA
Member
Employers' Group

*“A gradual approach
would be more
appropriate and realistic,
as it has the potential to
reflect the specific
situations in the various
Member States”*



Stefano MALLIA
Member
Employers' Group

“As the representatives of Employers, we should sustain the development of small businesses; which are the backbone of several EU member-states' economies”

TAKEN BY SURPRISE

The speed at which the unprecedented political developments took place across some North African countries has left the EU institutions and governments of EU member-states alike in a reactive mode to the unfolding situation that has rocked the fundamental tenets of Euromed policy as set in place by the launch of the Barcelona process in the mid-nineties.

The popular revolts in several North African and Middle Eastern states, sparked off by grassroots movements clamouring for the democratic transformation of authoritarian regimes have clearly ushered in a new political context for the development of Euro-Mediterranean relations. There is common agreement across the globe that we are witnessing, today, the making of history.

From an EU perspective, much of the focus has almost exclusively been on the political implications of the democratisation process, primarily based on the oft-repeated calls for respect of human rights and the development of sound democratic institutions in the Euromed region. The European Commission has been the frontrunner along with the European External Action Service in unveiling a new policy approach towards the Euromed region in full recognition of the undeniable fact that not only the Euromed political context has changed but also the way EU political engagement with Euromed partner countries has to be structured in the immediate future.

The Partnership for Democracy and shared Prosperity with the Southern Mediterranean

was published as a joint initiative of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy on the 8th March. The policy paper announces the undertaking of a differentiated approach towards each of the Euromed countries whereby it is envisaged that humanitarian aid, financial reconstruction support and the enhancement of bilateral trade relations would be strongly linked to the respective Euromed countries' "commitment to democracy, human rights, social justice, good governance and the rule of law."

The EU institutional thinking on the review and adaptation of Euromed policy to the novel political circumstances in the southern Mediterranean region is thus structured on a new incentive-based approach whereby "a commitment to adequately monitored, free and fair elections" is strongly emphasized as constituting the entry qualification into this partnership. In turn, access to the partnership allows for budgetary and knowhow-based resources to be transferred to the concerned Euromed country earmarking the

financing of projects and initiatives strengthening democratisation, institution-building and the country's general socio-economic development.

Beyond the democratisation issues, there is ample scope for restructuring the EU's Euromed policy to take into better account the evolving economic relationship between the EU-27 and the Euromed partner countries in an eventual post-crisis scenario.

The EU's response has to be a strategic one and not restricted solely to short-term troubleshooting whenever economic malaise spills-over into social and potentially-destabilising political unrest. Volatile food prices coupled with an acute lack of employment and growth opportunities for a budding entrepreneurial sector have all been at the core of the movement by Southern Mediterranean societies to challenge the politically-stagnant status quo in a quest for better standards of living even at the risk of loss of life.

Whatever final shape a new revamped Euromed policy will take, it should be construed around an enhanced level of economic engagement with those Southern Mediterranean countries fully-abiding with the policy principles outlined in the new "Partnership for Democracy and Shared Prosperity". Supporting private enterprise is the equivalent of supporting freedom of choice, in allowing private individuals to develop their talents in a commercially-viable manner, in turn creating job opportunities within their respective societies, thus also curtailing the need for migration in search of better employment prospects abroad.

As a member of the EESC, I cannot fail to highlight the role organised civil society, particularly employers' organisations and trade unions have played in determining the fate of the authoritarian regimes particularly in Tunisia and Egypt. Supporting the strengthening of organised civil society in the Southern Mediterranean region is of critical importance not only to sustain the democratic momentum but also to truly ingrain a democratic spirit amongst the populations in the Euromed partner countries.

In parallel with thinking on how we should be revamping the EU Euromed policy, we as the EESC must also reflect on how we can play a more effective role, at the level of civil society, in consolidating the new born democratic processes. As the EU institution representing civil society across Europe we need to recognise the historical role that we can play. A failure to act will be a failing of the EESC as an institution.

