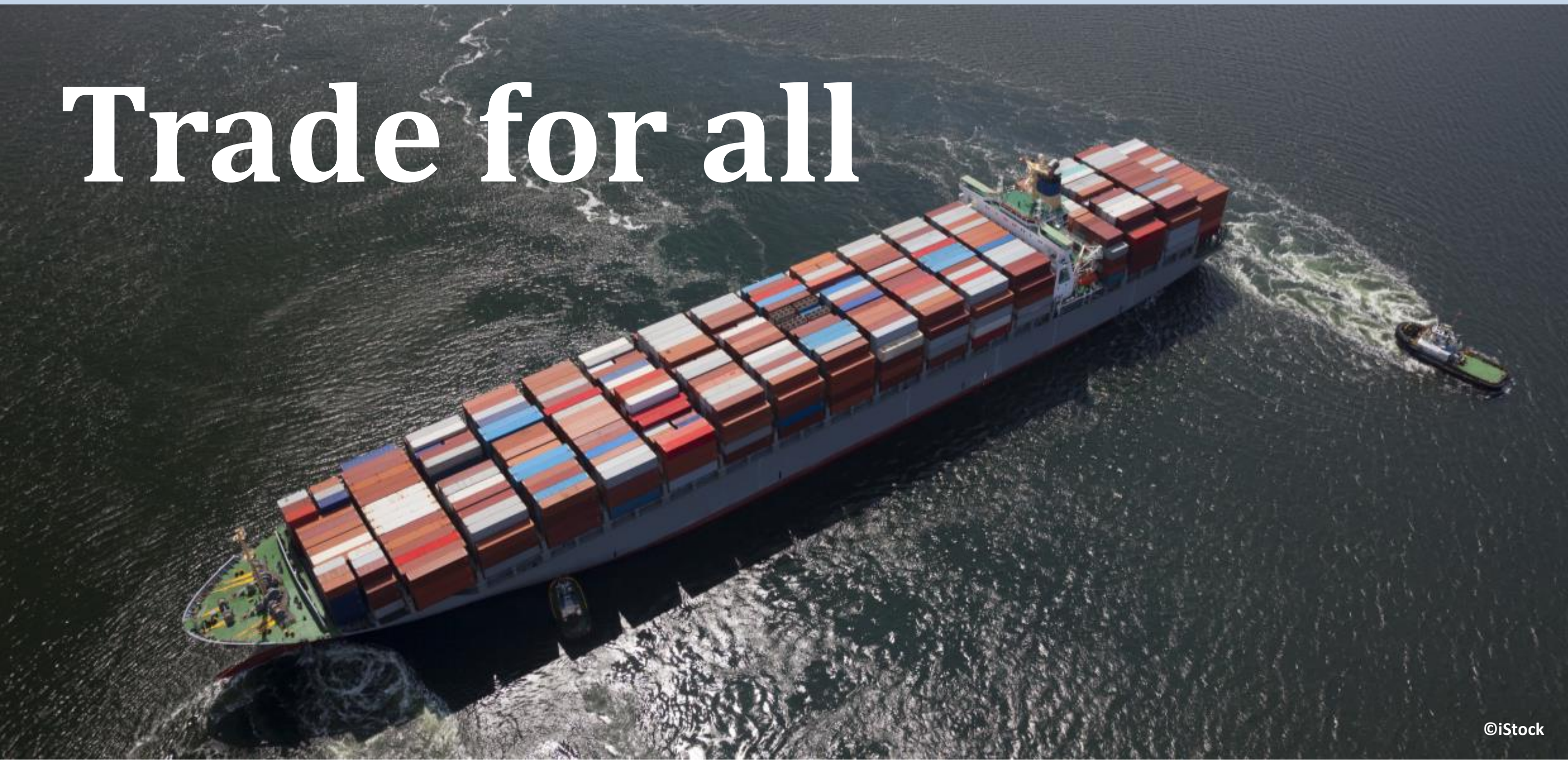
European Economic and Social Committee

Employers' Group

Newsletter December 2015



Trade for all

The new EU trade and investment strategy "Trade for all – Towards a more responsible trade and investment policy", published on 14 October 2015, is a timely and welcome update of EU trade and investment policy.

