Finding a way to encourage even more private sector investment in Europe is essential for promoting growth and job creation across the EU. First and foremost, the obstacles to investment, such as lack of stability and predictability, over-regulation and the high cost of doing business, should be removed. Secondly, more efforts are needed to promote private investment both at EU and national level. A legal, regulatory and political stability, a well-functioning, fully completed single market and an ambitious EU trade agenda are just some elements that could stimulate more investment. These were the key conclusions of the conference “Does the EU encourage private sector investment?” that took place on 11 May in Malta. The conference concluded with the signature of the joint declaration of the Employers’ Group, all major Maltese employers’ organisations and the Government of Malta. In the document, signatories identified a number of concrete actions that were needed to boost private investment in Europe.
“Nine years after the beginning of the economic crisis, investments in the EU are still 15% below the pre-crisis level,” observed Jacek Krawczyk, president of the Employers’ Group, in his opening speech. He noted that without private sector investment there could be no growth or job creation in Europe. Openness, including openness to trade, innovation, skills development and the free movement of goods and services, labour, and capital were the drivers of Europe’s competitiveness, growth and prosperity.

In her keynote speech, Marie-Louise Coleiro Preca, President of Malta, underlined the importance of investment for sustainable and inclusive development. “The private sector contributes to well-being by incentivising investments in new learning and education and by encouraging the acquisition of vital skills. It is a sphere of action where the empowerment of individuals and businesses fosters greater diversification within our economies,” she said. This was why, in her view, governments should be encouraged to stimulate private sector investment by focusing specific support at the community level and adopting a local approach.

“We need essential structural reforms to ensure competitiveness. Now is the time to do this, as we’re here to liberate our people’s potential and not stifle this potential under overbearing regulation,” said Joseph Muscat, Prime Minister of Malta, addressing the participants of the conference. In his opinion, European economies were crying out for breathing space. There was a need to responsibly liberate and liberalise investment strategies. He assured those present that Malta had embraced a pro-business attitude, aimed at supporting businesses to be able to provide investment where it was most needed.

**Attracting private sector investment: the example of Malta**

The participants of the first panel focused on Maltese examples with regard to attracting private sector investment and attempted to identify the incentives and obstacles to investment. EU membership, together with a relatively young and educated English-speaking labour force, were highlighted by Marisa Xuereb, managing director of Raesch Quarz Malta, as factors that made Malta attractive as a place for investment. She noted that Malta was able to provide an incentive package that lowered the costs of production despite facing challenges as a result of being an island (logistics, more complicated supply chain, etc.) The size of the country enabled businesses to easily discuss policy issues at a high level and have a greater say in implementation.

Frank V. Farrugia, president of the Maltese Chamber of Commerce, further elaborated on the benefits of EU membership, such as access to the single market, single currency and free trade agreements at EU level. Moreover, the EU structural funds had a significant impact e.g. on infrastructure, which was crucial for all types of businesses but particularly for tourism. Most of the investment in tourism came from Maltese companies, but this would not be possible without EU investment in infrastructure, said Tony Zahra, president of the Malta Hotels and Restaurants Association.

Dolores Sammut Bonnici, president of the Malta Employers' Association, pointed out a number of obstacles that foreign direct investment currently faced in Malta. Relatively high energy prices together with freight charges significantly reduced profit margins. Moreover, Malta was a victim of its own success in terms of the labour market. Companies were suffering from a shortage of labour. A demand-driven labour market artificially increased the level of wages, thus having negative impact on companies' competitiveness. Maltese employers called for the issue of the harmonisation of skills at EU level to be addressed in order to improve employability across borders.

Currently there were over 34 000 foreigners officially living and working in Malta. Due to a workforce shortage, Maltese companies often hired unskilled workers and provided the necessary training. Moreover, the employers were already looking to the future of the labour market and challenges emerging from the fourth industrial revolution. As a number of jobs would become obsolete, education needed to focus more on life-long learning, retraining and digital skills in general rather than only on the skills required for a particular job.

As 95% of total turnover in the Maltese economy was generated by SMEs, they played an extremely important role as potential investors. Nevertheless, they faced a number of obstacles such as access to finance. As underlined by Paul Abela, the president of the Malta Chamber of SMEs (GRTU), financing for SMEs dropped last year and there was a visible tendency for banks to give preference to larger market players when providing loans. In order to create incentives for SMEs, the employers’ organisations had called for the Malta Development Bank to be set up. The bank would serve as a second-tier financial institution when private commercial banks failed to make appropriate financing available, or refused to offer the normal market terms. The bank would be owned by the government and would have an authorised share capital of EUR 200 million. This would eventually allow it to leverage this to around EUR 1 billion in loans.

