

Employers' Group

Newsletter May 2015

The Eastern Partnership:

we mean business

The Eastern Partnership (EaP) was inaugurated by the European Union in Prague on 7 May 2009. The initiative set out to provide a forum for discussions on trade, economic strategy, travel agreements and other important issues between the EU and its eastern neighbours Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. At the same time, the EaP set its sights on encouraging EU neighbouring countries to undertake political and economic reforms in return for access to EU markets, greater mobility and financial support. The success of this model can be seen from the area of prosperity and good neighbourliness it has created, founded on the values of the Union.

Trade, investments and services are the essential elements of the Eastern Partnership initiative. They are of the utmost importance to the business community. Business is the driving force behind economy in real terms. Open and integrated markets are a prerequisite for economic development in this day and age. The concept of DCFTAs (Deep and Comprehensive Free Trade Agreements) is exactly what has

been eagerly and long awaited by the business community in both the EU and Eastern Partnership countries. Today for some of the EaP countries the EU has already become a major trading partner and their greatest investor.

The Business Forum, organised in Vilnius in 2013 by the Lithuanian Confederation of Industrialists on the eve of the Eastern Partnership political summit, brought together business, banking and government leaders to address strategic policy issues under the umbrella theme of *Business without borders*. Participants (among them members of EESC Group I) discussed how to enhance investment and revive the SME sector, highlighted the critical need for sound infrastructure for business success and examined opportunities for closer trade and economic ties between the EU and Eastern Partnership countries.

The Forum welcomed the initialling of Association Agreements (AAs), including DCFTAs, between the EU, Georgia and Moldova, offering a clear framework for structural reforms and further improvements in the business

climate. There was deep disappointment when Ukraine and Armenia gave up their plans to sign Association Agreements at the Eastern Partnership Summit in Vilnius. Nevertheless, in the Vilnius declaration, business communities expressed their hope that Ukraine would remain committed to the path of reforms and encouraged the country to re-engage in the process leading to the conclusion of the AA/DCFTA with the EU.

Soon after its shocking decision, Ukraine, the largest country of the EaP, faced radical calls for change to its political system. Following a series of dramatic political events and the Euromaidan revolution, the AA/DCFTA with Ukraine were finally signed in 2014.

Association Agreements with Moldova and Georgia were also signed. A visa liberalisation agreement was reached with Moldova, and visa facilitation agreements were signed with Ukraine, Georgia, Armenia and Azerbaijan; Ukraine and Moldova also joined the European Energy Union. Over the last decade, Georgia, Moldova, and Ukraine have seen a significant shift towards democratisation of elections, civil society has been actively involved in political processes and substantial progress has been made in the reform of local authorities, law enforcement and in economic regulatory areas. Within the framework of the EaP, the Civil Society Forum has become an essential instrument for citizens of the EU and of the Eastern Partnership countries, enhancing tolerance, mutual understanding and cooperation between NGOs and the social partners.

Today we are looking forward to the third Eastern Partnership Business Forum in Riga.

Let's be honest: doing business in Eastern Partnership countries is still quite challenging. Improvements in political and economic stability, securing the rights of companies and investors, adjusting markets to the European model, better application of competition law and lighter regulatory regimes – these are the vital steps that business is awaiting most. We congratulate our partner countries on what has already been achieved, but much more remains to be done in the future. I believe that Association Agreements and DCFTAs are not the end of the road, but on the contrary, are just the beginning.

Since signing its Association Agreement, however, Ukraine has suspended opening up its market until the end of 2015 in response to strong pressure by neighbouring Russia. Given that the opening up of markets is an essential condition of the DCFTA, the EU has done this unilaterally. However, an open EU market alone is not sufficient to consolidate real business cooperation. Most business enterprises in the EaP partner countries face the following challenges: lack of competitiveness, outdated technological equipment in manufacturing companies, low productivity, poor awareness of business ethics and scarce entrepreneurial spirit. In order to enjoy the substantial benefits of the DCFTA, additional



2nd Eastern Partnership Business Forum in Vilnius, 2013

instruments for business transformation and adaptation to higher standards should be provided. It must be made clear to everyone concerned that the complete range of expected benefits will only come into effect once the DCFTAs are fully implemented.

