Dear Readers,

The signing of the Rome Declaration on 25 March 2017 was a symbolic gesture of unity within the EU in difficult times. Despite earlier political turbulence, for one day, heads of state and government put away their disputes to celebrate the success of the EU that we all too often take for granted.

What I find even more significant than this political gesture of unity is the pro-European marches and celebrations that took place all over the EU. Thousands of EU citizens showed that they are aware of the importance of the Union, proud of its achievements and open-minded enough to look forward to an even better Europe in the future.

The 60th anniversary of the signing of the Treaty of Rome serves as an opportunity to reflect on the EU’s achievements and the progress made and on how to build on these. Employers are willing to contribute actively to this debate.

The European Union was established as a means of ensuring peace through prosperity and economic growth. I believe that a strong European economy remains a guarantee of success. That is why the employers continue to put forward a strong case for sustainable growth and job creation. Strengthening Europe’s competitiveness must be our top priority. This calls for an EU that facilitates adaptation and responds to the challenges we face.

Following its "White Paper on the Future of Europe", the European Commission will adopt a series of reflection papers over the coming months on topics such as deepening EMU, the social dimension of Europe, harnessing globalisation and the future of EU finances. As part of this process, a series of "Future of Europe" debates will be held in national parliaments, and across Europe’s cities and regions.

The debates on the future of Europe must be multi-dimensional, multi-level and inclusive, involving civil society including social partners in particular. The Employers’ Group will be actively participating in and contributing to the forthcoming deliberations on the subject. We will encourage the EESC to engage in the debates in the Member States. We shall discuss with our Members’ organizations and European employers’ representatives.

I believe that reminding citizens of the raison d’être of Europe and rebuilding citizens’ and companies’ sense of belonging to the European project as well as deepening understanding of the EU is the collective responsibility of all relevant players – including representatives of civil society.

The upcoming negotiations on Brexit will be yet another serious test for the EU’s unity. This process will not only define the future relationship between the UK and the EU but will also influence the direction of EU integration. No matter what direction it takes, we must remember the values and ideas underlying European integration. Sixty years later, in the current geopolitical circumstances, they are timely and still valid. Future of EU 27 is what matters the most and what we have to think of in the first place.

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In her introductory speech, Anja Kopač Mrak, Minister of Labour, Family, Social Affairs and Equal Opportunities (who is currently also the Chair of the Economic and Social Council of Slovenia), highlighted the tripartite and bipartite social dialogue in Slovenia, which dated back more than 20 years and was based on the Economic and Social Council's (ESC's) jointly-agreed rules of procedure, and not on legislation, as was the case in most other European countries. The Slovenian ESC was a tripartite body which cooperated constructively in drafting legislation, as well as participating in consultations on draft legislation. Its involvement was not only in connection with social and labour legislation but also related to all strategic documents of importance for the successful development of the economy, and thus of Slovenia as a whole (such as the National Reform Programme, the Social Pact, etc.).

Jacek Krawczyk, President of the Employers’ Group, set out the role of the EESC and the Employers' Group in particular. He underlined that regional cooperation between countries and the sharing of best practice in social dialogue was the way forward. The Employers’ Group was committed to continuing co-operation with employers and business organisations from the Balkans. Part of that co-operation took place within the framework of the EESC’s Civil Society Forums and Joint Consultative Committees.

In his speech, the Director-General of BusinessEurope, Markus Beyrer, highlighted the role of BusinessEurope in EU-level social dialogue, and its importance to efforts to constantly increase the competitiveness of European industry. He particularly emphasised BusinessEurope’s willingness to improve cooperation with employers’ associations in the Balkans.

The head of the European Commission Representation in Slovenia, Zoran Stančič, presented the dimensions of social dialogue in the European Union, both between representatives of employers, trade unions, non-governmental organisations and the European Commission, as well as social dialogue at the sectoral level. He also summarised each Balkan country’s position in the EU accession process.

ZDS vice-president Miro Smrekar underlined that the event was an opportunity to promote social dialogue in Slovenia on the one hand, and to forge closer links between employers’ organisations from the EU and the former Yugoslavia on the other hand. Mr Smrekar presented the economic situation in Slovenia, which had been experiencing economic growth in the past three years, but was still affected by the economic crisis, which had hit Slovenia twice as hard as the EU average. He stressed the rising need for qualified workers in Slovenia and the momentum of the highly export-oriented Slovenian economy.