This 40 page Communication comes a year after Cecilia Malmström took over as EU Trade Commissioner. It presents a positive agenda for business, as well as demonstrating that she has closely listened to key concerns raised by civil society and others, following a turbulent two years when trade has been a high-profile political issue for the first time in a decade. A concern now is that, having raised so many expectations, these will be hard to deliver, and could in time present problems and disappointment (not least in the EP) when negotiations reach inevitable compromise.

"Trade for all" has now been referred to the Committee for its opinion, the first trade or investment referral in many years, clear recognition of the Committee's increased role and significance in trade policy.

A positive agenda for business

"Trade for all" emphasizes the need to make trade and investment policy more effective, the need for greater transparency, together with the importance of including EU values, and dovetailing with other key EU policies.

The Communication stresses the importance of trade to the EU, not least as 1 in every 7 EU jobs depends on trade, and as 90% of world economic growth comes from outside Europe. Of equal importance is the voice of the consumer, concerned at potential loss of standards, and at potential environmental footprints. Because tariffs now play a secondary role to regulatory cooperation, it is the effect of the latter that raises concern at who may be the real winners.

Since the first such EU Communication in 2006, "Global Europe" (when it was becoming clear that the WTO DDA (Doha) negotiations had effectively stalled and which launched the EU policy of reaching key bilateral FTAs), trade has changed significantly, not least through the growth in global value chains (GVCs) and global supply chains. These underline the interdependence between imports and exports. Energy and raw material imports remain essential, but, as the Communication states, "the same is true for parts, components and capital goods like machinery … the share of imports in the EU's exports has increased by more than half since 1995."

"Trade for all" specifically emphasizes the need to promote trade in services, which "account for some 70% of EU GDP and employment and are an increasingly important part of international trade". It refers to the "embedding of services in the manufacturing process", pointing out that "services now make up almost 40% of the value of goods exported from Europe", as well as the notable number of jobs involved in the supply of auxiliary services. It looks to end the separation of goods and services within trade negotiations.

The facilitation of digital trade is also essential. Stating "the digital revolution is sweeping aside barriers of geography and distance", this also brings concerns about the protection of consumers and their personal data, as well as new types of trade barriers to be tackled. The Communication rightly points to the international dimension of the DSM (Digital Single Market) strategy and its relevance to future FTA negotiations.

As also expected, more attention will be paid to small businesses, which notably face greater hurdles when getting into new markets. Dedicated SME provisions are promised in all negotiations, as are "regular surveys on barriers" faced by SMEs in specific markets.

The Communication stresses the need to conclude current negotiations, notably TTIP and those with Japan and with China (on investment) – the latter with particular reference to China's "One Belt, One Road" strategy. It points out that an FTA with China will depend on 'the successful implementation of a range of domestic economic reforms in China. Ratification of CETA (the EU agreement with Canada) is also stressed.

Greater emphasis on trade relationships with Asia as a whole is promised, with renewed emphasis on a region-to-region FTA with ASEAN (Southeast Asia) countries, investment agreements with Hong Kong and Taiwan and a call to resume stalled negotiations with India. FTAs with Australia and New Zealand are also projected.

Investment

Investment, an EU competency only since the Lisbon Treaty, is increasingly important. GVCs are aided by both inward and outward investment. "Trade for all" makes two important proposals. First, it wishes to update existing EU FTAs, including those with Korea, Mexico and Chile, notably to include a specific investment chapter, as well as new stand-alone negotiations with Hong Kong and Taiwan.