The Maltese employers’ organisations had also taken a number of initiatives aimed at facilitating investment for SMEs. The Malta Chamber of Commerce had established a private-public
partnership with government focusing on enabling the internationalisation of SMEs. The chamber had created the North Africa Business Council with the aim of promoting business between Malta and North African countries and, in the process, creating business opportunities for the Maltese business community. The chamber acted as a facilitator, researched the markets, prepared briefings about political aspects of investing in other countries, invited delegations and set up meeting platforms for both sides to explore potential business opportunities.

The participants of the panel underlined the importance of JEREMIE (Joint European Resources for Micro to Medium Enterprises – a joint initiative set up in 2007 by the European Commission in co-operation with the European Investment Bank) and JAIME (Joint Assistance Initiative for Maltese Enterprises) for improving access to finance for SMEs.

The panellists also emphasised the vulnerabilities of the Maltese economy that might undermine its attractiveness for investors in the future. Following customers’ expectations, the manufacturing and delivery processes were getting shorter. This trend was difficult to follow for Maltese companies due to constraints related to being a remote island. Because of its size, the Maltese economy could not fully benefit from the economies of scale. Moreover, the financial services and gaming industries that were currently flourishing could easily be lost to another country that provided better conditions.

**How efficient is the EFSI in mobilising private investment?**

The participants of the second panel focused on the European Fund for Strategic Investment, its future and how it might be improved. As noted by Alberto Mazzola, member of the Employers’ Group and EESC rapporteur on EFSI 2.0, contrary to early fears, the EFSI had effectively fulfilled its role and delivered concrete results. In his view, the EFSI would have a role to play for at least the next 4 years. Afterwards the EFSI could be merged with other programmes and become an integral part of the next Multiannual Financial Framework. Mr Mazzola pointed out that the results could be even better if the EFSI was better promoted. Better visibility and promotion were therefore important, especially among SMEs, and should be a priority for the future.

Fabian Zuleeg, chief economist of the European Policy Centre, was also positive about the results of the EFSI thus far, despite the fact that it only addressed some specific types of investment and should not be treated as a solution for all barriers to investment. The EFSI was very efficient in addressing infrastructure projects with high risks and long-term returns. In order to further facilitate investment, a focus on reforms, good regulation as well as competition policies was needed, running in parallel to the EFSI.

Unfortunately, the EFSI was barely used in Malta, complained Rene Saliba, chairman of the Malta Development Bank Working Group. He expressed the hope that investments would gain momentum thanks to the activities of the Malta Development Bank. In his view, joint programmes linking structural funds, the EFSI and private sector investment would also be extremely efficient.

Merete Clausen from DG ECFIN of the European Commission (EC) elaborated on the role of national promotional banks which she saw as the answer to numerous concerns about the promotion and implementation of the EFSI. These were better able to address smaller projects which the EIB could not cope with. They were also better tailored to the role, as they had better awareness of the local specificities. She also confirmed that the EC was working on boosting investments in education, inter alia through better cooperation between business and academia.

Michael Smyth, Vice-President of the EESC in charge of budget, warned against focusing only on levels of investment as this might result in the investment bubbles that we witnessed in the 1990s. It was important to focus on sustainable, high-quality investments, he stressed. He considered the current EFSI model to be the correct one and suggested increasing the fund’s core so as to give it more strength. In his view, the EIB should also support a wider range of projects with higher levels of risk.

“Investment is important for the whole of Europe. Whether you are in the middle of Europe or in a peripheral region, an urban area or a rural area, investment is key to further economic recovery,” concluded Stefano Mallia, Maltese member of the Employers’ Group. He recalled the importance of having the proper environment for investment. This was why the EU and Member States needed to look closely at the policy framework to make sure that it was fit for purpose, he added.

The conference was jointly organised by the Employers’ Group and all the major Maltese employers’ organisations: the Malta Chamber of Commerce, Enterprise and Industry; the Malta Employers’ Association (MEA); the Malta Hotels and Restaurants Association; and the Malta Chamber of SMEs (GRTU).
On 7 May 2017 Emmanuel Macron, the 39-year-old former economy minister, was elected as president of the French Republic for a 5-year term. Mr Macron received more than 66% of the votes cast, after a very peculiar election campaign which bore witness to the elimination of the front-runners and the defeat of government parties, and demonstrated the power of business. This election, which was closely followed abroad, was sometimes presented as a referendum on Europe.