Gordana Deranja, President of the Croatian Employers’ Association, explained that one year previously, the elected government had promised major reforms and favourable economic conditions so as to improve the competitiveness of Croatian exports. One year on, the government was largely dealing with its own issues and with the budget deficit, while fundamental problems remained. Social dialogue was centred on the Economic and Social Council; however, it was not able to solve the underlying problems. The new government was inexperienced in the area of social issues, which was why only limited social dialogue was taking place.

Mile Boškov, Executive President of the Business Confederation of Macedonia, presented the economic environment in the country, which had been suffering the enormous effects of a political crisis
for two years. The Business Confederation of Macedonia was preparing a series of legislative proposals and measures and intended to present them to the new government in order to improve the economic climate in the country.

Suzana Radulović, Secretary-General of the Montenegrin Employers’ Federation, emphasised that the economic and political situation in Montenegro was rather difficult, as the current government was dealing exclusively with social and political questions, completely ignoring the economy and economic difficulties. The Montenegrin government’s main concern was how to reduce the deficit of the state budget, which is why it was planning new economic burdens, expected to be introduced in the near future. The accession process to the EU was very clear, allowing non-governmental organisations to participate and to be involved in practically all negotiating chapters, while the representatives of the real private sector were only involved in some chapters and had only a minor role.

Boško Savković, member of the Presidency of the Serbian Association of Employers, emphasised that political and economic instability dominated not only Serbia, but the entire region. The focus was exclusively on gaining votes, and no-one was dealing with the underlying problems. The government was introducing new taxes and contributions, which reduced the competitiveness of the economy. In addition, social dialogue only took place in the period before elections, while the key problems remained unsolved. One of the main problems was the unresolved relationship between Serbia and Kosovo. In addition, the accession process of Serbia to the EU was progressing very slowly. It often seemed like the political sphere was not interested in completing the negotiations.

Mladen Pandurević, Director of the Employers’ Association of the Federation of Bosnia and Herzegovina, and Dragutin Škrebić, President of the Union of Employers’ Associations of Republika Srpske, stated that after the Dayton Peace Agreement came into force, Bosnia and Herzegovina had been divided into two entities. In practice, there were two different visions, both in terms of the political and social as well as the economic regulation of Bosnia and Herzegovina.

**Support for SMEs - synergies between the European and local levels - the situation in Hungary**

It is often said that SMEs constitute the backbone of the European Union’s economy, particularly due to the large numbers of them and the huge number of people they employ. This first aspect makes them particularly difficult to support, given that the resources earmarked for them have to be delivered in a targeted fashion through highly decentralised, dispersed channels, yet still in accordance with specific, homogeneous principles.

For a long time, the European Union has been endeavouring to facilitate SMEs’ access to funding and their growth, by means of legislation and through financial and other, supplementary, support services. For good examples of this we need look no further than the provisions of the Small Business Act (SBA) and those of the REFIT programme relating to SMEs. There are numerous forms of financial and supplementary aid, too: more than 700 according to the summary information available. These cover practically the whole spectrum of aid: subsidies, loans, guarantees, capital injections and a vast range of services. It is regrettable that there is no overviewing table available summarising this, dividing the different types of aid up into groups and highlighting them all in a logical structure. That would make it easier to follow.
The Employers’ Group Newsletter

The EESC quite often examines SMEs’ access to EU funding and their experience in this domain, and regularly points out the system’s malfunctions, proposing ways to correct the shortcomings. Recent work on this includes the ECO/396 opinion (rapporteur: Dimitris Dimitriadis) and the panel keynote speech by András Edelényi at the sixth European congress of SMEs in Katowice. In addition, the very comprehensive study INT/787 (rapporteur: Milena Angelova) will be finalised shortly.

Because there are such large numbers of SMEs, financial support only rarely reaches the beneficiaries directly, so it flows exclusively through intermediary financial establishments, usually banks. Nonetheless it should be noted that only around 1.5% of the 25 million-odd European SMEs benefit from such support.

Since the 2008-2009 crisis, a lot of time has been needed to clean up the banks, and this process is continuing after it stumbled somewhat in 2012. Nevertheless, we can now say that the worst is over and that it is not the lack of resources that constitutes the main difficulty. Experience has shown that granting lots of small loans to SMEs represents much more work than average for financial intermediaries, which in turn raises the costs of financing. Banks consider that collaterals covering loans to SMEs represent a much greater risk than those of loans to big companies, which also causes them to increase their rates of interest. Lastly, although beneficial, European support is mainly paid out ex post. Finding their own funds and pre-financing investment for projects until funding is received from the outside often proves to be problematic for SMEs, which are usually under-capitalised.

