



European Economic and Social Committee
Employers' Group

Newsletter

April 2017

Investment as a means to improve competitiveness



Remaining competitive in an ever-changing globalised economy is key and one of the factors that makes a company competitive at a local, regional and global level remains investment. The subject of the conference titled 'Does the EU encourage private sector investment?' that we are jointly organising in Malta on the 11th May is an important one, especially for those enterprises which are small in size or are at the beginning of their business life cycle. In Malta's case, the importance of the subject is underlined by the fact that the vast majority of enterprises are either micro or small enterprises. The latest statistics show that 95 out of every 100 enterprises employ less than nine people, making access to credit and investment all the more important for the country's economic development.

Starting a business and expanding one's activities requires funds, and raising the right kind of investment can still be a challenge for local SMEs. Extending the possibilities of financing for SMEs is and will remain a key element in supporting the European objective of establishing the most competitive and dynamic knowledge-based economy in the world.

When the then newly appointed President of the Commission, Jean Claude Juncker, came up with the Investment plan, many hailed this development which Europe needed badly. Today the investment situation in Europe has indeed improved slightly but the pace remains timid and the investment gap wide. Despite its strengths our Union is still perceived to be an expensive and complicated place to do business. Only by addressing existing barriers to investment in the Union will we be able to further attract investment in a long-term perspective.

The European Fund for Strategic Investment (EFSI) has been such a success during its first years of existence that late last year it was extended beyond its initial 3 years of existence. It is now estimated that at least half a trillion euros of investments will be mobilised by 2020. The package remains only one piece of the investment challenge Europe needs to overcome. Removing barriers to investment in Europe means: reducing unnecessary and overly expensive regulation, bringing down costs of doing business, allowing better access to finance and scrapping barriers to the Single Market.

EFSI however has brought an important change in the investment culture on the continent. Nevertheless, small countries like Malta have really and truly benefited very little from this fund. Through EFSI, one specific local financial intermediary managed to introduce the InnovFin SME Guarantee Scheme, whose objective is to support research and innovation activities amongst SMEs helping them access financing on more favourable terms than commercial ones. Despite this development, we have noted very little progress with respect to other potential projects originating from Malta. The vast majority of the projects approved and financed remains infrastructural ranging from energy, transport, telecommunications, urban development, water management and sewage treatment amongst others.

It is also to be noted that so far Member States with the best administrative and technical capacity have taken greater advantage of this fund. We therefore believe that in any upcoming discussion about extending the existence of the fund beyond 2020, geographical coverage is a must. It is to no avail that a fund is established to improve investment situation across Europe when the probability is that very few regions are benefiting from it. We believe that in this respect the European Investment Bank (EIB) and the European Commission have a stronger role to play in supporting those Member States and regions which are lagging behind through greater technical assistance.

Further to this it is our firm belief, that the European Investment Advisory Hub needs to be more proactive in order to support Member States with greater difficulties in accessing the fund. Our organisation firmly believes that there could be further involvement from regional and local players such as business associations and organisations in partnering with the EIB to reach out to the business community about the possibilities offered under this Fund. The current contact points based in the Member States have proven helpful in certain respects but more reach out needs to be carried out in making the business community aware of the options and secondly give the initial handholding on how to come about raising funds for the project and its viability.



In the case of Malta and similar smaller regions, there is scope for furthering and facilitating cross border projects in order to augment the economies of scale that might exist in making a project viable. Therefore, we would welcome the Commission's renewed commitment during recent discussion to make this matter one of its priorities.



Does the EU encourage private sector investment?

11 | 05 | 2017 | 14:00 – 17:30 Valetta | MALTA



It is important to note that, at this stage Malta is currently setting up a new Malta Development Bank, whose aim will be that of carrying out non-commercial activities to facilitate access to finance for SMEs and to support infrastructural investment. This new Bank with an initial authorised capital of €200 million will have a prominent role to play in the implementation of the EFSI in the country. The Chamber looks

forward to its establishment and also believes that the structure could have a central role in vetting and improving proposed projects before these are presented to the EIB.

Investment remains the name of the game as it continues to determine the competitiveness of our businesses. While welcoming all that has been done already, as a Chamber we will continue to call for more incentives to encourage investment which is the life-line of our economies.



