

Employers' Group

Newsletter September 2013

Europe 2020: a consistent political message

by Joost van Iersel

“Europe 2020 strategy remains the only credible response to foster confidence, investments, and jobs.”



Europe 2020 was the star business card of the Commission-Barroso in 2010, encompassing a coherent programme to enhance competitiveness, sustainable development, and social inclusion. The programme was future-oriented, the Commission's work and its presentation of the EU objectives became more coherent. However, as the pressure to improve macro-economic conditions to overcome the crisis increased, the Europe 2020 strategy became dull, and seemed even to be pushed aside. This is a great pity. In addition to macro-economic adjustments the Europe 2020 strategy remains the only credible response to foster confidence, investments, and jobs.

An overarching approach provides common orientations in a world in turmoil. The call for leadership is manifest in many countries and also in the EU. The lack of it is largely due to the lack of direction which leaves people confused. In many countries the campaign for the European elections will seriously challenge the pro-Europe parties and their arguments. The better the policy framework for the next period is drawn up as a continuing process, the more useful and effective this can turn into a supportive tool in the election campaign. Although the Commission is not directly engaged as a partner in the elections, an up-to-date presentation of the opportunities of Europe 2020 to strengthen growth conditions in the Union by the Commission is highly desirable.

Moreover, Europe 2020 links the Single Market – still the heart of the matter - to many issues which are either subject to shared EU and national competences or subject to purely national competences.

(Continued)



Group I Debate
Free Trade Agreements

SME's Congress in
Katowice (Poland)

Transport regulations

Re-industrialisation
of Europe - EFNI

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Europe 2020: a consistent political message

(from front page)

Contrary to trendy political views that call for withdrawal of competences from the EU level in favour of national decision-making, we argue strongly for a Single Market that is supported by convergent EU and national policies. To put it clearly: how to imagine an effective Internal Market with 28 divergent industrial or innovation policies, 28 divergent school systems or 28 energy policies? It is just the methodology of Europe 2020 that creates the conditions to maintain national singularities, procedures and traditions parallel to the full recognition that 'we are all in the same boat'. This is well defined in the original framework of Europe 2020, in which industrial policy, innovation, skills, trade etc. are presented as interdependent factors, linked to the Internal Market as well as to Reform programmes, ensured by the annual Semester. In the same manner correct implementation should be put forward as a core element in highlighting Europe 2020 as a message for the future.

The 5 targets for the EU in 2020

- ⇒ **Employment:** 75% of the 20-64 year-olds to be employed
- ⇒ **R&D:** 3% of the EU's GDP to be invested in R&D
- ⇒ **Climate change and energy sustainability:** Reducing greenhouse gas emissions, 20% of energy from renewables, 20% increase in energy efficiency
- ⇒ **Education:** Reducing the rates of early school leaving below 10%, at least 40% of 30-34-year-olds completing third level education
- ⇒ **Fighting poverty and social exclusion:** At least 20 million fewer people in or at risk of poverty and social exclusion

Re-industrialising Europe: a delusion or a real necessity?

Employers' Group Panel

European Forum for New Ideas

Sopot (Poland) 26 September 2013, 17:30 - 19:00

- Will re-industrialisation solve Europe's economic problems and reduce unemployment?
- Innovation and applied research as keys to successful re-industrialisation
- What regulatory conditions must be in place to succeed?

Panelists include:

Mark G. Tabler - US Steel Kosice • Marco Giuli, Madariaga - College of Europe Foundation • Marek Huzarewicz - CEO Philips Poland • Wojciech Dąbrowski - President of the Industrial Development Agency (tbc)

Moderator: Jan Cieński – Correspondent Financial Times



EFNI

EUROPEAN FORUM
FOR NEW IDEAS

III European Congress of Small and Medium-Sized Enterprises

Katowice, Poland, 16-18 September

Interview with Tadeusz Donocik, President of the Chamber of Commerce and Industry in Katowice, the organiser of the Congress.



Congress in figures:

More than **3000** participants from around **35** countries (including **13** representatives of the Employers Group)
Several hundred experts
56 panels
3 days of discussions

The theme of this year's Congress is cooperation between SMEs at regional, national and international level. What are the advantages of such cooperation?