For this reason, the importance of guarantees has increased significantly over the last decade, as part of the efficient distribution of European funds. This is why counter-guarantees, inter alia from EFSI and the COSME programme, are important and useful at central level. Nevertheless, beyond this, SMEs can and should also be helped at Member State level, if appropriate, in synergy with financial and supplementary support available from the European Union, and to this end, local employers' organisations have a key role to play. A case in point, the (Széchenyi) card program for Hungarian SMEs, is worth outlining here.

Hungary’s Chamber of Commerce and Industry and the National Association of Entrepreneurs and Employers set up the KAVOSz Ltd. company in 2002, responsible for managing and coordinating the SME card programme. Although a financial institution, KAVOSz speaks the “SMEs’ language” and can, at the same time, rely on members of the Chamber and its whole network of contacts. The government supports this programme and facilitates the use of the SME card as a means of State guarantee, by subsidising it. The initial product is simple: it is a one-year loan, extendible by one year, amounting to a maximum of EUR 160 000, accompanied by a guarantee and interest subsidies, advantageous personal guarantees, quarterly repayments and a credit card. KAVOSz draws out guarantees, grants benefits and carries out the pre-selection of SMEs for banks. In order to meet solvency/credibility prerequisites, SMEs must, amongst other things, have no debts with public bodies and must demonstrate that their operations have been solid and reliable for one or two years. Many of the SME card’s contact points are in the local offices of chambers of commerce and industry and are therefore available close to businesses. Solvent businesses receive the Széchenyi card after undergoing a quick, low-cost examination and on this basis, banks associated with the programme will be able to provide finance for the businesses after a simplified check.

KAVOSz started out by offering the following classic loan formulas:
- overdrafts
- working capital loans
- investment loans
and then, with a view to the specific features of the sector, it supplemented the range with:
- agricultural loans.

So as to resolve difficulties encountered in using European Union’s ex-post financial aid for SMEs, two specialist products have been created:
- a loan aimed at supplementing own funds
- loans for pre-financing aid.

Here too, the ceiling is EUR 160 000 over a period of 2 to 10 years, or with instalment maturities of 2 to 5 years, with a 2-year grace period. Interest subsidies cover the part exceeding the local interbank rate (Budapest Interbank Offered Rate – BUBOR) in the total rate, as well as an advantageous guarantee fee.

Since the SME card began, 300 000 businesses (i.e. half of the SMEs in Hungary) have submitted an application for a card and 230 000 of them have already received one. To date, more than EUR 5 billion have been granted to SMEs, through 900 contact points and 2 500 partner bank branches. The share of non-performing loans and guarantees does not even amount to 4%. Services provided to members of employers’ organisations have been expanded this way and SMEs’ access to financing has been improved. The know-how acquired in this programme is fully developed and can be applied elsewhere.

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Over 9 months after the British referendum the implications for both the UK and the EU remain uncertain. One thing is sure: the upcoming negotiations will be complex, difficult and their outcome is, at this stage, totally unpredictable. This puts SMEs on both sides of the English Channel in an uncomfortable situation.

After the referendum many hoped that we would still be allowed preferential access to the Single Market because we are such a large export destination for EU goods, a market that the EU would not want to lose by imposing too many restrictions on exit, this option does seem much less realistic as time passes. There seems to be a “head in the sand” view that having left, trade with the EU will continue as normal, but freedom of movement will be abandoned, replaced possibly by a points system similar to Australia, and the EU will just accept this!

A poll of UK Small Businesses taken before the Referendum showed that the EU, our closest and largest trading partner, came 4th in a list of areas that the UK should do business with, behind the USA, the Commonwealth and China. Interestingly, in exploratory trade talks the UK had recently with India one of India’s requirements was free movement of people! In the US we have President Trump stating “America First” just as we are looking to open trade talks. We have Canada looking to the Pacific Rim and the EU for trading relations and Australia and New Zealand both concentrating on the South East Asia market, so life is not going to be easy for the new, outward looking, UK.