The title of this year's Business Forum in Riga is *Cooperation across borders: the Eastern Partnership and beyond*. We must all recognise that in today's globalised economic world, no issue can be debated in isolation from the outside world. The Eastern Partnership also is influenced by its neighbours. Therefore sending invitations to business leaders and company representatives from non-EaP countries to attend the Forum is a brave and noteworthy step. Strategic relations with the Eastern Partnership should be seen as beneficial to companies across the entire continent.

The European Economic and Social Committee, with the strong commitment of its Group I members, has repeatedly stressed in its opinions the importance of a close relationship between the EESC and organised civil society in the EaP countries, and of civil society involvement and social dialogue, for the success of the Eastern Partnership. The firm engagement of the EESC's Group I is crucial at a time when agreements must be implemented in all possible ways, including through the EaP Civil Society Forum and the bilateral civil society platforms of the EU and EaP countries, etc. Co-ownership at civil society level in the context of the EaP should become a priority across the whole of the EU. And cooperation instruments, as mentioned, should be strengthened and expanded.

Just a couple of months ago, the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy issued a Joint Consultation

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Paper entitled *Towards a new European Neighbourhood Policy* and launched consultations with many of the stakeholders to clarify what can be done to strengthen European neighbourhood policy in the interests of both the EU and its partners. The Eastern Partnership is one of the two geographical areas covered by the European neighbourhood policy. The EESC is currently working on an opinion on this very issue, of which I am one of the rapporteurs (the opinion is due to be adopted on 1 July 2015). In my view, the opinion

should place strong emphasis on the need to strengthen economic ties with neighbouring countries. Trade and EU investments in large-scale infrastructure projects, energy security and energy efficiency projects, and the provision of technological equipment for manufacturing and service companies could become the salient features of this type of support to partner countries and would also stimulate the implementation of reforms.

Entrepreneurial spirit back on track in Europe

The Employers' Group in the EESC very much welcomes the shared intention of the European Commission and the Presidency Trio to return to the Oslo Declaration (2006) and the objectives of the strategic framework for European cooperation in education and training (ET 2020) and to foster creativity, entrepreneurship and mobility in education and training.

This is also the title and subject of an EESC own initiative opinion currently in the pipeline. The Committee echoes the conclusions of the Council for Youth, Education, Culture and Sport of 12 December 2014, which state very clearly that both entrepreneurship and education are priorities of the Europe 2020 strategy for smart, sustainable and inclusive growth. Developing an entrepreneurial mindset can have considerable benefits for citizens in both their professional and private lives.

Creativity and innovation are crucial for the development of enterprises and for Europe's ability to compete internationally.

Investment in education and training for skills development is essential if we are to boost growth and competitiveness. The first challenge is to make it easier for anyone to acquire a broad range of key skills such as digital skills, "learning to learn", a sense of initiative, entrepreneurship and cultural awareness.

The conference held by the EESC's Labour Market Observatory in November 2014 on **"Supporting start-ups to create growth and employment"** also demonstrated that "entrepreneurship education" should be approached with the wider business environment in mind, by facilitating businesses start-ups, cutting red tape, and addressing labour market

flexibility. Pre-startup, start-up and development incentives can be effectively linked to a range of other active labour market policies (ALMP), and also need to be part of a wider framework of business support and enterprise development.

Teachers and educators play a crucial role in facilitating learning and propagating ideas. Introducing new educational processes and teaching technologies into the classroom is no simple task and will require qualified teachers to spearhead the process. The quality of teachers and mentors/counsellors is critical to the success and effectiveness of entrepreneurial training programmes.

Business should be closely consulted on the formulation of educational activities for entrepreneurship. This is necessary to ensure that graduates are equipped with the skills they need to succeed. The principle of partnership is very important. Employers' and employees' organisations should be involved in designing national lifelong learning strategies.

In its opinion the EESC encourages the Member States to use all the programmes and tools available to them to support entrepreneurship in education and training, so as to promote creativity, innovation and mobility.



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Completing EMU: the political pillar

After seven years of economic and social turbulence, Europe continues to live in uncertainty. Despite glimmers of a recovery, a stable and predictable climate is still missing, which is damaging for investment, growth, and employment. Positive developments are apparently being held back by the lack of a clear sense of direction. The EMU is exemplary. It has an extensive 'acquis': a shared currency and a central bank; to a certain extent it ensures coordination of fiscal and economic policies; it issues binding decisions on countries, in principle limiting their individual economic and fiscal autonomy. But the EMU still remains fragile and incomplete. Day by day we witness the unsatisfactory implementation of agreed policies and, worse, divergent views and practices that have exacerbated a climate of distrust politically and among the general public.