YOUNG EUROPEAN ENTREPRENEURS' SEMINAR 2010

The Young European Entrepreneurs' Seminar of November 2010 was not only a natural extension to the success of the 2009 edition of the event, but also a great opportunity to discuss the current climate for entrepreneurship

partnerships between business and education. Participants in the event were granted the opportunity to learn from and question an extensive array of keynote speakers. These speakers held a range of backgrounds covering



in Europe.

Here at the Employers' Group of the EESC, we can still observe the scepticism with which employers and the concept of entrepreneurship are frequently viewed by young Europeans, and this seminar's new edition aimed to address this imbalance. Equally, we sought to provide a forum for young entrepreneurs to showcase their innovative and creative skills, which they were able to do in a series of highly productive interactive workshops.

The Seminar sought to address a number of key challenges facing young entrepreneurs as they attempt to forge and continue successful businesses. Among the topics addressed were the "culture of entrepreneurship", and the theme of "governance of support services". An emphasis on practical application was retained throughout the seminar, as we addressed the question of "educating entrepreneurs", including exchanges of best practices on the topics of e-skills and

a wide spectrum of the European institutional and business sphere, and were able to impart their personal experience to assist the young entrepreneurs with the challenges they currently face. It was intended that the participants would acquire an understanding of the workings of the EU, as well as stand to benefit from newly established links with Members of the EESC.

At the heart of our initiative was a strong will and a clear need for creating a High Level Group of Young European Entrepreneurs, in order to build a platform which would bring together young entrepreneurs and representatives from the EU institutions and its partner organisations. More than ever, young entrepreneurs must see the EU internal market as their major playing field; it is therefore imperative to develop a generation of young entrepreneurs who regard Europe as their home market, and who harbour a keen awareness of the benefits to be gained from doing business in Europe. This seminar



Conclusions and recommendations

The participants of the seminar identified three significant challenges to entrepreneurship:

A. The individual

B. Society (friends, family and society in general, including politicians and the media)

C. The Socio-Economic framework

Points 1 and 2 were considered to be influenced by mentality, which is affected by the environment in which people live, and hence can be shaped by political activities and policy frameworks which support changes. The biggest challenge noted therefore was the lack of political will at all levels.

During the workshops, it was recognized that strategies and frameworks existed across many Member States and Europe as a whole but there was a lack of implementation or actions around the strategies. To counteract this challenge any proposed initiatives must have clear lines of responsibility and timelines, with an overarching monitoring mechanism.

Access to finance is a recurring problem for all entrepreneurs. One of the major identified challenges was the concentration of equity capital in a few countries, despite the need for investors of all SMEs across Europe.

The participants in the three workshops called for 9 specific recommendations to enhance business opportunities for young people:

1. Community Strategy for Entrepreneurship: Common legislation on Start ups – community-wide company statute; monitoring and influencing the reduction of start-up times. Member States should create incentives, tax breaks, and "special status of SMEs". Programmes for YEE (Young European Entrepreneurs) helping innovation, R&D, incl. greening of businesses. SBA is not being implemented by Member States, thus in the short term, the EU should have dialogues with the Member States. Ensure Good Governance – access to information, alleviation of corruption. The ultimate key is to influence at the National Level.

2. A High Level Group of Young European Entrepreneurs "Young European Spark Group":

As entrepreneurs are the drivers for change, the YEE seminar will establish a High Level Group of YEE, to be known as the "Young European Spark Group". It will bring together young entrepreneur organisations and representatives from the EESC, and will be overseen by the President of the Employers' Group at the EESC, Mr. Henri Malosse. Its first meeting was held on 24th January 2011, the conclusion of which was that the HLG will develop a YEE Ambassadors network, and eventually a marketing strategy for the EU-wide promotion of YEEs, business role models, and a YEE Day. During the annual YEE Seminar, the HLG will assist the Employers' Group in preparing the event, and will report back on its achievements, as well as on initiatives by the Member States and the EU for entrepreneurship.

