



The Eastern Partnership **we mean business**



European Economic and Social Committee



Ivan Voleš

*Member of the EESC Employers' Group
Czech Chamber of Commerce*

Businesses from the EU and the Eastern Partnership countries met in Riga to find ways of moving forward together

The European Economic and Social Committee has been an ardent supporter of the Eastern Partnership from the very outset and the EESC's Employers' Group has continually emphasised the need to strengthen the partnership's economic dimension. This ambitious project should enable partner countries to join the European Single Market once they have fully accepted and implemented fundamental European legislation.

The Eastern Partnership Civil Society Forum, which was established with our involvement, is the preeminent platform for promoting NGOs and their interests. An appropriate tool was needed to enable the representatives of employers, entrepreneurs and small and medium-sized enterprises from the EU and its partner countries to meet and openly assess the process of convergence with the European acquis and its impact on the economic situation.

The **First Eastern Partnership Business Forum**, organised by the Polish employers' federation Lewiatan alongside the Warsaw Eastern Partnership Summit in Sopot in September 2011, decided that the Eastern Partnership Business Forum would become a permanent platform for EU and partner-country entrepreneurs and government to exchange information and contacts and would take place in parallel with the Eastern Partnership summits.

The **Second Eastern Partnership Business Forum** was held alongside the 2013 Eastern Partnership summit in Vilnius under the logo "Business without borders". Participants in the Business Forum were obliged to react to the sudden and unexpected political developments arising from the Ukrainian President's decision not to sign the Association Agreement with the EU. This decision was followed by the developments in Ukraine, with which everyone is familiar, where the pro-European forces finally prevailed and the Association Agreement was signed in 2014.

Under the patronage of Latvia's EU Presidency, the Latvian Employers' association, BUSINESSEUROPE and other organisations hosted the **Third Eastern Partnership Business Forum** under the title "Cooperation across borders: The Eastern Partnership and beyond", in Riga in May 2015. The Business Forum underlined that having only nominal access to the EU market is not enough to improve business competitiveness and that additional instruments are needed to support business transformation and the adjustment to higher standards in order to gain real benefits from the Deep and Comprehensive Free Trade Area (DCFTA).

The Forum has taken a further step to extend its impact and to show that trade is not limited to the EU and Eastern partners alone, but may also become a means of overcoming the current tensions in the region. The Forum also took the opportunity to stage a business matchmaking event and this activity should become more prominent in the future, since establishing business contacts is the best way to promote mutual trade and cooperation.

During the last Forum, a number of important issues close to the hearts of entrepreneurs were debated in various panels, workshops and plenary sessions, were included in the final declaration presented to the Heads of State and Government meeting at the Eastern Partnership Summit and were referred to in their final statement. We greatly appreciate the efforts of our Latvian colleagues, who did a fantastic job of making the Business Forum a real success.



**European Economic and Social Committee
Employers' Group**

Markus J. Beyrer
Director General
BUSINESSEUROPE



Eastern Partnership: there is more room for private sector's involvement

Since 2009, when it was launched under the framework of the European Neighbourhood Policy, the Eastern Partnership has significantly helped build closer economic and political relations between the EU and the six Eastern European partner countries – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – but also within the region.

For BUSINESSEUROPE, the Eastern Partnership constitutes first and foremost an important channel that has contributed to better mutual understanding between partners, to the foundation of better and more effective cooperation, which we see being translated into practice in areas such as SME facilitation or research and innovation.

The clearest signal of the positive results and the political momentum that the Eastern Partnership can create has been the signature of Association Agreements that include Deep and Comprehensive Free Trade Areas (DCFTAs). These provide the framework for structural reforms in the Eastern European partners that will in turn help improve the business climate and stimulate bilateral trade and investments. The Eastern Partnership is also a platform that facilitates people-to-people contacts through visa liberalisation.

Now we need to implement these agreements. We have to support more proactively the modernisation of legislation in Eastern Partnership countries to bring it closer to EU standards and increase legal certainty. This is absolutely crucial as stability and predictability are key factors for business to develop.

Companies need to be able to do business in the region without having to face cumbersome legislation or bureaucratic procedures. Transparency is also key, particularly for SMEs. Companies need to know the rules they have to comply with and governments will have to make an effort and introduce better regulatory practices, including proper impact assessments and stakeholder consultation. Cooperation between regulators is also critical to ensure, whenever possible, a coordinated approach in addressing issues that have an impact on businesses.

The recent third Eastern Partnership Business Forum in Riga, Latvia, was a unique opportunity for businesses to meet and discuss the Eastern Partnership with political leaders. However, we need to make sure this dialogue does not happen only when a Summit is organised, and that it takes place in a more structured manner.

BUSINESSEUROPE believes there is more room for the involvement of the private sector in the Eastern Partnership process, for instance through projects promoting investments in areas like infrastructure or energy. This will be part of those concrete proposals BUSINESSEUROPE will submit to the ongoing public consultation on a new European Neighbourhood Policy.