We do not believe that sustainable outcomes can be achieved by intergovernmental decision making alone. More political integration is needed. We are aware that this is not a popular message in a climate of mistrust and euroscepticism. But is there any alternative? The foundations of what has been achieved are too weak. Without deepening integration the EMU might not be able to weather the storm of a new crisis or realise successful growth initiatives, laying the basis for all kinds of cross-border investments. And, most importantly, Europe is challenged globally by increasingly strong competitors, each of them driven by a shared ambition. The widely praised national sovereignty, which has increasingly become illusory, is not delivering the right answers for the needs of a future-oriented Europe.

We therefore believe that a debate must be launched concerning the transfer of national powers to the EU. Democratic procedures, such as the parliamentary dimension, accountability and sincere cooperation and transparency in ways of working must be guaranteed. These elements require a political union that restores and ensures public participation, as



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well as the involvement of all stakeholders in European integration.

We well understand that this is a long-term project, but precious time may be lost if we wait too long. By the same logic, the process of deepening should start in the Eurozone and should include all other Member States that are willing to take part. And it should include the following elements. European integration requires fully-fledged European political parties and the creation of political majorities and minorities on the basis of electoral programmes. National parliaments have to be committed more effectively to the work and deliberations at EU level. Parliamentary involvement - at national and EU level - in EMU matters must be guaranteed. In parallel, there is a growing need for a Eurogroup president, an EMU executive (currently Eurogroup and Commission), an EMU Legislative Affairs Council, and the abolition of unanimous voting.

The whole European panorama has been dominated for decades, on the one hand by nation-states and intergovernmental decision making, and, on the other, a technostucture. But deepening the EMU, which we advocate, will not be possible without a political architecture that also puts democracy and legitimacy first. The longer we postpone the necessary steps, the more difficult their realisation. We are living in an unfriendly world in which nobody is inclined to wait for the Europeans if they do not look after themselves. Therefore, despite the seemingly insurmountable obstacles, I believe that concrete initiatives must be taken to build a political pillar to strengthen the foundations of the EMU and to support Europe's position in the world.

Development programme after 2015

In September 2015 the UN will adopt a new Post-2015 Sustainable Development Agenda, which will build upon the Millennium Development Goals (MDGs), which was the first global anti-poverty initiative in history. The future Sustainable Development Goals (SDGs) will be universally applicable to developed and developing countries, including the European Union, and will address economic, social and environmental challenges by setting a new transformational agenda in order to:

- Impact economic growth and job creation;
- Reduce poverty and inequality;
- Make better and more careful use of the globe's natural resources.

One of the reasons for this shift is that the general attitude to climate change and regulations is changing, with sustainability becoming a priority among the public. Of course, some businesses jumped at the 'sustainability' opportunity with for example, the rise in the recycling of non-renewable materials, limited use of renewable materials and the use of renewable energy ensuring that the materials used do not harm the ecosystem.

With the broader aim of the SDGs, industry and business will play a prominent role in advancing these drivers of development and some have taken on the challenge of creating innovative business models that respond to commercial priorities while also delivering on the development front. Although more and more businesses are incorporating social and environmental sustainability criteria in core business operations, it is foreseen that they may need to go further by developing innovative and transparent techniques to align corporate long-term goals with global sustainability goals.

The report "How industrial development matters to the well-being of the population - Some statistical evidence" produced by United Nations Industrial Development

Organization (UNIDO) last year, showed that the lack of emphasis on economic dimension has been the major limitation of MDG indicators because the targets made little mention of the processes required in terms of economic development to make the MDGs a reality. Specifically the MDGs made no mention of the immense impact of industrialization on economic, social and environmental sustainability.

According to the UNIDO's analysis, as of 1 January 2014 there were only 57 economies, making up less than 20 percent of the world population, that were classified as industrialized. The average per capita manufacturing value added (MVA) of industrialized countries is 10 times higher than that of developing countries and 90 times higher than the average of LDCs. It is clear that citizens of modern, industrialized countries enjoy much more prosperous and healthy lives than those in LDCs. They benefit from high levels of education, better social security, sophisticated transport and communication networks, access to information, knowledge, technology and the financial facilities necessary for businesses. The process of industrialization has had a direct impact on their well-being. By contrast, in many other countries the lack of productive employment and access to resources has not only resulted in extreme poverty but also caused social tensions and at times led to armed conflict. **UNIDO's analysis has shown that when MVA per capita increases by 1 percent annually, the poverty head count decreases by almost 2 percent. With an increase of MVA per capita of 1 percent the number of deaths related to armed conflicts falls by 4.5 percent.** UNIDO's publication presents empirical evidence on the correlation between industrial development and well-being of populations.