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The Malta Chamber of Commerce, Enterprise and Industry strives to actively represent companies from all economic sectors and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business. It has constantly done so during its 169 years of existence.

Nationalism means war

We are against isolationism and in favour of open markets, and there are many sound, rational reasons for this. The arguments are logical, evidence-based and make sense to people. But let us not fool ourselves: nowadays facts are playing an increasingly marginal role in the battle for votes. Lies, if repeated often enough, become "truth", or at any rate something that people believe is the truth. Is it even possible still to garner political support through rational argument?

My intention in posing this question is certainly not to encourage the course some have taken in appealing to feelings and emotions. But we do need to think about how we can also reach people's hearts. Personally, I do not have all the answers, but I do think this question or approach is crucial if we really want people to listen, and to listen with their hearts.

Maybe as employers' representatives we sometimes lack the necessary empathy for people who are finding life tough, and I would include myself in this criticism. In our own world, we manage very well with objectively presented, rational, regulation-based arguments. But too many of those concerned are not open to our arguments, even if such arguments are ultimately also useful for them, because they feel that we do not understand their difficult circumstances. This has to change.

It does not follow that I favour a social policy which does not make economic sense – social policy on this premise would never succeed, as it would destroy its very basis. Anyone who speaks of solidarity and fair distribution – both of which are essential for any harmonious society – has to recognise that the basis of social welfare must be a strong economy.

In Germany and elsewhere, lies and emotional appeals have been used to foment opposition to a trade agreement with the United States. I use the word "foment" advisedly, as people who are paid to lead the anti-TTIP campaign do not get drawn into discussion of the facts, but try to whip up emotions, even hatred. And these very people who were arguing against a good trade agreement are now shocked to the core as they realise that their closest ally is the US president, Donald Trump, who practises to the letter what they have been preaching. In the face of Trump's protectionist soundbites, the "Stop TTIP" campaigners are now calling for open markets. Do they expect us to forget that for ideological reasons they led millions of people completely astray through sheer emotional argumentation? In fact, the far right and the far left



have unintentionally, though consistently, taken up identical political stances. This serves as an object lesson against any form of political extremism.

The issue at hand is open world trade, obviously in a form that is fair to each side. This is precisely why we conduct negotiations on trade agreements. It would be a good subject for a discussion about values. Many currently feel that their political time has come and are building walls – both imaginary and real. People's fears at a time of large refugee flows play into such players' hands. Very few people's lives are actually affected in Germany, but in the minds of many there is a desire to immure themselves, to keep the problems at arm's length.

But those who would build walls are exactly the ones who bring to mind what François Mitterrand summed up in one sentence in his farewell speech to the European Parliament: "Nationalism means war". This sounds dramatic, but it is true. The peoples of Europe have been battered by war, time and time again, over the course of centuries. The message "Nationalism means war" is both rational and emotional, and reaches people's hearts. Nobody wants war.

Anyone who turns against the fundamental idea of European integration will ultimately, contrary to their best intentions, find themselves at war. This realisation also provides a great opportunity for the European Union on the world stage: people worldwide will see that a system that builds bridges and that bases co-existence on the principle of negotiation rather than violence is superior to every other form of national self-determination and a strong guarantee of peace.

We need a debate about values. This may sound abstract, but in a "post-truth" era it will actually trigger a process of change, at the end of which demonstrable facts based on rational action will once again hold sway.



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Legal migration: legislation in the spotlight

How to manage migration properly is not a new challenge for the European Union. After the *Global Approach to Migration and Mobility*, dating back to 2005, the Commission came up with a new *European Agenda for Migration* in 2015, based on four pillars: reducing the irregular migration, securing external borders, a common asylum policy and a new policy on legal migration. New patterns of migration and new motivations for leaving the country of origin are emerging, and if Europe wants to distinguish between legal and illegal migrants, to prevent illegal migration from leading to violations of workers' rights and to facilitate companies' access to the talents and skills of workers from third countries, now is the time to check whether the rules on legal migration actually correspond to today's reality.