Secondly, the Commission looks to regularize investment protection and arbitration, following the Investor to State

Dispute Settlement (ISDS) controversy, and its subsequent proposals for the TTIP negotiations. There will now be stronger emphasis in enshrining in FTAs the right of the state to regulate, together with moves to transform the old ISDS system "into a public Investment Court System composed of Tribunal of first instance and an Appeal Tribunal operating like traditional courts". There will also be a clear code of conduct, independent judges and high technical and legal qualifications required for these judges. Whilst there are many within the business community who are concerned that these proposals overly weaken investor projection per se and need tightening, the political necessity remains to get these FTAs fully ratified.

EU values

Not least following the TTIP controversies, the Communication lays great stress on transparency, and proposes the same level of transparency for all negotiations in publishing texts, negotiating briefs and other documents as is now the TTIP norm. It stresses too the need to engage actively with civil society. Much work still needs to be done in gaining consumer confidence, not least as anti-globalisers have been winning the argument.

The emphasis here on EU values will be critical, but not new. In 2006, "Global Europe" underlined the importance of passing the benefits of trade liberalization on to citizens, stating that "as we pursue social justice and cohesion at home we should also seek to promote our values, including social and environmental standards and cultural diversity around the world".

Concerns

Despite the Commission's attempt to deal positively with each problem, a number of concerns do arise from the Communication. The first concerns the role of the WTO.

"Trade for all" goes to great lengths to stress that 'the multilateral (trading) system must remain the cornerstone of EU trade policy' and that the WTO's role as a trade negotiation forum is key, although hopes are not high of any significant agreement emerging from the 10th WTO Ministerial meeting in December.

Yet the Communication contains two proposals that appear to go in the other direction. First is the suggestion that "a subset of WTO members can advance on a given issue" (the plurilateral approach), as is already happening with the negotiations for an Environmental (Green) Goods Agreement and especially with the proposed Trade in Services Agreement (TISA). However, if this becomes the norm it could leave many important counties out of the loop.

Secondly, the Communication also proposes that an agreement like TTIP should be open for others to join. Although put forward with countries like Turkey, Norway and other EEA Member States in mind, but should TTIP, an EU-Japan Agreement, CETA (Canada) and the TPP (Trans Pacific Partnership) all end up very similar in approach then that could question the very relevance of the WTO.

The multilateral approach remains of paramount importance. That ensures global compatibility in the setting of rules and standards, such as on health or food safety, whilst any effective agreement on the overall levels of subsidies (notably in agriculture, a key Doha objective) can only be reached at this level.

Sustainable Development Goals

Next, "Trade for all", despite its sub-chapter (4.2) headed "A trade agenda to promote sustainable development …" barely mentions the SDGs. Endorsed by the UN in September, these will set the global agenda for the next 15 years. The SDGs go much further than the Millennium Development Goals and will impact on virtually every country, not least as they include energy and climate change.

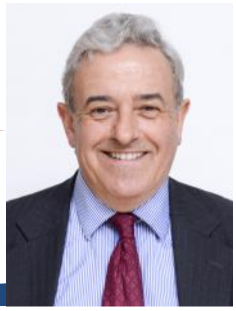
Whilst the sub-chapter certainly deals with many relevant issues, including Sustainability Impact Assessments and the effects of new FTAs on LDCs, it appears to lack vision as to how to best support implementation of the SDGs. This will involve a major role for, and major investment by, the private sector.

Likewise, the Communication remains silent about key areas of trade policy. There is nothing about securing essential imports (such as energy or raw materials) from relevant countries where as yet no FTA is in prospect, nor about those parts of Africa where EPAs have not been reached. Nor is there anything about the renewal of the "Cotonou" ACP – EU Partnership Agreement, due by 2020.

Challenges to business remain

As recent TTIP and ISDS controversies have shown, trade has become a highly contentious political issue. There is a danger that, with 90% of global growth expected to occur outside Europe, such opportunities may yet elude much of EU business and industry due to political headwinds.