Cooperation at local, regional, national and international level is one of the conditions for improving firms'

competitiveness. Companies from the western part of the EU (Germany, the Netherlands or Portugal, for example) manage this kind of cooperation much better than Central European, and especially Polish, firms.

The advantages of this cooperation can be seen from the example of Saxony, which was once a poor region, but now many of the firms from the region cooperate with South America, Africa, India and China. We, as a Congress, want to encourage, inspire and show positive examples and thus help to close this development gap.

What are the main obstacles to cooperation? Legal, economic or psychological barriers?

The greatest barrier is psychological. On the one hand every entrepreneur is capable of risk-taking. If you are running a firm, you are risking your assets - often your life savings. But they cannot extend this ability to cooperation with others. Polish entrepreneurs often do not trust each other. They do not trust the government and the government does not trust us. But without trust cooperation is virtually impossible.

There are also legal barriers. Credit guarantees, easier access to investment loans or working capital loans can facilitate access to third-country markets. The Congress is therefore discussing and making recommendations on legal and economic regulation and the profile of the European entrepreneur.

What do you think is the role of SMEs in combating the crisis in Europe?

I think that it is micro, small and medium-sized companies

which will ultimately determine how Europe and the world emerge from the crisis. The number of SMEs and their influence on the economy speak for themselves. We need to harness the entrepreneurial skills which exist in micro-enterprises as effectively as possible. Micro-enterprises are the most flexible businesses, the most effective at seeking market niches and the most skilful as adapting their production.

But the actions of SMEs are not sufficient on their own. Action is also needed from government and financial institutions. The barriers to the operation of SMEs need to be dismantled. An example of this? The European public procurement system. Why can't there be a public procurement

quota, say around 30%, which is reserved for small and micro-enterprises, as is done in the USA? I think this would be an immediate stimulus to the sector.

KATOWICE
16th – 18th September 2013
III European Congress
of Small and Medium - Size Enterprises



Science – Business – Self-government. TOGETHER FOR ECONOMY

What challenges does the new EU financial perspective, which begins next year, pose for SMEs?

Firms which focus on innovation and new technologies can expect to receive EU funding. Moreover, they will need to invest in research which can produce tangible results and have a measurable impact - lower operating costs, higher production and improved quality. This is a major challenge but also an opportunity for firms throughout the Union. Europe today is not very successful at competing with firms from China, India or Brazil. By strengthening the SME sector we will make Europe more competitive vis-à-vis the rest of the world.

In recent years we have attached too little importance to competitiveness and to entrepreneurs, who after all create jobs not only for themselves but for others. The task of the Congress is to bring about a change of attitudes, from society and particularly politicians at all levels, from the EU to local level. We want to create a climate favourable to entrepreneurial decision-taking, *inter alia* by creating a mindset of valuing those who go into business on their own account.

SMEs in Europe:

20,7 million firms
67% of jobs
58% Gross Value Added

(source: EU SMEs in 2012, ECORYS report for the EC)

We have already been tackling the crisis for five years now, with at best low, uneven growth for most EU Member States. EU youth unemployment is approaching six million, with emigration of young graduates and young skilled people. One of the key means of promoting growth and jobs in Europe is finding new markets and opportunities outside the EU. As well as looking to fast growing, emerging markets, the EU this year has also opened trade negotiations with the US and Japan. We are looking more closely at these two trade partners.

an (uneasy) way to

EU - Japan FTA negotiations

Criticism is regularly heard about the lack of openness of the Japanese market. Although Foreign Direct Investment (FDI) in Japan has increased since the mid-1990s, it still remains very low in comparison with other OECD countries. Although it has only 3% of global European FDI, Japan is, at the same time, a major foreign investor in the EU.

The removal of the significant existing Japanese non-tariff barriers (NTBs) is a key target for EU negotiators. Equally, there is a trip-wire to halt these negotiations if significant progress is not being made. Limited knowledge in the EU about Japanese business culture, together with European products and services being insufficiently competitive in the Japanese market (notably by failing to comply with the tastes of Japanese consumers), is also a major factor that needs to be addressed.