In the light of this, the EESC was invited by the European Commission to conduct a study entitled *The state of existing EU legislation on legal migration*. The initiative is carried out in cooperation with civil society organisations in all the Member States, in the form of a questionnaire on the relevance of legal migration rules and a *going local* mission to some of the countries. Debates with the social partners and civil society representatives are based on some general questions about their knowledge of EU legislation, mainly regarding the family reunification and long-term residents directives, the Blue Card, the single permit, seasonal workers and intra-corporate transfers. Discussions also cover the impact on the national level and the added value of the EU's legal migration rules.

It was my pleasure to represent the Employers' Group on two of the *going local* missions – to Madrid and Rome. The pictures to emerge from these meetings displayed numerous similarities. Both social partners and civil society organizations were highly interested in the issues being discussed because of their relevance to the labour market and the integration process in their countries, but they had not been properly consulted. They had neither the power nor the capacity to influence the process of transposing and implementing the directives.

EU rules were faced with national legislations which differed significantly across Europe. Some older EU directives in



combination with the judgments of the European Court of Justice (ECJ), had complicated the situation by creating more bureaucracy. Conversely, some of the newer directives, such as the directive on the single permit for third-country nationals to reside and work in the territory of Member States or that on long-term residents, were a move in the right direction, limiting redundant administrative burdens created by the national legislative process. Views also differed on three of the directives being discussed, although they were welcomed by many sectors and companies because they facilitated their access to workers with the right skills, at the right time: the Blue Card directive, even though it was still under revision, was very limited regarding take-up and impact, and the seasonal workers and intra-corporate transfer directives were still considered – particularly by the trade unions – as very risky with respect to equal treatment and potential discrimination against third country nationals.

Participants in the discussions broadly agreed on the need for a more comprehensive approach in the field of migration on the part of the European Commission. *“We have to think as one Europe, no longer as 28 Member States”*, was a view expressed by many of those present. The older legal migration rules had to reflect reality more closely, in full respect for the rights of third country nationals, their cultures and their family models.

The message of employers was clear and positive. What was needed in Europe was more mobility. Migration was a necessity, and greater efforts had to be made to capitalise on the economic potential of migrants. This is the reason why the employers are supporting all initiatives facilitating legal migration and integration process, including the activities of NGOs in this field.



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Who hasn't yet heard of the "energy transition"?

For a long time characterised by the stability of its structure and technology, which made it easy to make medium and long-term projections, the energy sector is now reaching fever pitch.

High temperatures are often the cause of a fever! The Paris Agreement signed in December 2015 sets the target of limiting temperature increase to well below 2°C and actually commits the energy sector to substantially reduce its greenhouse gas emissions, which currently account for 60 % of anthropogenic emissions: the need to free ourselves from our dependence on fossil fuels is becoming increasingly apparent.

While climate change and the threat it poses to humanity are undeniably a driving force behind this fever, it is not the only thing causing a shake-up in the energy system. In addition to the risks associated with climate change, there is also the scarcity of raw materials and the acceleration of human development, which requires the ability to provide energy at low cost while managing the environmental impact. In the connected world of tomorrow where 9 billion people will need to learn to live together, the question of the allocation of resources and access to high-quality energy poses major questions for our current models.

The rapid development of the energy sector is also a result of the technological innovations of the past two decades.

- Technological development in the energy sector: nowadays, renewable energies account for almost a third of the world's electricity production capacity. In some countries, some economically mature renewable energies, such as solar and wind, are now beginning to compete with fossil fuels. Since 2010, the cost of photovoltaic systems has dropped by 80 %. Batteries, the cost of which is constantly decreasing, will soon make it possible to store energy on a relatively large scale.
- Technological progress in the IT and digital sectors: the expansion of digital technology will enable the energy sector to develop more decentralised models as well as ever more efficient systems for monitoring, controlling and managing energy production and use.

This is more than a transition; what the energy sector is experiencing today is a revolution!

This revolution is redefining the world of energy. Previously, the energy system relied on a centralised, vertical structure based on the principle of economies of scale and output in order to meet rapidly increasing demand. Fossil fuels, given their moderate cost (both in terms of extraction and transport) and their energy density (small quantities being sufficient to produce a lot of energy) appeared to be the appropriate resource. Under this structure, the supply logic was forced upon users, who found themselves in a relatively passive position, with the search for energy efficiency and the choice of type of fuel as the only scope for making a choice. In the future, the energy system will be more open, facilitating interaction between centralised and decentralised means of production. The new solutions based on storage technology and the production of renewable energy will foster the emergence of smaller decentralised infrastructures, mirroring the realities in different locations.