My own business, based in Birmingham, supplies the automotive sector, and employs 27 people. I see challenges and turmoil already starting to surface within the UK automotive industry. The government has reportedly offered to financially protect Nissan UK from any trade barriers that may come from the Brexit negotiations and I’m sure that other manufacturers will demand the same assurances to retain production in the UK. Jaguar is building a plant in Slovakia with a capacity ultimately of 500,000 vehicles, this is bound to have an effect on UK based production. With PSA buying Vauxhall/Opel, and overcapacity within the company there is a strong chance the 2 UK plants could be phased out of production over the next few years. I have already seen moves by many UK small automotive supply businesses to investigate possible production facilities in mainland Europe, where supplies would normally originate from the UK. This is not something that I have been aware of previously.

Finally, we must remember that Brexit will affect businesses on both sides of the Channel, this is not just a British issue, and it will affect small and micro businesses disproportionately as bureaucracy always does. It is in the interests of both sets of negotiators to keep in mind small businesses as they set their agendas for the coming discussions and, if necessary, include exemptions or light touch where tariffs or restrictions bear heavily on the small business sector. This sector is particularly reliant on online sales so the ability to ship products as simply as possible is vital as is the administration of cross-border VAT. Great attention must be paid to maintaining uncluttered trading for all our small businesses wherever they are based.

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As Ambassador Costello pointed out, CETA has a strategic importance, enabling us to shape the future of globalised trade instead of following trends set by others. He outlined the state of play in the ratification of CETA, noting that provisional application of the agreement should be in force in the spring. This would enable its benefits to be demonstrated to sceptics. A joint study had indicated an anticipated 23% growth in bilateral trade when the deal was fully in force. That was equal to EUR 26 billion a year, which would be translated into growth and jobs. SMEs in particular would benefit from the deal, mainly through support for regulatory cooperation, facilitation of trade procedures and opening up of public procurement.

In the ambassador’s view, civil society and the business community in particular had a crucial role to play in spreading a positive message about CETA. It is business that can tell the story of the concrete practical benefits stemming from provisional application and the creation of jobs and growth.

In the floor discussion, Employers’ Group members raised a number of issues about CETA and free trade in general. Bernd Dittmann, a German member of the group, noted that: “The days when trade agreements were technical discussions are over; trade policy is now a political issue.” He thought CETA was now the new gold standard for FTAs in terms of its transparency and breadth. It would trigger new global sustainability standards as well as social and environment standards.

Jonathan Peel, vice-president of the REX section (dealing with External Relations), pointed out that trade was under threat as never before. In his view, CETA was the most significant deal we had seen for a very long time and the first trade deal between two major industrialised parts of the world. He also emphasised the importance of investment protection and agricultural issues in trade agreements.

Jacek Krawczyk, president of the Employers’ Group and of the EESC Transatlantic Follow-up Committee, noted that the Committee had made CETA its priority for 2017. He also proposed organising a business round table for CETA. “It is fair to say that in the global context CETA has become almost symbolic as an opportunity for improving the case of international trade in general,” he commented. It was time to show that CETA offered tremendous prospects for businesses, countries and societies!

EU-Canada trade: Facts and figures

In 2015 Canada was the EU’s 12th most important trading partner, accounting for 1.8% of the EU’s total external trade. The EU was Canada’s second most important trading partner, after the U.S., with around 9.5% of Canada’s total external trade in goods in 2015.

The value of bilateral trade in goods between the EU and Canada was €63.5 billion in 2015.

European investors held investments worth €274.7 bn in Canada while Canadian direct investment stocks in the EU amounted to almost €166 bn in 2014.

Top EU Agri-food EXPORTS to Canada:
- Wine, vermouth, cider and vinegar (24%)
- Spirits and liqueurs (10%)
- Chocolate, confectionery and ice cream (7%)
- Raw hides, skins and furskins (7%)
- Beer (7%)

Top EU Agri-food IMPORTS from Canada:
- Wheat (33%)
- Soybeans (15%)
- Vegetables, fresh, chilled and dried (10%)
- Oilseeds, other than soybeans (9%)
- Fruit, fresh or dried, excl. citrus & tropical fruit (5%)
CETA offers Europe's agri-food industry more opportunities than risks. Canadian consumers have considerable purchasing power, and are interested in EU products such as cheese, processed meats, confectionery and wine. The fact that most Canadians are descended from European immigrants with European tastes should not be underestimated. In addition, the Canadian population – currently 36 million – is growing by 300 000 a year.

