European Economic and Social Committee
Employers' Group

Newsletter
February 2017

# What Future for the Euro?




This is no time for complacency. The Eurozone needs to return to the path of structural reforms and system-level changes in order to ensure more convergence among Members States, and by extension the health of the European economy. A competitive, resilient (to external shocks) and above all prosperous Europe can take shape only if the Member States commit to the three-pronged strategy of structural reforms, responsible fiscal policies and investment, all this against the background of European solidarity. In that sense, technical aspects should not be in the foreground, but rather a more political vision of Europe that would heed citizens' priorities rather than numerical targets and technicalities. These are some of the conclusions that emerged from the conference "What future for the euro - Threats and Opportunities for Stage 2 of Deepening EMU" that took place on 2 February at the EESC.

In his opening address, Joost van Iersel, President of the EESC's ECO section and Employers' Group member stressed the importance of all Eurozone members moving in sync, even if that required a treaty change. He went on to state that "citizens and economic actors of Europe urgently need to see a sense of ownership and direction by the European leadership, and even more so when discussing the missing blocks of a genuine EMU".

The European Union had embarked on a phased reform plan of the EMU by the end of 2012, outlining a roadmap for actions that would contribute to a genuine Economic and Monetary Union. Mr Wieser, President of the Euro Working Group, highlighted a persistently skewed outside perception of Europe in crisis, despite its ability to largely weather the storm. During the first panel, he also noted systemic constraints imposed by the existing legal framework, while also shedding light on the possibility of introducing other institutional innovations within the treaties.

Mr Suardi focused his attention on requirements for the EMU to move forward. Since the euro by itself would hardly bring about convergence, greater convergence efforts by the Member States were needed. Secondly, the strong link between national banks and sovereigns was still to be broken. It was equally important to create an atmosphere of public support behind a strong narrative of fairness within the EMU.

In light of the Maltese presidency, Mr Camilleri, Permanent Secretary of the Maltese Ministry of Finance, laid out his government's plan for the forthcoming six months with regards to the EMU, largely based on an anti-money laundering directive, combating tax fraud and evasion, initiation of work on EMIR, as well as new innovations in economic governance and improvement in investment levels. In his view, the four main topics to be addressed through the duration of the Maltese presidency were the Commission's White Paper on the future of the EU, non-performing loans, the issues of tax certainty, and lastly financing of development projects in the Mediterranean region.

The expert panel discussed the threats and opportunities with regard to completing the EMU during the second stage of the process (2017-2025). During the second panel, many of the points made were reiterated with important insights added to the discussion.

Mr Wolff, Director of Bruegel, pointed out that there needed to be a common strategy involving a number of countries (e.g. Germany and Italy) in order to address the significant divergence in terms of unit labour costs in different Member States. With regard to the fiscal dimension, he stressed the importance of completing the banking union, calling for the necessary fiscal back stop and deposit insurance scheme. In his view, the more Europeanised the financial system is, the more we could say that we have a credible no-bail-out clause in the fiscal domain.

Ms Renaud-Basso, Director-General of the French Treasury, agreed with the other panellists on the shortcomings of the EMU, and offered solutions for what needed to be done immediately and in the future. In the short run, deepening financial integration was identified as one of the priorities, including both the completion of the afore-mentioned banking union and the need to remove burdensome regulations. In the medium and long run more fiscal and political integration and more common governance were needed.

Mr Andritzky, Secretary-General of the German Council of Economic Experts, concurred with the previous speakers that currently there was not enough appetite to seize sovereignty at EU level. However, once the ECB would end its asset purchase programmes, the option could be considered to enhance the role of ESM so as to provide something similar to a debt redemption fund or a debt reduction facility for those Member States which complied with their country-specific recommendations.

Mr Frank Moss, Director-General of International and European Relations at the ECB, stressed the need to strive towards credible implementation of what had been established in the face of strong pessimism. There was a challenging agenda ahead, but as mentioned in the Five Presidents' Report, progress needed to be made in parallel with all unions (economic, financial, fiscal and political).