3. One-stop-shops – access to information and services: Publicise entrepreneurship opportunities and create an opportunity register. Stimulate Business Incubators and support centres in the Member States, and locate them close to universities. Encourage SMEs to join Representative Bodies such as Chambers. Many entrepreneurs and SMEs are not aware of the services delivered by Enterprise Europe Network (EEN) of the EC, despite the fact that it is the largest and the most well developed support network in Europe.

To reinforce the visibility of the EEN, host structures of the network at the national level should conduct communication campaigns and branding actions. Governments should support the network with more commitment. At the European level, EEN's visibility must be boosted by the Commission as well as the governments. Cooperation between the partners of the network and other business associations should be improved.

4. Internationalisation Centres: Promote and use Internationalisation Centres, which are support centres for cross border and international trading. This includes the European Business and Technology Centre, as well as existing contact points for China and Japan. Further encourage cross-border matchmaking of companies through the Chambers' networks of the Member States. Produce a reliable and easy-to-use on-line guide to foreign markets. Encourage SMEs to attend international fairs and exhibitions by increasing aid to governments.

5. Access to finance and capital markets: A single European capital market, with an environment that allows investors to operate across the EU. Taxation rules have to be coordinated, in order to avoid double taxation risks. Create an internet "meeting platform for risk capital" to identify and meet growing SMEs in need of capital investment. This matching tool could be operated by the EEN. Regarding bank loans, banks need to be encouraged to take more risks and have more trust in SMEs. A solution is to reinforce the existing guarantee schemes in Europe (CIP financial instruments, Risk-Sharing Finance Facility). Extend a good practice like the Italian scheme of mutual guarantee CONFIDI to all EU countries. Deliver this collective guarantee scheme by chambers, business associations, confederations, etc.

6. "Growing" entrepreneurs: Stimulate the entrepreneurial Mindset through education. Include basic business training in the curricula across Europe – designed and taught by experienced practitioners. Secondary schools should have practical business simulation lectures and business games. The "Mini and Junior Enterprises" programmes should be further promoted to students at pre-university and university levels. Introduce a non-obligatory Europe-wide entrepreneurial certification. Finalise the EU- wide patent re-structuring. Stimulate language programmes such as DG EAC's multicultural business programme. Entrepreneurial skills are important in any career.

7. Business mentors and role models: Use the media (esp. social media) to promote entrepreneurship as a career choice. Promote European business role models in schools, and show concrete European examples of successful entrepreneurs. Create a network of business mentors to ensure access to appropriate advice. In schools, in business support organisations (for ex: chambers of commerce), and even cross-border mentoring.

8. Business and education partnerships: Give incentives to SMEs to take up apprentices, CEOs to deliver lectures in schools, promote on-site company visits. Encourage skills-forecasting initiatives. Encourage initiatives such as the 'Knowledge Transfer Programme' and the 'Open Innovation' mindset between students and employees. Develop a common European IP Policy and stimulate cooperation with academia. Extend the implementation of Life long learning for SMEs in all Member States.

9. Promote E-Skills: Ensure all entrepreneurs across the EU have access to the internet and essential e-services. Entrepreneurs should have affordable internet connectivity and entrepreneur-friendly training schemes.





Pedro d'ALMEIDA FREIRE
Member
Employers' Group

*“Consumers,
retailers,
suppliers and
workers are players
in a changing market”*

MORE EFFICIENCY AND FAIRNESS

The internal market for retail services

In recent years, monitoring of activity in Europe's retail sector has revealed some features and trends which could affect (and not always for the better) the expectations and interests at stake. Consumers, retailers, suppliers and workers are players in a changing market, along the distribution chain from producer to consumer, and the dynamics of economic activity sometimes create distortions and constraints which need to be analysed and rectified.

For consumers, the main aim is to get high-quality, safe products at the best possible price. But although trade globalisation, modern technologies and competition have brought a huge range of products at affordable prices, the concentration of retail outlets in urban areas and suburban shopping centres has made things more difficult for people living a long way from these amenities, particularly in rural districts.

For retailers, competition – which is desirable irrespective of the size of operator – has recently been made difficult by the growing concentration of large retailers (the five main grocery retailers made up 70% of the market in 2005), despite the specific importance of SMEs (95% of retail trade and 11 million workers in Europe) for breathing life into city centres and rural areas. One of the main difficulties faced by small retailers relates to the siting of new outlets, which is heavily influenced by urban planning policies and the property market.