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Consumers will become players at the heart of this new model. With an awareness of the need to save energy and protect the environment, these "enlightened" users or "active energy consumers" will be able to produce energy to meet their own needs or exchange it with other consumers via increasingly smart networks. Whereas the energy supply was relatively uniform in the centralised system of the past, in the future energy operators will have to take into account customers' needs, sensitivities and varying wishes in order to respond to them better.

In this context, the dialogue with civil society will take on an even greater importance. New technological solutions, whether brought about by major energy operators or start-ups, and social innovation on the ground, will mean that the energy system will be constantly reassessed. It will be inclusive.

- Inclusive because this is now possible. Decentralised technologies will be able to respond to development needs, which was not the case with a system based on large power plants or refineries and capital-intensive infrastructure. Just as the landline network has been short-circuited by mobile phones in Africa, these new decentralised solutions will overcome problems relating to location and distance, and their more accessible cost will make them available to groups that are relatively disadvantaged in economic terms.
- Inclusive because this is a necessity. Consumers will also play an active role, both in their own energy consumption but also in the construction of the means of production. The development of participatory finance, green bonds, crowd-funding and micro-finance will give individuals a more important role in the area of energy policy choices.

This energy revolution, the onset of which we are currently experiencing, is exciting. It offers a source of hope and human development in a 21st century world that is beleaguered by multiple economic, societal and environmental issues. The race is now on...

In order to win, we have an excellent tool at our disposal: factoring externalities into our economies. For example, putting a price on carbon and greenhouse gas emissions while making it possible to steer investment choices towards low carbon solutions, and rewarding players who develop these technologies (at much higher levels than that of the current EU ETS) undeniably boosts the transition of the world of energy. Let us make full use of it!



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MobiliseSME – A New Erasmus-like Scheme for SMEs Employees in Europe

European Entrepreneurs CEA-PME, the only European confederation of voluntarily associated SMEs, together with DG EMPL of the European Commission, have launched in November 2016 the test phase of the project MobiliseSME (www.mobilisesme.eu), a new mobility pilot scheme for employees of SMEs in Europe.

What is MobiliseSME?

Similar to the successful Erasmus program for university students, this new scheme allows small and medium-sized companies in Europe to send one of their employees to work in another company abroad for a period between two weeks and two months or to host the employee of a foreign company for the same time span. This offers the opportunity to develop the employee's skills, while contemporarily starting or consolidating the cooperation among the two companies.

Why MobiliseSME?

Conceived as a project that shall verify the feasibility of this new scheme, MobiliseSME is based on the vision that international mobility of SME employees gives the unique chance to all participants - the hosting company, the sending company and the employee – to make it a "win-win-win" situation.

With this simple yet unprecedented program, companies can benefit in different ways:

- 1. New Business Opportunities.** By joining in an exchange, SMEs will logically match with companies abroad with which they have some compatibility. This can easily set the basis for new business deals.
- 2. Unique Training for Your Employees.** Visiting employees will go to either teach or learn some key aspects of their job. Be it that you host a foreign employee or send abroad one of your own, your employees will receive a unique training opportunity.
- 3. Get a Foreign Market Specialist in Your Team at No Additional Cost.** By sending abroad a member of their staff, you will give the chance to a staff member to acquire specialised knowledge of a foreign market that could lead to new business opportunities.

How does MobiliseSME work?

Your company can either host an exchange or send a member of staff on an exchange. To take part, you need to register at the matchmaking platform, where you can post the profile of the type of employee you are intending to send or host.

Once you connect with another company via the platform, you have to send your application to the corresponding national contact point (they will be allocated to you when you register) so your exchange can be validated.

Eligible countries

To take part in the scheme, your company must be based in one of the following countries:

- EU countries;
- Candidate and potential candidate countries (Albania, FYROM, Montenegro, Serbia, Turkey, Bosnia and Herzegovina, Kosovo);
- EEA countries and EFTA countries (Liechtenstein, Iceland, Norway).