According to preliminary estimates, an EU-Japan FTA should have a positive impact on the European pharmaceuticals and chemical sectors, not least as Japan's drugs and chemicals sector would have to face greater international competition. The European automobile sector, however, is one of the most sceptical sectors, although their concerns have, apparently, not been borne out by the 2011 EU-Korea FTA.

The sectors which expect the most from the FTA with Japan include those linked with the environment, health, ICT, retail and biotechnology. The on-going EU-Japan FTA/EPA negotiations are crucial for both the EU and Japanese economies, especially in terms of additional growth and jobs. This trade deal is expected to increase EU exports to Japan by up to 30%, boost Europe's GDP by 0.8% and create at least 400 000 additional jobs in the EU member states. For Japan, the forecast is for GDP to increase by 0.7% and for exports to Europe to grow by 24%.

The EU-Japan FTA/EPA tackles several important issues, such as tariffs, non-tariff barriers, public procurement, investment, services, competition, IPR and regulatory cooperation, including harmonisation and the mutual recognition of regulations, standards and market authorisations.

EU - Japan trade balance in 2012

Trade 119,3 bn € (8,3 bn € deficit for EU)
Import 63,8 bn € (3,6% of EU imports)
Export 55,4 bn € (3,3% of EU export)

Source: EUROSTAT

The main barriers in Japan for European firms are **non-tariff-barriers** (NTBs) whilst the main issue for Japan is EU tariff rates. Some Japanese markets, notably for agricultural products, transport equipment and aeronautical products, are virtually closed to EU exports. Further opening of the Japanese public procurement market, for instance Japan's railways and urban transport, will also be very sensitive, as will construction contracts - a crucial issue for the EU.

Japan does not apply customs duties to most industrial goods: in 2010, 33% of all goods imported from the EU were subject to import duties. Import duties have already been eliminated for automobiles and pharmaceuticals. However Japan's tariffs remain high for agricultural products and many processed foods (e.g. butter and cheese). In turn Japan is targeting the EU tariff of 10% on imports of automobiles and 14% on televisions, colour video monitors and multifunctional LCD players.



About the author:
Eve Päärendson
Director of International Relations,
Estonian Employers' Confederation



Free Trade Agreements: New markets and business opportunities

TTIP – Trans Atlantic Trade and Investment Partnership

A EU – US trade deal, or TTIP, would be highly significant. It is expected to boost Europe's annual GDP growth by 0.5 - 1%. It would bring the two big 'western' blocs closer together in a world where economic power is shifting south and eastwards.



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EU - US trade balance in 2012

Trade 497,6 bn € (86 bn € surplus for EU)
Import 205,7 bn € (11,5% of EU imports)
Export 291,8 bn € (17,3% of EU export)

Source: EUROSTAT

It would underline and strengthen the potency of our shared beliefs in democracy, the rule of law, transparency and predictability, not least in key areas such as IPR. Difficulties in EU – US relations, such as seen over the past 10 years, are bad for Europe. As shown by the current US 'Trans Pacific Partnership' negotiations, an automatic EU – US partnership is no longer a certainty.

TTIP negotiations will not be easy. This is about the fundamental differences in our approaches to regulation and

standard setting. Much European suntan lotion, for example, is banned in the US. Is this merely due to differences in legislation on chemicals, or due to seeking commercial advantage or backdoor protection? There is no 'low-hanging fruit' to be easily gathered.

It is easy to sympathise with Clemenceau's comment that the US moved directly from barbarism to decadence when one compares the different approaches to GM (or biotechnology). One US company, Monsanto, when faced with growing European unease about GM, flooded the market with advertising. That led directly to the phrase "Frankenstein Food" and had the diametrically opposed effect to that desired.

The list of differences is long. The EU has other food safety concerns and those over Geographical Indicators (can Parma Ham only come from Parma?). Fracking is a big environmental concern: apart from water and sand – 13 other chemicals are used, but all of these are found about the home anyway. President Obama was widely accused of being too "European" in his approach to social issues in last year's election. In turn the US will have major reservations over the inclusion of Financial Services regulations and government procurement.