As regards relations with suppliers, the retail sector is the link in the chain which provides access to the consumer, both in the case of small outlets and of large retailers with multiple outlets. Relations are heavily influenced by the legal, economic, political and cultural characteristics of the regions in which they operate, remaining national in nature. The regulation attempted by

some Member States has, however, proved at odds with the principles of the internal market.

The launch of "own brand" products by major retailers has altered relations with suppliers, which now operate in partnership, subcontracting production to SMEs, with a view to establishing more lasting relations.

The retail sector has a tradition of collective bargaining that dates back many years, at both EU and national level.

However, we still see undeclared work and an informal economy; these are not only a source of unfair competition, but also have an adverse impact on working conditions, especially in terms of workplace health and safety. At the same time, the modernisation and technological development of the sector bring a need for the acquisition of new skills, geared to the new processes and equipment.

In an opinion on the Retail market monitoring report: Towards more efficient and fairer retail services in the internal market for 2020, the EESC calls for the question of skills to be addressed in the social dialogue. The opinion also drew the Commission's attention to several other points:

- the need to analyse retail practices throughout the supply chain, notably as regards costs, so that consumers can benefit from lower prices, greater choice, better quality, and so on;
- the need to study how "unfair contractual relations" are dealt with at national level, highlighting national practices and deciding whether measures need to be adopted, with due respect for the subsidiarity and proportionality principles;
- the need to study the impact of own-brand products on suppliers, competition, innovation and consumer choice.

AGRICULTURE IN THE OUTERMOST REGIONS

The outermost regions benefit from specific treatment under the EU legal system, as set out in Article 349 of the Treaty on the Functioning of the European Union, which states that taking into account the special characteristics and constraints of these regions, specific measures are to be adopted. These aim, in particular, to lay down the conditions of application of the Treaties to those regions, including common policies.

Agricultural production in the outermost regions is marked by its extreme fragility, due to a range of factors. These include problems created by their remoteness, the small size of local markets, the fragmentation of production, climate, the small size of holdings and low crop diversity. These factors together mean that their production is significantly less competitive than on the mainland.

Moreover, agricultural production in the outermost regions is heavily dependent on the outside world, both for the supply of inputs and to sell its produce, on account of their isolation from sources of supply and mainland markets.

Agriculture is a strategic sector in the economies of the outermost regions and consequently helps to support the local agri-food industry, which accounts for the bulk of industrial production in these regions. Safeguarding competitive agriculture is therefore crucial in these regions, in terms of both employment policy and social cohesion policy.

Preservation of the environment, as well as of the traditions and cultures of the outermost regions, must be taken into careful account when legislating.

As regards the Common Agricultural Policy (CAP), therefore, these regions benefit from specific measures included in the POSEI programmes (Programmes of Options Specifically Relating to Remoteness and Insularity), which were first adopted in 1991 and have subsequently been extended and amended.

In 2006 POSEI was significantly reformed by Council Regulation (EC) No 247/2006, introducing a new programming approach, and decentralising the process of designing, modifying, managing and monitoring POSEI programmes by passing on these responsibilities to the competent authorities in the Member States. The POSEI programmes could currently be described as the equivalent of the first pillar of the CAP for the outermost regions.

Against the backdrop of CAP reform, and with a view to 2020, the present provisions under the first pillar must be maintained in the outermost regions, by continuing the exemption of agriculture in these regions from the application of decoupling and modulation: otherwise, they would become even less competitive.

It is also vital to retain the present decentralised approach of the POSEI system which has demonstrated its adaptability to the specific characteristics of each of the outermost regions, national and regional authorities being given more responsibility for designing programmes, and enabling stakeholders to be involved much more directly in defining support measures.

We are also convinced that the first pillar of agriculture in the outermost regions must, as a priority, be equipped with adequate financial means, so that it can meet its primary objective, which is simply to maintain and develop their agricultural production, with the effects mentioned above.