Macron's victory is not tantamount to a referendum result in favour of Europe

Europe has been at the forefront of the campaign. Most of the 11 candidates were fiercely critical of the European project and put forward three major complaints:

- Europe is not capable of protecting its citizens and guaranteeing their security against terrorist attacks or uncontrolled migratory flows;
- Europe has not been able to achieve growth and reduce unemployment; worse still, it has fostered apparently unfair competition for a whole range of industrial activities;
- Europe is remote, complex, and bureaucratic; it neither speaks nor listens to its citizens.

Nevertheless, the sole candidate to have sung Europe’s praises and called for applause for the European flag at events was Emmanuel Macron. The decision to play the Ode to Joy to celebrate his victory on the evening of 7 May confirmed this commitment. Should we therefore see the French public as being mainly pro-European?

Should the final result obtained by Emmanuel Macron against his adversary Marine Le Pen (Front National) be interpreted as strong support for the European project? What is the reform agenda in France? What is the new president’s approach to the future of Europe? These are the three questions for which I would like to suggest provisional answers, less than a month after the entry into service of the new president and the installation of the government led by Edouard Philippe.

A very ambitious domestic agenda

France is lagging behind in the reforms that need to be implemented in order to meet its budgetary commitments, ensure the sustainability of its social model, and restore the competitiveness of its businesses, so as to foster growth and employment.

Public finance reform

France has not been able to maintain its commitments regarding the control of public finances. The deficit amounted to 3.4% of GDP in 2016, more than twice the average for the euro area (1.5%). Public debt is 96% of GDP. The efforts undertaken by the new team have involved a reduction of government expenditure at central and territorial level, without increasing compulsory payments, which have reached a record level.

“Welfare state” reform

In terms of social spending, 24.6% of GDP is above the average for all European countries (19.2%) and the cumulative deficit of the social security scheme (general scheme, sickness, pensions, family, accidents at work) is EUR 156 billion. This shows that the efforts already undertaken to control expenditure should be followed up by an array of technical measures (degression, fight against fraud, better management), but also structural reforms (balance between contributions/benefits, special pension schemes...).

Competitiveness reform

The restoration of business competitiveness began under François Hollande’s presidency, in particular with the introduction of the Growth and Employment Tax Credit (CICE) which led to a reduction in employers’ social security contributions on low wages. Thus, the differences between the hourly labour costs in France and

Luc Mélanchon (ex-socialist converted into anti-capitalist), they amount to almost 53% of votes cast!
Germany have changed in a positive way since 2016, when the hourly wage cost in France was 94.4% that of Germany. The agenda therefore includes the permanent reduction of the CICE and the progressive reduction of the corporate tax rate to 25%.

**Labour market reform**

With an unemployment rate of 9.6% in the first quarter of 2017, France is one of the least successful euro area Member States in terms of job creation. This summer it is expected to provide greater flexibility in the labour market by making it easier to hire and fire employees and making adjustments to the duration and organisation of work through joint agreements concluded at the level of the industry or new company in exchange for securities for employees (training, unemployment insurance in case of resignation etc.).

**A more sovereign, less mercantilist vision of Europe**

On 10 January 2017, when Emmanuel Macron was campaigning in Berlin, he delivered a speech explaining his vision of Europe, which is more along the lines of a "Europe of sovereign powers" rather than the deepening of markets.

France’s major priorities concern both the historical attributes of state construction: currency and security. One of the country’s main ambitions is to integrate the euro area with its own budget (which can be mobilised in case of a crisis), a minister of finance, and a Parliament. As regards security and defence policy, France is willing to encourage its partners to pursue further training in order to make decisive progress, as it is the largest European army, a nuclear power, and the only permanent member of the UN Security Council (since the planned exit of the United Kingdom): European defence funds, defence bonds, general European headquarters.

Three additional areas are presented as relevant for the new European "sovereignty": the digital revolution (single market, data protection, European digital security agency), sustainable development (implementation of the COP21 commitments) and asylum policy (European asylum law, external border control, European Intelligence Agency).

With regard to EU trade policy, this needs to more accurately reflect the European Union’s future values (social protection, combating climate change, fight against unfair competition) and to be based on a general principle of reciprocity.

The European programme of the new term of office will be deployed in the coming months, with several key tests: the capacity of the Franco-German alliance to adopt and share new common positions; the adoption and implementation of necessary reforms in France; the adherence of the currently highly divided French population to a relaunched project of a modernised France in a more efficient and protective Europe.

France’s success is a prerequisite for the success of Europe as a whole.