Hosting exchange partners

Any type or size of company can become a host and there is no limit to the amount of exchanges they can host.

Sending exchange partners

Only the following company types can apply to send staff on an exchange:

- Micro, Small and Medium-sized Enterprises (following the EU definition);
- "One person enterprises" that are incorporated into a legal entity and have a VAT number (if required by law in their country of registration), or if they are part of the following liberal professions: lawyers, notaries, tax accountants, certified financial auditors, medical doctors, pharmacists, psychologists, architects, engineers.

Companies planning to send a member of staff on an exchange **can send up to 2 persons on the exchange**. Each employee can go only once.

With the application, the companies and the employee define a small training plan for the employee. If a mobility is approved, the project will provide financial support directly to the visiting employee for additional travel and living costs. The support varies between countries according to where the employees go and according to the duration of the exchange. For example, for coming to Belgium for 2 weeks an employee receives 900 Euro, while going to Germany for 2 months she or he will receive 2.000 Euro as a forfeit contribution.

More Info

The test phase of MobiliseSME will finish on June 30th, 2017: to participate you can join the scheme by registering on the MobiliseSME matchmaking platform:

<http://matchmaking.mobilisesme.eu/>

MobiliseSME 



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State of affairs of the European Chemical Industry: Need for a comprehensive industrial policy strategy

The European chemical industry is of major importance for economic development and wealth, providing modern products and materials and enabling solutions in virtually all sectors and value chains of the manufacturing economy, as well as contributing to a sustainable society.

In many ways, the European chemical industry is highly successful. Traditionally, it has been a world leader in chemicals production - as shown by a consistent export surplus which reached EUR 44.3 billion in 2015. But, while European chemicals sales have continued to grow over the past 20 years, Europe's share of global sales over the same period has declined from 32% to 15%. This decrease is due more to declining competitiveness than to slow-growing destination markets.

Investments in new production capacity increasingly flow to other parts of the world. Recognising the chemical industry's strategic importance for a successful industrial strategy, China, the Middle East and India have all made successful efforts to build up large and increasingly sophisticated production facilities and attract high investments by putting industry at the very top of their political agendas. The same applies to the USA, where the recent shift towards "America First" will inevitably have further strong impacts on their industrial policy. As a result the EU's share of global chemicals production is decreasing in several segments of the market.

There are a number of potential causes for this loss in share. Energy and feedstock prices are a critical factor for the competitiveness of the chemical industry. The shale gas boom in the United States has greatly reduced energy and feedstock costs there. The regulatory burden in the EU remains a key issue as well, notably for SMEs. A cumulative cost assessment for our sector conducted for the European Commission found that the cost of chemicals-related regulation doubled between 2004 and 2014, totalling nearly EUR 10 billion per annum, i.e. equivalent to the annual R&D spending of the industry.

At the same time the chemical industry is in transition to respond to societal needs with respect to climate change, clean energy and transport, new processing methods and alternative feedstock, and



overall increased sustainability. The chemical industry can and will provide solutions for these societal challenges. The only question is where these solutions will be developed, in Europe or elsewhere.

Implications for an EU Industrial Policy Strategy

Given its role in providing the solutions needed to enable the transition to a low-carbon and circular economy, it is important for the chemical industry to be taken into account when developing EU climate and Circular Economy policies. Today, there is a strong risk that Europe's transition to low-carbon and circular economies will hurt EU industrial production and benefit producers located elsewhere. It is therefore important that EU industrial policy recognises the importance of value chains and offers attractive operating conditions in Europe. To ensure Europe's continued role in the global economy, the potential of individual European value chains being integrated into global value chains should be clearly recognised, i.e. European suppliers should be able to compete globally and not just in Europe.

It is crucial for the future EU Industrial Policy Strategy to offer a coherent action plan that brings together and streamlines measures in a variety of EU policy areas. For an Industrial Policy Strategy to be successful it must enable industry to transform, by creating a favourable business environment that stimulates innovation and investment in Europe.

It is in this spirit that we have developed recommendations for an EU Industrial Policy Strategy and Action Plan. These recommendations focus on energy and feedstock costs, better regulation, trade policy and the innovation climate. Many of them are not new, but they are still important. In combination, they would produce a powerful boost to industry competitiveness. And if national policy were to follow this lead, the impact would be even greater.