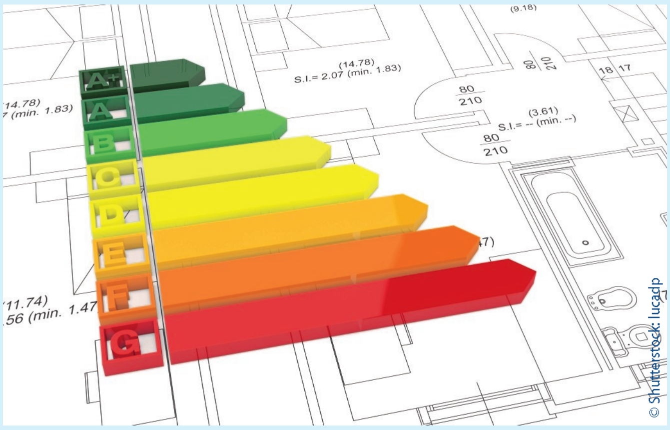
Mr Jeffrey Franks, Director of the IMF Europe Office, praised the EU's monetary policy but called on the leaders to recognise the dangers that lurked behind non-compliant Member States, lack of centralised fiscal support and incomplete banking union.

Although they might have diverged in opinion on the specifics of the mechanisms to be employed, the expert panellists clearly agreed that political will to build a common sense of purpose was still the missing element that was needed to go forward with completing EMU.

# Why an Energy Performance of Buildings Directive review?

At the end of last year the European Commission announced a review of the Energy Performance of Buildings Directive (EPBD), with additional measures on energy efficiency of buildings needed to meet the 2030 targets. The arguments for this are:

- 75% of housing stock is energy inefficient, missing the benefits of renovation;
- Renovation rates are too low and renovation depth is too shallow;
- There is a need to accelerate and finance investment in building renovation.



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Kjetil Tonning, Vice-President of the European Construction Industry Federation (FIEC) stated recently that "We hope the 'winter energy union package' will facilitate deep renovation in the private residential market as well as the relatively easy wins offered by retrofitting public buildings. We will be looking closely at the smart financing measures proposed and we hope that the recommendations of the Energy Efficiency Financial Institutions Group have been taken into account". Also important for the FIEC is the extent to which any financial support is to be linked to energy performance certificates (EPCs). The quality of EPCs has been inconsistent so far, meaning that any proposal to assess energy savings achieved by comparing EPCs before and after renovation might be premature.

For the FIEC, an important proposal in the energy union package concerns the revision of the EPBD. The technical aspects of this proposal will create a new generation of intelligent buildings, the energy consumption and production of which will be managed by smart systems. As well as the focus on energy saving, the FIEC hopes to see specific references to building information modelling (BIM). "Recent hints from the Commission suggest that we can expect something on the digitalisation of construction processes. Provided that any digital agenda for construction allows the industry to take the lead, by proposing its innovative technical solutions to achieve broad modernisation and efficiency objectives, we would be very enthusiastic".

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The Buildings Performance Institute Europe (BPIE) has made the following recommendations for updating the EPBD:

- Including an unambiguous long-term vision for buildings. EU building stock should meet high efficiency and zero carbon standards by 2050;
- Stimulating higher renovation rates and deeper energy renovation of the current building stock;
- Ensuring that future buildings are smart and interconnected with the energy system;
- Addressing the problem of fuel poverty across the EU with a carefully designed and more effective policy landscape.

On 11 January 2017 the TEN secretariat of the EESC organised a meeting of the Study Group members with Paula Rey Garcia, Buildings Team Leader at DG Energy, in order to better prepare for the first SG meeting on the TEN/620 on 16 February 2017. The opinion is to be approved at the April plenary session.

In the end, however, the package should also address energy savings in existing buildings. The right measures could reassure investors and help owners to embark on renovation projects, leading to almost one million new jobs by 2030, according to Commissioner Bieńkowska in her recent speech at the European Policy Centre.

So the question is, will the winter package spark spending on renovation or will it leave investors cold? Dear readers, you are invited to give your input and reactions.


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# CCMI contributes to European leadership in strategic sectors

**The start of 2017 marks the beginning of the mid-term review by the European Commission and is a good moment to reflect on how the CCMI contributes to European leadership in strategic sectors.**
**The role of the CCMI is to bring to the attention of the European Commission the challenges and needs of the different industrial sectors and their companies and employees. The CCMI ensures a balance between the need for socially acceptable change and the retention of a competitive edge for EU industry.**

Its importance lies in its support for EU policies that contribute, both directly and indirectly, to maintaining/developing a highly-skilled workforce in Europe. Important EESC opinions over the past couple of years have focused on (but were not limited to):

- Industry 4.0 and digital transformation: industrial policy and digitalisation of industry, including skills, working patterns, health and safety;
- Social Responsibility: responsible business practices;
- Growth and competitiveness agenda.