**The 4th meeting of The EU-Ukraine Civil Society Platform**

The participants of the 4th EU-Ukraine Civil Society Platform (CSP) welcomed the Council’s decision to adopt the Commission’s proposal on a visa-free travel regime for up to 90 days, for Ukrainian citizens carrying biometric passports, and looked forward to the possibilities this will create to bring the societies closer together. The meeting took place on 18 May 2017 in Brussels. CSP members discussed the progress made on implementing the EU-Ukraine Association Agreement. They also considered and adopted reports on environmental protection under the agreement and on the first year of the implementation of the EU-Ukraine DCFTA. A preliminary discussion on media freedom was held.
As I underlined in my opening remarks, the domestic advisory groups should also operate in accordance with the Association Agreement. The EU Civil Society Domestic Advisory Group (DAG) under the EU-Ukraine DCFTA has already begun its work and a few meetings have taken place. Isabelle Brose from the European Confederation of Woodworking Industries was elected as President of the Domestic Advisory Group. A representative from the DAG accepted an invitation and prepared a report. Sofia Bournou a member of the DAG, from BusinessEurope, presented a report entitled “First year of the EU-Ukraine DSFTA”.

It was underlined that unfortunately Ukraine has to carry out reforms against the backdrop of Russian military aggression. The members expressed their deep concern with regard to the worsening of Russian aggression in Donbass, which has been observed since the end of January 2017 and they called upon the European Union to remain united in pressuring the Russian Federation to achieve a ceasefire.

The decision by the Lower House of the Dutch Parliament to endorse a bill to ratify the EU-Ukraine Association Agreement was welcomed, and a call was made to the Senate of the Netherlands to complete the ratification process as soon as possible.

The reforms carried out by Ukraine to implement the EU-Ukraine Association Agreement were welcomed. The participants of the meeting also called for the reforms to be continued in a determined and consistent manner, in particular in areas of societal interest such as the judiciary, anti-corruption, decentralisation, energy efficiency, healthcare and others.

It was stressed that the fight against corruption remains one of the key challenges in the reform process in Ukraine, and, while welcoming the full operational capacity of the National Anti-Corruption Bureau and the Specialized Anti-Corruption Prosecution Office, the CSP called on the Government of Ukraine to proceed with enforcing anti-corruption legislation, including the transparent and independent appointment of judges.

A call was made to the Government of Ukraine to accelerate the update of the National Strategy on environmental policy until 2020 in order to streamline environmental reforms across the sectors and create long-term strategic priorities. The Ukrainian Government was also called upon to adopt the National Action Plan and to ensure that it is implemented during the relevant period.

The CSP stressed the importance of overcoming institutional challenges and strengthening institutional capacity to ensure the proper implementation of the environmental component of the Association Agreement. This refers in particular to making the proper expertise available in relation to adopted regulations and thus ensuring their compliance with EU legislation. The relevant EU institutions were invited to consider a more diverse toolkit to influence Ukraine’s reforms in this sector. To be more precise, this may include information-based, scientific, technical or economic leverage to induce reforms and better prevent vested interests or outdated practices from blocking the reform process.

The need to pay more attention to the regional context when implementing the environmental components of the Association Agreement was pointed out; the Ukrainian authorities were urged to raise awareness about the challenges and advantages of implementing European legislation.

The meeting stressed that the relevant authorities in the EU and Ukraine should closely monitor the implementation of the DCFTA and assess the impact on bilateral trade and investment, as well as on labour and environmental issues pertaining to the Agreement. This assessment shall also be used as part of the analysis to be carried out by the EU and Ukraine – with a view to determining any potential updates to be made to certain aspects of the DCFTA – after the expiry of the Agreement’s initial 5-year implementation period.

With regard to the wood export ban applied by Ukraine and all concerns relating to the sustainability of the forestry sector, as well as all issues relating to labour standards in Ukraine (including labour inspections in particular), the meeting participants called on the relevant bodies established under the EU-Ukraine Association Agreement and the DCFTA to address these issues as a matter of urgency.

It was noted that all pending institutional and/or structural problems that prevent the full implementation of the DCFTA and the Trade – and the Sustainable Development Chapter in particular – should be solved. In particular, the meeting called for the immediate establishment of a Domestic Advisory Group on sustainable development.

The CSP stressed that more attention should be paid to SMEs, with particular reference to the preparations for the draft SME Strategy until 2020.

CSP members welcomed the significant improvements in the Ukrainian media since 2014 and are pleased that the ongoing reforms continue to strengthen the legislative environment for journalists and media outlets.