Will the negotiations look for regulatory convergence, or simply accept full, mutual recognition of each other's standards? If a civil society monitoring mechanism is agreed, will it be strong enough to cope with the US litigious approach of "see you in court"?

The prizes for a successful EU – US trade and investment agreement will be very high – but will the price also be high?

About the author:

Jonathan Peel

Business and trade consultant



Transport regulations on the way to a real single market

A quarter of the key actions of the Single Market Act II deal with transport. The legislative process on further implementation of the single market in rail, road, inland waterway, sea and air transport is ongoing. In July the EESC adopted opinions on these issues: the 4th Railway Package, maximum weights and dimensions of heavy road vehicles and the framework for future EU ports policy.

Maximum weights and dimensions of heavy road vehicles

(drawn up by Virgilio Ranocchiari)

The EESC strongly recommends that installation of rear flaps should be included in the current scheme of European Type Approval, avoiding the National Type Approval that would constitute a step back with respect to the WVTa (Whole Vehicle Type Approval).

The weight exemption granted only to vehicles with two axles and electric and hybrid propulsion should be extended to vehicles with three axles or more and to other vehicles using alternative tractions and fuels, when the relevant technical solutions imply extra weight reducing the payload capacity.

On the European modular concept, or longer and/or heavier vehicles (LHVs), the EESC believes that the Commission proposal is the right one at the moment.

Member States may choose whether to use the EMS in accordance with the principle of subsidiarity, based on different local conditions, and with the transport mode neutrality of the EU. No Member State is obliged to use the EMS and all Member States have the right to ban traffic by the EMS in their own territory.

There is the possibility – if more Member States eventually allow cross-border use of LHVs – of seeing a domino effect, with such vehicles gradually being admitted right across Europe. In this case, these derogations could lead to what is now an exceptional practice becoming the norm, which would go against the principle underlying the proposal that the modular concept will not significantly affect international competition, and penalise Member States that do not admit LHVs in their territory.

The EMS consists of a combination of the longest semi-trailer (maximum length 13.60 m) with the longest load-carrier (maximum length 7.82 m) allowed in the EU. The result is a vehicle of maximum 25.25 m long with a gross weight of up to 60 tonnes; while currently in the EU the maximum length is 16.50 m for articulated vehicles and 18.75 m for road trains, with a gross weight up to 40 tonnes (up to 44 tonnes when carrying containers of 40-45 feet in intermodal transport). Such configurations are called "ecocombi", "gigaliners", "mega trucks" or "super lorries".



If this happens the Commission could only stand on the sidelines, leaving market forces to decide the outcome. If LHVs win a market share in Member States with suitable infrastructure and safety requirements, the Commission will not be able to contain them without violating the subsidiarity principle.



About the rapporteur:
Virgilio Ranocchiari
European Affairs Consultant
Italian Confederation of Industry

Framework for future EU ports policy

(drawn up by Jan Simons, rapporteur-general)

The Committee endorses the adoption of a "soft law" approach to legislation where there is no alternative. Passenger transport and cargo-handling services should stay outside the scope of the regulation. The Commission's basic idea of increasing financial transparency in the ports sector has the Committee's support, as this will make it possible to obtain information on any public funding at an earlier stage. The commercial freedom of the port managing body to

set port charges is rather undermined by the list of criteria and the powers conferred on the Commission to adopt delegated acts.

The Committee considers the independent supervisory body, which is to be responsible for monitoring and supervising the application of the regulation, to be superfluous. Competition law is usually sufficient, and where this is not the case specific action should be taken.

The Commission proposes that the regulation be evaluated and, if appropriate, measures proposed three years after its entry into force. The Committee considers this period to be too short and suggests a mid-term review with comments within three years, and a final evaluation with conclusions only after six years.