The importance of the research-based pharmaceutical industry and the interests at stake within the CCMI are clear. The sector directly employs some 725 000 people and generates three to four times more jobs indirectly – upstream and downstream – than it does directly; 118 000 out of the 725 000 direct jobs in the pharmaceutical industry are highly skilled jobs related to R&D. The research-based pharmaceutical industry is also one of Europe's top performing high–technology sectors. It is the second most innovative sector in the EU, with an 18.4% share of R&D investment, just behind the automobile and parts sector. It is also the most R&D-intensive sector, investing on average 14.4% of its net sales in R&D.

EFPIA welcomes the strong commitment of the Juncker Commission to overcome silo mentalities and maintain European leadership in strategic sectors with high-value jobs. However, the current Commission has decided not to work on a sector-specific industrial policy, which potentially undermines the idea of the EU as an attractive place for investment in the research-based pharmaceutical sector and beyond, in the longer term. As the EESC opinion on Industry 4.0 and digital transformation: Where to go (July 2016) rightly points out, an EU 4.0 industrial strategy has the potential to 'replace the current fragmentation' in the European Union.

It is promising that further work by the EESC's CCMI has already been announced, as we have some way to go to ensure genuine coherence between research, health, and economic and fiscal policies. The importance of the CCMI should not be underestimated, given the platform it offers for discussion and dialogue relating to policy issues between different actors in the field of industrial change.

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**About EFPIA**

The European Federation of Pharmaceutical Industries and Associations (EFPIA) brings together 33 European national pharmaceutical industry associations as well as 41 leading companies, undertaking research and development and manufacturing medicinal products in Europe for human use. The research-based pharmaceutical industry is a driver of medical progress not only because it researches, develops and provides new medicines that improve health and quality of life for patients around the world, but also because it ensures high-quality jobs and the global competitiveness of the EU pharmaceutical sector.

# Brenda King at the SDG Watch Europe Annual General Assembly


The 2030 Agenda for Sustainable Development can act as a useful platform for cooperation among partners, and as an important tool to promote peace and prosperity whilst taking into account economic, social and environmental sustainability – these were some of the outcomes of the first Annual General Assembly of SDG Watch Europe, which took place on 1 and 2 February 2017.

The meeting gathered members of SDG Watch Europe, a number of MEPs from several EP Committees, and representatives from various EU institutions including the Commission, the EEAS and the EESC, represented by the president of the Sustainable Development Observatory and member of the Employers' Group, Brenda King.

Participants engaged in discussions on the Parliament's role in SDG implementation, the Commission Communication on the next steps for a sustainable European future, the SDG agenda, the impact assessment for trade negotiations, the role of culture in creating new more sustainable lifestyles, and other topics.

"The priorities for SDG implementation must focus on where the biggest gaps are in reality, and these are not necessarily identical to the ten Juncker priorities" highlighted Brenda King. "We had called on the Commission to use the 2030 Agenda as an opportunity to develop a proactive, transformational and positive narrative for Europe, and in this regard we share the view of SDG Watch and many CSOs who published similar calls. We need a long-term strategy to shift our economies towards resilient and competitive, low-carbon and socially inclusive development", she added.

SDG Watch Europe is a new, EU-level, cross-sectoral CSO alliance of NGOs from development, environment, social, human rights and other sectors. Its goal is to hold governments to account for the implementation of the 2030 Agenda for Sustainable Development (SDGs).

## Exhibition of photos of Polish film director, Andrzej Wajda

**In January, the EESC presented an exhibition of over 30 photographs of the recently deceased Polish film director, Andrzej Wajda. The photos, taken by world-renowned artist photographer, Czesław Czapliński, illustrated some poignant moments of Wajda's professional and private life. The exhibition was organised at the initiative of the EESC Employers' Group**

*"It is not an exaggeration to say that Andrzej Wajda was universally recognised master and a symbol of European cinema"*, said Jacek P. Krawczyk, President of the EESC Employers' Group during the "finissage" of the exhibition that took place on 25 January. He encouraged the audience to watch Wajda's last film, "Powidoki" ("Afterimage"), which will be screened in Brussels in March.