The establishment of an independent public broadcasting company in Ukraine was welcomed, but everyone regretted that the broadcast licensing process in Ukraine is not fully transparent,
On the significant EU economic policy challenges for the Visegrád-4 countries

In recent months, we have had an opportunity to present the impact of the current and expected EU economic policy developments (mostly budgetary policies and those relating to extending and completing the EMU) on the economic systems and policies in the Visegrád-4 countries – with special focus on the Czech Republic – to a Czech audience in academia, NGOs, and the public and private sectors.

Over the last few years, Europe has reacted to the economic crisis by making an unprecedented adjustment to its economic policy instruments, with the aim of strengthening EU economic governance. Many other accompanying steps have also been taken to support this aim. New systems for monitoring the budgetary and economic policies and a new budgetary framework were introduced (some aspects apply to all EU Member States, but most focused predominantly on the eurozone countries).

The European Semester was established as a key framework to co-ordinate budgetary and economic policies. It includes a detailed analysis of the plans for budgetary, macroeconomic and structural reforms in the Member States and recommendations for particular economies over the next 12 – 18 months. It also covers progress made by the Europe 2020 Strategy. The European Semester sets out a regular timetable with the necessary deadlines relating to the particular terms. As they are very important, it is worthwhile underlining the presentation of National Reform Plans, which are subsequently reflected in country-specific recommendations.

So far, the Visegrád-4 countries seem to have reacted very successfully to the co-ordinated economic policy steps set out under the European Semester. In November 2016, at the launch of the European Semester cycle for 2017, the Czech economy had by far the best results out of all EU Member states in terms of the level of their macroeconomic, fiscal and structural imbalances.

Efforts to extend and complete the EMU are also of great interest to the Visegrád-4 countries (to Slovakia as a euro-zone country, and to the rest which remain non-euro zone countries). This not only includes the consequences of the Five Presidents’ Report – which addresses the external representation of the Eurozone, the steps to financial union, upgrading the European Semester, National Competitiveness Councils and the European Fiscal Council – but also the most recent developments in relation to expanding the eurozone, including “a Eurozone Finance Minister”, an autonomous eurozone budget and the issuing of EU bonds.
Moreover, some of the new elements that are currently under discussion as part of the preparations for the next Multi-Annual Financial Framework are extremely important. They include the debate on the concept of EU added-value and the need for increased EU budgetary flexibility both on revenue and expenditure. Increased flexibility in terms of revenue could potentially be achieved through a higher volume of own resources collected via an EU tax. The debate has also focused on a more intensive utilisation of financial instruments during the EU Budget redistribution process. Generally, it is expected that “the national envelopes” will be visibly reduced in favour of a more intensive pan-European competition for projects. There will also be greater focus on the results achieved and the performance of EU budgetary interventions.

As mentioned earlier, the possibility of introducing an autonomous budget for the eurozone itself has already been discussed. After Brexit, the eurozone is set to contribute 87% of the EU’s total GDP. As a cohesion country, for us this scenario brings the risk associated with a substantial reduction in the financial resources currently allocated to the Cohesion Policy.

Similarly, we should not ignore the budgetary impact of Brexit, not least due to the fact that Britain has so far been a net contributor. Brexit for the Visegrad-4 countries means an "artificial" or "statistical" increase in our wealth, as measured by the GDP/cap indicator. This indicator is increasing in any case, as the economy is on a convergence track.

We can therefore conclude that EU financing clearly now stands at crossroads, just as the solid efforts to co-ordinate EU macroeconomic and fiscal policies did very recently.

US – EU relations in the Trump era: risks and opportunities

The future of US-EU relations under the Presidency of Donald Trump – that was the topic of discussion at the European Business Summit, attended by the President of the Employers’ Group, Jacek Krawczyk. The panellists discussed a number of aspects of US-EU relations, such as the future of trade, the climate agreement and the consequences of transatlantic relations for geopolitics in general.

Mr Krawczyk expressed his hope that cooperation between the US and the EU would remain the backbone of global stability. He underlined that despite the political bafflement there was good momentum for economic cooperation between the EU and the US. With regard to trade, he underlined that Europe has a good case for trade under CETA and successful implementation of this deal could improve conditions for unblocking TTIP negotiations. With reference to Paris climate agreement, it was emphasised that the possibility of a US withdrawal from the deal is worrisome for civil society representatives. In Mr Krawczyk’s view, the role of Brexit in US-EU relations is overplayed and it will have a limited impact on the future of transatlantic relations.

The panellists also discussed the impact of US-EU relations in the context of cooperation with Russia. “European businesses are prepared to do business with Russia but not at any cost” Mr Krawczyk said. He underlined that unless core European values such as human rights and democracy are respected, the opportunities for closer cooperation between the EU and Russia will be very limited.

The panel took place on 23 May 2017 as part of the Business Day, at the European Business Summit.

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