About the rapporteur:

Jan Simons

Chairman of Transport and Maritime
Arbitration via the Netherlands

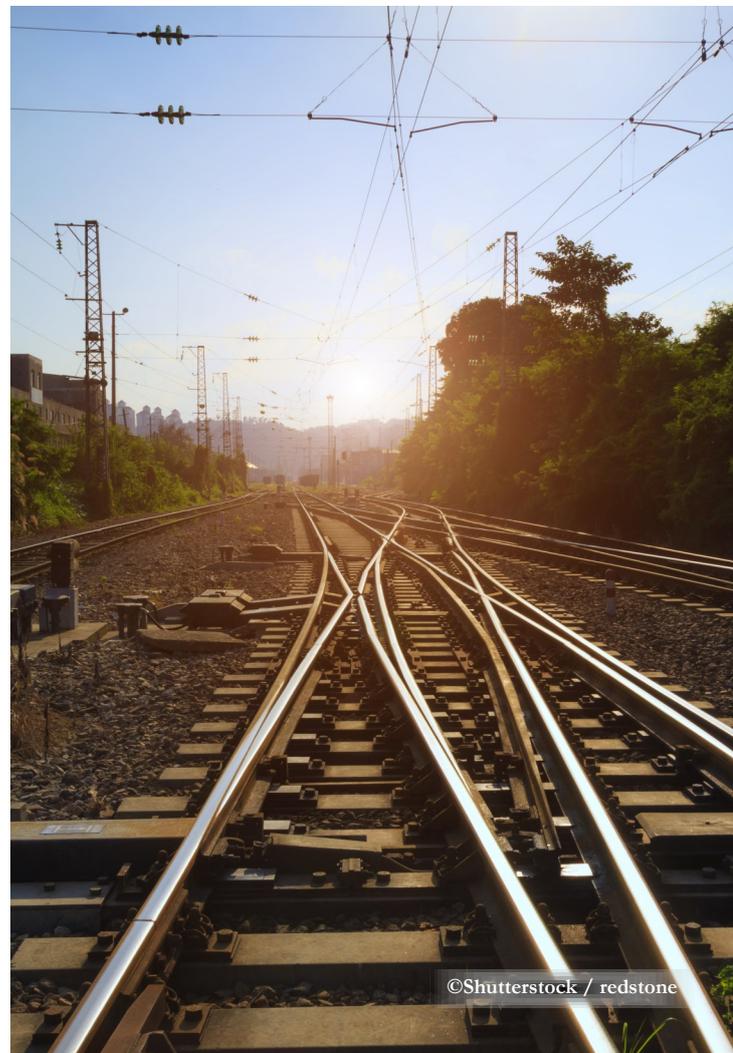


4th Railway Package

(drawn up by André Mordant with study group)

The aim of this legislative initiative should be to eliminate "border effects" between Member States. Regional planning measures are needed; infrastructure between Member States must be filled in. The EESC calls for the Member States to retain the power to organise their national rail systems and open their domestic markets to competition in line with their geographical, demographic and historical situations and prevailing economic, social and environmental conditions.

The EESC recommends that the Commission launch an initiative to monitor rail safety, which is essential to the development of the railways, by setting up national monitoring centres or joint safety committees. The package's technical chapter should be prioritised, in order to boost the modal shift towards rail.



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Our opinions for the Plenary Session in September

Save the date!

EESC Bureau:
15 October

Group I Bureau:
16 October, 9:00

Group I meeting:
16 October 10:00

Next Plenary Session:
16-17 October

INT/689 - EU space industrial policy (**Joost van Iersel**)

INT/695 - State of the Innovation Union 2012 (**Cveto Stantič**)

SOC/487 - Freedom of movement: exercise of rights conferred on workers
(co-rapporteur: **Vladimíra Drbalová**)

NAT/600 - European Strategy on Plastic Waste (**Josef Zbořil**)

NAT/601 - Maritime spatial planning and coastal management (**Stéphane Buffetaut**)

INT/714&715 - Deployment of the interoperable EU-wide eCall (rapporteur
general: **Thomas McDonogh**)

News from the Group: welcome to a new member!

Timo Vuori Secretary General of ICC Finland

Mr Timo Vuori has a long working experience related to international trade and economy. Educated as a lawyer specialised in public international law he has worked many years with trade and investment policy issues. Furthermore, he has worked for the European Commission on EU internal market issues. His field of expertise also covers issues related to custom and trade practices. Today corporate social responsibility is part of his expertise as well.



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The world business organization



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