Polish novelist, playwright and screenwriter, Maciej Karpiński, shared his very personal memories of working with Andrzej Wajda with the audience. He stressed that Wajda had been not only a great Polish artist, but also a great European, with a keen interest in and knowledge of European affairs.

# UEAPME to further engage with the Employers' Group to foster closer cooperation

More attention to the needs of SMEs and family businesses, easier access to finance, fewer bureaucratic burdens, simplification of taxation systems and proper coordination to respond to current challenges – these were some of the priorities highlighted by the newly-elected president of UEAPME, Ulrike Rabmer-Koller.


In order to foster further cooperation and coordinate their common interests, the Employers' Group had the great pleasure of welcoming the UEAPME president, Ulrike Rabmer-Koller, and UEAPME secretary-general, Véronique Willems, to the first Group meeting of 2017 in order to discuss the state of play of SMEs in Europe and the goals and priorities that they were aiming for.

"SMEs are the backbone of our economy and the biggest stimulators for growth in Europe", said President Rabmer-Koller. She pledged to make Europe more attractive to investors and to envisage an EU SME policy that had SMEs' actual needs in mind. As a representative of millions of SMEs in Europe, UEAPME called for further improvements in access to finance for all types of SMEs and family businesses, not just for innovative start-ups. While welcoming the EFSI SME Window, COSME and Horizon 2020 programmes, UEAPME believed that further progress was needed in order to ensure easier access to finance, set out the right regulatory frameworks and simplify the tax regimes.

"SMEs need a proper environment in order to create growth and reach convergence among different Member States. In order to have sustainable systems we need stronger cooperation between public authorities, SMEs, social partners and labour market inspectors," added Ms Rabmer-Koller. With regard to current challenges related to skills mismatches and the emergence of new types of work models, the UEAPME president believed Europe needed to anticipate changes and prepare for possible threats and challenges. Talking specifically about digitalization, she believed the European Commission should be very careful when passing new legislation because it would only trigger additional burdens for SMEs, which would be an obstacle to growth.

"The Employers' Group's priorities regarding SMEs are fully aligned with those of UEAPME and we are looking forward to further fruitful cooperation with you," said Jacek Krawczyk, president of the Employers' Group. He recalled that in April last year the group organised the SME Round Table, where representatives of all major European employers' organisations had the opportunity to engage in a frank and open discussion with the EU commissioner responsible for SMEs, Elżbieta Bieńkowska. He also noted that the group would organise a conference devoted to private investment during the Maltese Presidency and invited UEAPME representatives to participate.


**About UEAPME**

UEAPME (*Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises*) is the employer's organisation representing the interests of European crafts, trades and SMEs at EU level. UEAPME is a recognised European Social Partner and acts on behalf of crafts and SMEs in the European Social Dialogue and in discussions with the EU institutions. UEAPME is one of the main partner organisations of the Employers' Group.

# Consultations on the Common Agricultural Policy

**Within the framework of the multiannual financial framework, the European Commission has launched a consultation on the Common Agricultural Policy (CAP) post-2020. In the course of this consultation, an average of 1000 persons will reply to a total of 34 questions.**


If you also believe that this policy, which is enshrined in the fundamental principles of the Treaty of Rome, is worthy of attention you should take an interest in the findings of this broad citizen consultation process.

The CAP is one of the first and most unified EU policies. It absorbs nearly 40% of the European budget, but it needs to be improved on the basis of new guidelines and to set new targets in order to gain better support from the public and from farmers, since they are all beneficiaries of this common project.

It was perhaps predictable that the CAP 2015-2020 had barely been launched when there were already signs that it could be improved. By launching this questionnaire, the European Commission recognises that, without abandoning past policies, there are two new challenges that will have to be addressed: the growing economic and climate crises.

This consultation was launched at the beginning of February for a period of three months. Before the end of 2017, the European Commission will therefore review the current CAP and contemplate the possible future measures to be adopted. I would ask you to take the time to reflect on how the common agricultural policy can be updated and simplified. Perhaps you could imagine that you are part of the tri-partite discussions between the Parliament, the Commission and the Council and try to see yourself as a great visionary working in your own interests and in those of the European Union to create a project that will win the support of the people of our continent for this policy, the policy that has enabled Europe to become self-sufficient and also the largest exporter of agricultural products in the world, whilst also remaining the largest importer.