BUSINESSEUROPE





Vitālijs Gavrilovs

*President of the Employers' Confederation of Latvia (LDDK)
Member of the EESC Employers' Group*

Third Eastern Partnership Business Forum what have we learned?

The EU Eastern Partnership cooperation has undergone a transformation over recent years, however, the changes remain insufficient. The 3rd Eastern Partnership Business Forum held on 21 May 2015 in Riga showed that businesses are interested in closer cooperation. However, the political background, the varying levels of development in Eastern partner countries, internal problems and other aspects are still posing obstacles to more active cooperation.

The Employers' Confederation of Latvia is proud to have gathered together business community representatives at the 3rd Eastern Partnership Business Forum where employers' confederations from Armenia, Belarus, Georgia, Moldova and Ukraine signed a memorandum of understanding, laying the foundation for further cooperation.

Nevertheless, there is still an extra mile to go in order to make this cooperation and the overall Eastern Partnership initiative work. Some of the challenges include:

- ensuring a legal framework, good governance and a sustainable environment through reforms;
- providing instruments to support business transformation and better access to finance;
- facilitating public-private dialogue in the Eastern partner countries as well as between the EU and its Eastern European partner countries;
- building the capacity of business organisations and SMEs in Eastern partner countries in areas such as trade, internationalisation and advocacy;
- securing reliable and long-term arrangements with existing suppliers of energy resources and at the same time working towards supply and route diversification by developing relations with new suppliers and transit countries.

Sharing a similar historic and geopolitical background with the Eastern European partner countries, Latvia also fully understands the challenges associated with the energy sector and transport and logistics infrastructure which need to be modernised and made more sustainable. At the same time, Europe, with its own digital agenda, must support the partner countries in developing more integrated and contemporary usage of digital solutions for business development and additionally by helping to establish better governance.

As an employers' association and national social partner, the Employers' Confederation of Latvia (LDDK) has initiated the creation of an Eastern Partnership Business Cooperation Council to promote business networking and new opportunities for business links between the EU and the six Eastern European partner countries, as well as cooperation with other countries interested in the region. We have implemented such an approach bilaterally between Latvia and some of the countries in question, and are witnessing results – businesses setting up closer cooperation, solving issues and minimising barriers between countries, etc. We are also engaging in a formal public-private dialogue on matters of importance for business cooperation.

Business Cooperation Councils have turned out to be a successful approach at national level – why shouldn't they be taken as a good example and integrated at European level to ensure public-private dialogue between the EU and the six Eastern European partner countries?



EMPLOYERS' CONFEDERATION OF LATVIA

Werner Hoyer

President

European Investment Bank (EIB)



Third Eastern Partnership Business Forum, Riga: Taking the next step

Two years ago in Vilnius, the 2nd Eastern Partnership Business Forum brought together 400 key CEOs, bankers and investors. Their call was strong but simple: business potential for closer cooperation among European countries remains enormous; investment must continue and trade has to be enhanced. During the 3rd Eastern Partnership Business in Riga in May 2015, EIB President Werner Hoyer demonstrated how the EU bank is listening to that call.

Last year, the EIB signed over EUR 1 billion of new operations in the Eastern Partnership countries, bringing our total lending in the region to over EUR 4 billion. Our loans reach hundreds of small and medium businesses right across the region, whilst also supporting vital large-scale investment which underpins industrial growth and sustains trade relationships.

Be it a EUR 75 million investment in favour of Moldova's wine production, our EUR 150 million loan for the construction of electricity lines in Ukraine, a loan of EUR 200 million for the rehabilitation of the Georgian East-West Highway, EUR 30 million for border crossing infrastructure in Armenia, or the EUR 25 million we invested to support SMEs in Azerbaijan, our projects have a concrete impact on the economy and help transformation in the Eastern Partnership countries.

Financing positive change only works if the investor is prepared to stand firm in difficult times of adversity and crisis. Our support for Ukraine is a clear example of our willingness to remain active and engaged in spite of the enormous challenges in the region. As part of the European support package of EUR 11 billion to the country, the EIB pledged to double its planned lending volumes in Ukraine between 2014 and 2016 from EUR 1.5 billion to EUR 3 billion. In the last two years alone we financed projects for the benefit of the Ukrainian economy and people to the tune of EUR 1.3 billion.

The Business Forum afforded us the opportunity to take stock of achievements made by the Bank and all Eastern Partnership members over the past two years. However, it was also an occasion to look forward and ask ourselves: what else is needed? What more can be done to support businesses in all sectors for the good of trade, growth and competitiveness?

As part of the response to these questions we signed Declarations of Intent with both Georgia and Ukraine which establish a framework for operations under the new Deep Comprehensive Free Trade Area (DCFTA) Facility. This innovative package, which we set up with our partners from the European Commission and the EBRD, will provide loans, guarantees and technical advice to help Georgian, Moldovan and Ukrainian businesses take advantage of the new trade agreements with the EU. In total, the package could support some EUR 3 billion of additional investment. These are not the first facilities of their kind. Agricultural entrepreneurs in Moldova already benefit from similar support measures, and we are now proud to extend these operations to other partner countries.