The EU’s agricultural trade with Canada has risen steadily over the past few years, and the EU has an agricultural trade surplus with Canada which amounted to EUR 1.25 billion in 2016. The pattern for individual products is the same as for EU agricultural trade as a whole: exports by value are dominated by processed products and foods, and imports by soft commodities.

Certain agricultural products are classified as sensitive, but market potential still exists, especially for milk products

CETA will not entail unlimited liberalisation of agricultural trade since tariffs are not completely abolished for sensitive products. In these cases, duty-free access will generally be limited to specified quantities. In Canada’s case, milk products fall into this category. It is therefore a considerable achievement of CETA that Canada has granted the EU an import quota of over 18 500 tonnes of cheese, compared with the current quota of 800 tonnes. For milk protein powder, used for instance in the production of ice cream, market access is unrestricted. By way of comparison: Canada produces 8.5 million tonnes of milk annually, making its output about the same as Bavaria’s. It is now up to dairies to take advantage of export opportunities.

On the EU side, beef and pork have been designated sensitive products: the duty-free import quotas are 50 000 tonnes for beef and 81 000 tonnes for pork. This represents less than 0.6% of EU consumption, and market experts anticipate only minimal price effects. Both parties have excluded poultry and eggs from tariff reductions.

Special safeguard clause for market imbalances

The inclusion of a special safeguard clause for agricultural market imbalances was confirmed under political pressure from the region of Wallonia. The clause has been "cut and pasted" into CETA from the WTO agreement, so there is nothing fundamentally new about it. Any EU Member State can submit an application to the European Commission in the event of a crisis. A safeguard clause only really makes sense if its use is limited to absolute emergencies.

Canada accepts geographical indications

Another considerable achievement from the EU’s point of view is Canada’s recognition of 143 European geographical indications. This benefits above all farmers in regions, particularly in southern Europe, that have specialised in such high-quality products. CETA also provides for the possibility of negotiations to expand the list within the next five years.

Consumer standards untouched – agreement finally reached in the hormone dispute

CETA does not in any way undermine consumer standards. There are no changes either to the ban on hormones in meat or to controls on imports of GM feedstuffs. The import quotas for Canadian beef apply explicitly to meat produced without the addition of artificial hormones. It should be noted that the EU has had to make concessions to Canada and the United States in respect of import quotas since it lost a case at the WTO on hormones in meat. CETA means that this case will now be closed as far as Canada is concerned (though not for the US), providing more legal certainty.

During consultations in the EU Council of Ministers, the EU and Canada again submitted an explicit declaration reserving the right for each to independently determine their level of consumer and environmental protection. CETA also represents a policy approach for future trade negotiations with other countries in this respect.

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Completing the Economic and Monetary Union for a stronger Europe

On 13th March in Rome, the EESC organised the conference “Sixty years of European community - let’s shape the future!” The completion of EMU was the topic of one of three panels. The panel was moderated by the President of the Employers’ Group, Jacek Krawczyk. The speakers included representatives of BusinessEurope, UEAPME and European Banking Federation.

The panellists agreed that completing the EMU is necessary and urgent. However, as long as the Euro area faces as much imbalances as currently it will be difficult to agree on the needed steps. Therefore, a more pragmatic approach is needed to improve within the current treaty set-up. It was underlined that competitiveness must be put at the core with a reinforced European Semester. This calls for implementation of structural reforms to increase growth, employment and convergence. Moreover, we must put in place a full banking union and implement Capital Markets Union. Furthermore, EU should encourage governments to pay more attention to the quality of composition of their public finances. Innovation, technological development and digital transformation - these should be key words when talking about investment.

Better involvement of the social partners can contribute to improved EMU governance. Their views on how to organise labour market and social policy should also be considered as part of the debates on the future of EMU.

New Luxembourgish Member of the Employers' Group

The Employers’ Group would like to warmly welcome a new Member to its ranks, Mr Christophe Hansen. Mr Hansen is replacing Mr Henri Wagener as Member representing Luxembourg within the European Economic and Social Committee.

Mr Hansen is in charge of the European Affairs at the Chamber of Commerce of the Grand-Duchy of Luxembourg. He started his professional career in 2007 as a political adviser in the European Parliament. In 2014 he joined the Luxembourg Permanent Representation to the EU in Brussels to prepare the Luxembourg Presidency of the Council of the European Union. During the Luxembourg presidency Mr Hansen was the chair of the working party on Environment in the Council and worked namely on the EU-ETS reform, EURO5/6 and the Circular Economy package.