For all these reasons, the current financial arrangements under POSEI must not, under any circumstances, be cut back. Indeed, they should be boosted if the objectives are to be met, and in order to ensure that the increasing external competition, generated by the bilateral and multilateral trade agreements the EU is concluding with third countries, can be faced.



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“Safeguarding competitive agriculture is therefore crucial in these regions”



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A PHENOMENON OF GLOBALISATION

The large retail sector is probably the most visible sign of globalisation for the men in the street. All around the world, a small number of companies sell practically the same products in very similar shops. Consumers everywhere encounter the same forms of marketing and suppliers face virtually universal shady practices.

In the last two decades multinational retail chains have completely captured the food retail sector. They did it thanks to cutthroat competition in which, a great number of traditional small shops went to the wall. With retail chains now controlling 70 to 80% of food sales, major suppliers are completely dependent on them.

For both consumers and suppliers the expansion of supermarkets has its benefits, but also its downsides. Consumers certainly benefit from being able to buy everything under one roof at the lowest possible price. Less welcome is the fact that low prices often mean lower quality, since to achieve them suppliers are forced to make greater use of substitute ingredients and chemical additives.

A DOMINANT POSITION

There is no doubt that food suppliers benefit from getting big orders on a regular basis. The major problem is the shady supermarket practices, since these often force small and medium-sized companies out of business. Commercial transactions between retail chains and their food suppliers are unique in a number of ways that significantly skew the business environment. The first is the question of healthy economic competition, the second is the matter of freedom of contract, and the third the particular nature of competition between rival retailers. Nowhere in the world does any one retail chain have a dominant position as defined by monopoly legislation. They are not covered by it. The fact remains that supermarkets can dictate terms to their suppliers, having a *de facto*, albeit not *de jure*, dominant position. The ability to dictate terms also makes a mockery of freedom of contract. This is why the title "Law on re-establishing freedom of contract" was mooted for Slovakia's legislation on commercial transactions.

WHEN IT COMES TO CONSUMERS

The supermarket chains only compete with one another when it comes to consumers, not when it comes to suppliers. Instead of being fought over, these are offered almost identical, equally disadvantageous, terms. The business model of the large retail sector in food is far better suited to large food companies than to small and medium-sized

businesses. Multinational food producers also have a far stronger negotiating position. This is why; around twenty firms provide 75% of the products on the shelves in France.

FIXED BONUSES

There is no shortage of shady practices used to fleece suppliers. The CIAA has compiled a non exhaustive list. Some of the most common are late payment and excessive payment periods, while probably the most outrageous is supermarkets charging suppliers for non-existent services. Requests for "contributions to celebrating the company's anniversary", "fees for opening and refurbishing shops" and "fixed bonuses" are run of the mill.

The only possible solution is clearly a change in legislation. Recently, laws to wipe out the underhand practices of retail chains have been taken, particularly in Slovakia, the Czech Republic, Hungary and Romania. For the post-communist countries, they are also witnessing the gradual elimination of the entire agro-food sector. This is because supermarket chains clearly prefer imports to domestic production, even though wage costs in the east of the continent are relatively low. In many countries in the region, domestic products account for less than 50% of what is on the shelves, while in western European the figure is around 80%. One of the reasons for this is probably that, while foreign retail chains prevail in central Europe, supermarkets in Austria, Germany, the United Kingdom and France are entirely in the hands of home-grown businesses.

EFFECTIVE LEGISLATION

The country with the most comprehensive and effective legislation on commercial transactions is France. Although not all the problems have been solved even there, the scandalous supplier rebates have dropped from around 50% of the value of goods sold to a tolerable 10%. This is proof that a rigorous crack-down on shady practices by retail chains can bear fruit.

At EU level, the only effective legislation in this area so far is Directive 2000/35 on combating late payment in commercial transactions. But even this has its loopholes, which is why it is now being amended. Other EU documents on commercial transactions adopted by the European Commission, the European Parliament or the European Economic and Social Committee have no force in law. We are still waiting for comprehensive and effective legislation.