These initiatives underline the Bank's sustained commitment to supporting growth in the Eastern Partnership countries. We are determined to continue providing financing and advice to meet the needs of the region.



Anatoliy Kinakh

President

Ukrainian League of Industrialists and Entrepreneurs (ULIE)

Aftermath of the Third Eastern Partnership Summit and Business Forum

At the 3rd Eastern Partnership Business Forum, representatives of Ukrainian civil society, including business associations, unanimously confirmed their support for the irreversibility of the European integration of Ukraine. Underlining the European choice, supported by the vast majority of the country's population as well as by political and business elites, it was stressed that for Ukraine European integration does not only mean aspiring to become a member of the European Union one day, but rather building European standards of living inside Ukraine, which can be only secured through establishing the rule of law and zero tolerance towards corruption, supporting real democracy bolstered by freedom of speech and strong civil society, and creating conditions for stable economic development through fair market competition combined with strong and consistent support for the Ukrainian private sector, with a focus on industrial development and an increase in small and medium enterprises (read: growth of the middle class).

In light of the above, the representatives of the Ukrainian business community stressed that the EU-Ukraine DCFTA must be fully implemented starting 1 January 2016 with no further postponements. At the same time, representatives from Ukraine and other EaP countries noted that deepening cooperation with the EU, including establishment of DCFTAs, does not contradict those countries' essential need to develop peaceful, sustainable and productive neighbourhood policies with their other eastern neighbours within the existing international legal, political and trade framework, including the WTO.

The Ukrainian business associations acknowledged the EU's special attention given to the Ukrainian private sector and expressed gratitude for the support provided so far. However, it is a commonly recognised fact that the current level of EU-funded business support available to Ukraine constitutes just around 3% (up to EUR 370m) of the total EU Support Package (EUR 11bn) for Ukraine, which is not enough to reboot Ukraine's economy under the current extraordinarily difficult conditions. Therefore, the portion of business support in the total EU package for Ukraine should be increased.

Another common understanding expressed by the Ukrainian business community is that instruments through which the aforementioned support is being delivered to the Ukrainian private sector require significant modification, because at the moment EU-funded loans are not affordable to entrepreneurs due to the unrealistically high interest rates at which they are being offered. In addition most of the EU grants are not being disbursed directly to the enterprises to boost their activity either, but instead are used to pay third parties for consulting and technical assistance. The Ukrainian businesses are convinced that, especially given the current exceptional economic and security challenges in Ukraine, application of the aforementioned methods of distributing EU business support funds does not meet its targets, nor the EU's or Ukraine's expectations, and hence should be significantly modified.



Gagik Makaryan

President

Republican Union of Employers of Armenia (RUEA)



Business Environment and Role of Business Associations

Employers' organisations have a double role to play in developing SMEs. Employers' associations represent the interests of SMEs (RUEA has 13 020 members which are both Micro and SMEs). The RUEA membership represents services and industries from various sectors of the economy.

Employers' associations are involved in lobbying and are involved in various reforms as social partners in their countries. From this point of view, employer associations lobby for the wish of SMEs to improve their business environment. Within the context of the Eastern Partnership, development of SMEs and their internationalisation, the exchange of experience between business support organisations (BSOs) is regulated by the role of social partnership in their capacity-building. At the same time it is very important to make a strict distinction between civil dialogue and social dialogue in order to maximise the involvement of social partners (including employers' organisation and trade unions) in order to make cooperation with the EU more transparent, and to improve the terms of reference of such cooperation, as well as to carry out effective monitoring within the framework of the Eastern Partnership (EaP) projects.

Social partnership is a relatively recent concept and as such is rather new in EaP countries which only have a short history as independent states. Unfortunately, social partnerships have not been implemented in the same way across all EaP countries. Therefore social partnership is very important in order to better understand the political and economic problems of each EaP country, especially with regard to reforms aimed at improving business environments, inspection bodies fighting against corruption, and economic relations with neighbouring countries. The EU should adopt a more flexible approach towards each EaP country; more tailor-made alternatives should be developed. The content of the agreements can be maintained, but it is not vital to always refer to them as Deep and Comprehensive Free Trade Agreements (DCFTA). Global objectives which are top priorities for EU and EaP countries (especially in the case of Armenia) should be included and maintained as part of global agreements to overcome problems and avoid creating new obstacles.

Within the framework of the Eastern Partnership, employers' organisations (EOs) cooperate with each other in order to support SME internationalisation and B2B collaboration. In this context, the EOs request that the Embassies provide their representatives and/or their members with "multi-visas and long-term visas"

We are pleased to note that the EU continues to implement the Eastern Partnership project in the six EaP countries regardless of their political and economic situations, new conflicts or existing obstacles. Taking into account the situation in these countries, the EU should adopt different approaches to EaP countries by developing more flexible schemes of collaboration in addition to the existing standard models.





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