So harnessing the innovation of the private sector in the context of strong national and regional institutions with policies and investment that take into account the needs of large industries, as well as of micro, small and medium-sized enterprises will hopefully contribute to the well-being of citizens worldwide.



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our world
our dignity
our future



2015
European Year
for Development

Boosting industrial innovation for a stronger and more competitive Europe

Industry is the backbone of the economy. The experience of the recent economic and financial crisis has provided clear evidence that European countries with a solid industrial base perform better.

The new college of European commissioners has taken office and has shown great interest and initiative when it comes to focusing on moving industrial competitiveness centre stage in European policy making. In recent years, European industry and its competitiveness have been in the spotlight in the European Union institutions and generated several Commission communications (2010 "An Integrated Industrial Policy for the Globalisation Era", 2012 "A Stronger European Industry for Growth and Economic Recovery", 2014 "For a European Industrial Renaissance"). The Europe 2020 strategy initiated a full range of EU policies encompassing competition, trade, innovation, energy, sustainability and long-lasting growth as opportunities to strengthen the European economy and drive us on towards a better future.

A fully integrated and ambitious industrial base for Europe requires a consistent and harmonious policy, delivering growth in Europe that is:

- "Smart – through effective investment in education, research and innovation;
- Sustainable – thanks to a decisive move towards a low-carbon economy; and
- Inclusive – with a stronger emphasis on job creation and poverty reduction".

However, in the face of fierce global competition, a European industrial renaissance by means of investment, R&D and innovation can only bring growth and jobs if words become actions. Innovation, in particular, could become an important game-changer. The EU is striving to maintain its leading position, but its R&D gap with the US amounts to USD 100 billion a year. The right drivers must be put in place to reverse this trend, allowing companies to mobilise Europe's strengths and drive our economies towards growth by finding solutions to emerging challenges.

This year, on 15 June, the Lithuanian Confederation of Industrialists together with the European Economic and

The poster features the Lithuanian Confederation of Industrialists (LPK) logo on the left and the European Economic and Social Committee (EESC) Employers' Group logo on the right. The central graphic shows a person sitting on a stool, holding a lightbulb, symbolizing innovation. The text on the poster reads: "Industrial competitiveness: How to respond to innovation challenges?" and "15.06.2015 BOD Group Mokslininku str. 6A, Vilnius Lithuania". At the bottom, logos for BUSINESSEUROPE, the European Union, and the Lithuanian Ministry of Economy are displayed.

Social Committee (EESC) Employers' Group and partners, will host the third high-level conference to discuss the future of EU industrial policy, focusing on the challenges of innovation – Industrial Competitiveness: How to Respond to Innovation Challenges?, in Vilnius, Lithuania.

The main message of the conference in terms of further discussions on the theme is how to boost growth and modernisation in Europe by means of industrial innovation. It will bring together high-level representatives of EU and national institutions, business leaders, trade union and company representatives and academics to address issues including the framework conditions that would foster innovation, European and national strategies, the promotion of a risk-taking innovation culture, the commercialisation challenge, the changes being brought about by the digital revolution and workplace innovation.

The question is what is the right regulatory environment to build competitiveness into all policy areas at both national and EU levels?

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The Latvian Presidency of the EU Council – achievements and next steps

The new roadmap of Commission President, Jean Claude Juncker's Commission – which includes taking advantage of social dialogue and involving social partners in ever broader questions, such as implementing reforms and ensuring growth – is the only way to truly set Europe back on a path towards development.

I am certain it can be no coincidence that the Commission's initiatives for strengthening social dialogue have come during the Latvian Presidency of the Council of the European Union. During the economic crisis of 2008-2010, the Latvian government heavily involved social partners – the Employers' Confederation of Latvia and Free Trade Union Confederation of Latvia – in decision-making processes, using the mechanism of the National Tripartite Cooperation Council. The decisions taken there were tough; however, they allowed us to return to a stable path of economic growth.