One of the fundamental freedoms is the right to sufficient food and this is at least one of the achievements of European integration from which we have benefitted.

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# Improving the Effectiveness of EU Policies for SMEs

**SME promotion policies in the EU remain fragmented, and a holistic approach is needed – this was the conclusion reached by participants in the public hearing on the effectiveness of EU policies for SMEs that took place at the EESC on 6 February. The hearing brought together over 100 stakeholders and representatives of the European Commission's DG GROW, DG REGIO and DG TRADE. It was part of the EESC's work on its own-initiative opinion INT/787 on the effectiveness of policies for SMEs.**

The participants in the event came with a number of suggestions on how to improve effectiveness in both the formulation and the implementation of SME policies, including by better marketing and communicating those policies and by boosting and encouraging the support of intermediaries – such as employers and branch organisations, trade unions, and civil society organisations.

It was underlined that there were still major inefficiencies in the implementation of SME policies, reducing the impact of support measures. These inefficiencies should be addressed, bearing in mind that a "one size fits all" approach will not work in this case. The participants therefore concluded that the definition of SMEs needed to be changed. In response to this suggestion, the Commission's representatives stated that a public consultation would be launched to gather stakeholders' viewpoints on the need to update the definition. The participants also agreed that SMEs that wanted to benefit from support mechanisms still faced too much bureaucracy and overly complex administrative rules, and that it was of the utmost importance to cut red tape in this area. SME Platforms – to be created at both EU and national level - would make it possible to discuss the scope and implementation of SME policies and to suggest measures to improve their effectiveness.

# Euro-area economic policy:
## A NEED FOR BALANCE

**Since 2011, the opening of the European Semester cycle has represented an important event in the creation and implementation of the full range of EU economic policies. The document for 2017, "Euro-area economic policy", is accompanied by two new elements connected with fiscal policies and the elimination of external imbalances. Both are also relevant for identifying the reasons why investment activity in the EU remains rather weak and how to better mobilise savings so as to stimulate investment via different channels of financial intermediation – namely fiscal stances and improved financial market allocation. The policy document also encourages the combination of both these approaches.**


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This article sets out the author's view on this topic as a co-rapporteur of the opinion on the Commission's document. One very important and positive general point is the fact that the European Commission's position on the current economic policy, which focuses on supporting the strong, sustainable, balanced and inclusive growth of the euro area, is based on a balanced mix of monetary, fiscal and structural instruments. It endeavours to create a balance between short- and medium-term intensive contributions from fiscal policy to support still-depressed demand, long-term necessary structural supply-side changes leading to a visible improvement in business conditions and circumstances, and a more effective role for public institutions in creating a functioning environment for European competitiveness.

One of the proposed new parameters for a more active role for fiscal policy calls for a positive fiscal stance, representing a more vital role for the public sector in investment activity recovery. This measure will be linked to higher tolerance for the fiscal discipline indicators on a temporary basis. The higher tolerance is represented by a proposal not to take into account some types of investments in the calculation of deficit and debt ratios within the Stability and Growth Pact, especially for some strategic public investments as well as investments to support research, development and innovation. The positive fiscal stance must however be adequately balanced with respect for long-term fiscal sustainability objectives. The idea to use the Investment Plan for Europe for this purpose, and especially the European Fund for Strategic Investments, seems to be very promising and innovative.

The Commission´s proposal also discusses a symmetric adjustment to the current account imbalances for both cases, deficits as well as surpluses. A very important part of this solution however is the fact that Member States must decide which type of adjustment is appropriate, because logically the diagnosis for countries with chronic and long-term current account deficits differs substantially from those with big surpluses. The latter are frequently the main channels of external openness for the European economy and triggers of innovative business solutions in the global context, and it would not be advisable to punish them for their success. On the other hand, it is important to create adequate institutional and business conditions for the former to also become important players with regard to their export performance.

The document also examines the effort needed to complete and deepen EMU and finds that appropriate relations with the Banking and Capital Markets Unions have not been sufficiently emphasised so far. The EESC's position on this very important element of EU economic policy should also support a clear commitment on the part of the Member States to implement the proposed measures.

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*Print:*
QE-AH-17-002-EN-C
ISSN 2467-4478

EESC-2017-16-EN

*Online:*
QE-AH-17-002-EN-N
ISSN 2467-4494

EN