Conclusions

Certain trends are unmistakably taking place. The shift of manufacturing to Asia and higher growth in chemicals output there as a result, an ageing population in Europe and the shift of petrochemicals production to resource-rich countries are just a few examples. They all point to a declining share of the Europe-based chemical industry in global sales.



The EU chemical industry can be a key contributor to energy transition, climate change mitigation and to other EU policy objectives, such as the circular economy and sustainability. The industry is constantly adapting to new societal demands and responding to new trends towards sustainable production. To successfully achieve this transformation, it requires an overarching structure, spanning basic, specialty and fine chemicals as well as consumer chemicals, i.e. entire value chains. However, given the easily tradable nature of many chemical products and the international nature of the sector, this will only be possible if the competitiveness of the EU chemicals sector can be maintained. For these objectives to be met – and for the EU chemicals sector to

maintain its status as a world leader – EU policymakers must put in place a suitable regulatory environment, in which industrial competitiveness is mainstreamed into all other EU policies (including those on energy, climate, innovation and chemicals safety).



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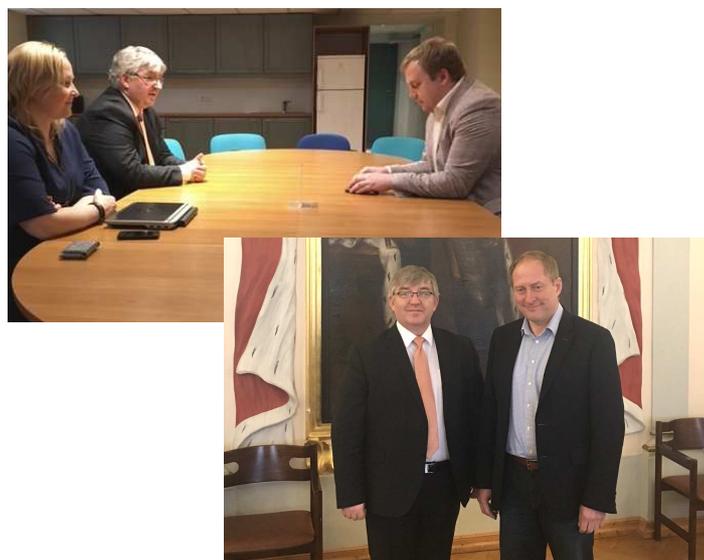
Employers' Group preparing for the Estonian Presidency

As Estonia is the most advanced digital society in the world, digitisation will be one of the main priorities of the Estonian presidency of the Council of the European Union in the second half of 2017. The Employers' Group, in close cooperation with Estonian employers' organisations, is keen to actively contribute to the presidency agenda. That is why on 20 and 21 April, the president of the Employers' Group, Jacek Krawczyk, visited Estonia to discuss potential joint initiatives.

In October 2017, in line with the presidency's priorities and in the framework of its agenda, the group will host a conference on the advantages of the digital society. This will be an excellent opportunity to explore best practices in digitisation adopted in Estonia and in other EU Member States. As underlined in the group's priorities, embracing digital innovation is indispensable for staying competitive.

The presidency is working on a number of interesting initiatives related to digitisation, for example on the role of digitisation in the transport sector and on the free flow of data. The Employers' Group is highly interested in these initiatives and is willing to further examine these proposals.

Apart from digitisation, the Eastern Partnership will also be an important focus of the upcoming presidency. The Eastern Partnership Summit is scheduled for November 2017 in Brussels. As the EESC has constantly called for the active involvement of civil society in the Eastern Partnership, this creates a solid basis for close cooperation between the presidency and the EESC in that area.



The presidency will also continue working on important dossiers in the area of social policy, such as the European Pillar of Social Rights and the revision of the Posting of Workers Directive – which are extremely important topics for employers.

The group president's visit included meetings with representatives of Estonia's Ministry of Economic Affairs and Communication, Ministry of Social Affairs and Ministry of Foreign Affairs. Mr Krawczyk also visited the e-Estonia showroom and met with high-level representatives of Estonian national employers' organisations: the Estonian Chamber of Commerce and Industry and the Estonian Employers' Confederation.

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