In the case of Latvia, sound social dialogue structures and practices are held in high esteem by the European Commission and the International Monetary Fund. This proves that timely and pragmatic social dialogue at all levels enables important goals to be reached – regardless of whether we are facing a crisis or other macro issues.

In the context of the current situation, with the European Union standing at the crossroads of a modest recovery and renewed growth, social dialogue is more important than ever. It is the main mechanism through which the ideas of economic growth and investment flows, Economic and Monetary Union, Energy Union, the Digital Single Market and the Capital Markets Union can be realised.

To support EU competitiveness, and, in particular, with a view to promoting regional business development, the Employers' Confederation of Latvia (LDDK) is organising a



Conference "Entrepreneurship in the Regions to Strengthen EU Competitiveness"

series of international conferences as part of the Presidency of the EU Council. The international conference in February entitled "**Entrepreneurship in Regions to Strengthen the European Union Competitiveness**" successfully led to **employers'** recommendations to European Union decision-makers being adopted. The recommendations focused on the need for targeted implementation of convergence measures for regions and Member States as early as possible using all available financial and non-financial mechanisms, mutual cooperation, social dialogue, as well as other mechanisms to ensure balanced growth and the competitiveness of Europe on a global scale.

In March, during the social partner forum entitled "Role of Social Dialogue in Ensuring the Economic Growth and Qualitative Work Places", social partners reiterated the role and competences of social partners – employers' and employees' organisations – through their recommendations. Social partners emphasised in particular the need to activate and support the involvement of social partners in achieving targets set out in the "Europe 2020" strategy, and in assessing, agreeing and implementing macro-economic reforms and the European Investment Plan.

Why should we bother? Business does not have to – it can relocate to wherever conditions, such as the investment climate or business environment, are more advantageous for its strategic plans.

As European patriots, we feel a responsibility to contribute towards making the European conditions for business and trade the best in the world. We value simple and stable regulation, a reduction of the administrative burden and mitigation of other factors restricting competitiveness, such as

BUSINESSEUROPE Council of Presidents, Riga, Latvia





energy prices and labour taxes. Balance between countries and regions, and investment security across Europe and further afield is important for European business competitiveness.

Competitiveness of businesses is a cornerstone of growth and prosperity in Europe. Therefore, we welcome the fact that the mid-term report presented by the Latvian Presidency of the EU Council at the end of March lists several important political agreements that have been reached during the first three months of the presidency. These include:

- Establishment of the European Investment Fund;
- Agreement on the next steps to ensure a fully-fledged European common market;
- Thorough preparation for the Eastern Partnership Summit and the related events (including the Eastern Partnership Business Forum organised by the Employers' Confederation of Latvia) in order to ensure better, more effective and predictable future cooperation;
- Renewed negotiation activity in order to reach a conclusion regarding the Transatlantic Trade and Investment Partnership;
- Agreement on the European Union's contribution to climate change mitigation beyond 2020.

With regard to the agreement reached on the European Union's contribution to climate change mitigation beyond 2020, it is essential for European business competitiveness that a global agreement is reached and that contributions from other global players are agreed upon. European businesses require a level playing field for competition in important areas such as energy prices.

As a side event of the Eastern Partnership Political Summit,

the Employers' Confederation of Latvia (LDDK), together with European partners – BUSINESSEUROPE, Employers' Group of the European Economic and Social Committee, European Investment Bank and "East Invest" – is currently organising the 3rd Eastern Partnership Business Forum, "Cooperation across borders: Eastern Partnership and beyond", due to take place in Riga on 21 May 2015. This business forum is aimed at promoting new opportunities for strengthening business links between the EU and the six eastern European partner countries – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, within the framework of cooperation with other countries interested in the region.

The 3rd Eastern Partnership Business Forum covers cross-cutting issues such as the Eastern Partnership's role for businesses, cross-border cooperation, the role of employers and business organisations in promoting viable business environments and new business contacts, both in the region and beyond. Sectorial topics cover the role of transport and logistics, access to finance for businesses, business activity within a growing digital economy and energy resources in business development. We welcome the fact that more than 500 participants from 39 countries have agreed to take part in the 3rd Eastern Partnership Business Forum.

When Latvia took up its first ever EU Presidency, it triggered some scepticism concerning the ability of a small country to influence developments in Brussels. Now we know that, working in close cooperation with social partners, Latvia can and has made a significant contribution to achieving better results for the common future of Europe. In a couple of months, we will be in a position to reflect on the whole six months, and I believe the outcome will be even more promising.

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