As Winston Churchill once said about private enterprise: "Some of our (political opponents) regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk. Only a handful see it for what it really is – the strong and willing horse that pulls the whole cart along". "Trade for all" gives EU industry and business the opportunity to be better seen as that willing horse – it is now the task of business to seize that opportunity.



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EESC Members, Dimitris Dimitriadis and Violeta Jelić with EU Commissioner Elżbieta Bieńkowska.

The Employers' Group at SMEs Assembly

The fifth edition of the SMEs Assembly took place on 18-20 November in Luxembourg. The exquisite high level event gathered some 300 participants from across Europe. Amongst them were SMEs representatives, high-level EU officials, representatives of NGOs, academia, media, etc.

The EESC Employers' Group was represented by Violeta Jelić, Vice-President of the Group, Dimitris Dimitriadis, EESC rapporteur on improving the SMEs access to finance and Georgi Stoev, Member of the Group. They actively participated in the interactive and very innovatively organised debate devoted on how to increase the SMEs competitiveness and improve access to finance. The EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Ms Elżbieta Bieńkowska opened the debate, stating her clear involvement in the endeavour of improving the market access for the SMEs, as they form the backbone of the EU economy.

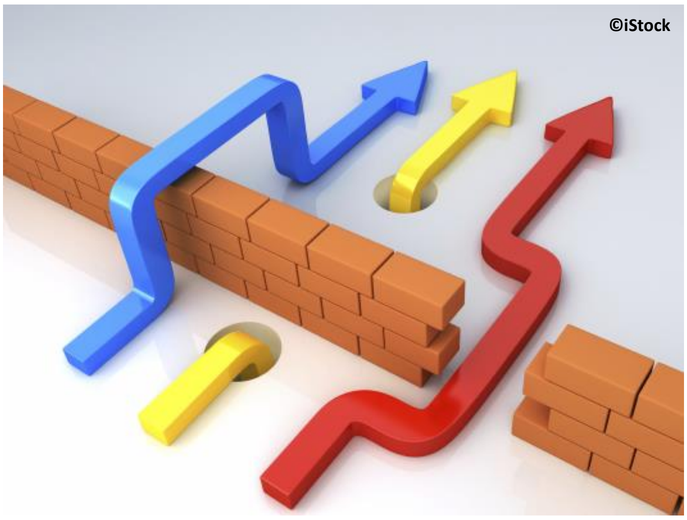
The Employers' Group remains engaged with continuing its current projects connected to the SMEs, and in particular by following up its information report produced this year for improving the access to finance for SMEs through implementation of a special project that consists of a series of going-local events, case studies and policy paper elaboration.

Is the internal market dead?

by John Walker, European Small Business Alliance

On 28 October, the European Commission, headed by Vice-President Jyrki Katainen and Commissioner Elżbieta Bieńkowska presented the strategy for the Internal Market. According to Commission President Jean-Claude Juncker, who has often dubbed his Commission as a 'last chance' Commission, the strategy should entail the completion of the Internal Market.

In reality, that completion has been a project that has been running since the formation of the European Economic Community (EEC). Each Commission has had the internal market high on the priority list and each Commission has claimed that they would complete the Single Market. Whereas the Commission claims victory, reality suggests otherwise.



Small business owners are struggling to sell their products to other Member States for many reasons. For example, there is still a considerable language barrier between the various EU countries, a problem that does not get enough attention. If you do not speak a second language or are unable to sell your product or service in another language, you can forget it in that market.

Moreover, we are dealing with 28 different Member States, each with their own legal systems. Many entrepreneurs think "What will happen when I find myself in a dispute? Which rules will apply? Which court will be competent in which country and what language will be applied".

As if that were not enough, entrepreneurs deal with 28 different tax and VAT regimes. If you wish to sell your product or service in another EU country you must register for VAT as soon as your turnover hits a certain threshold. Which threshold? That is different for all 28 EU countries.

So if you want to offer your product throughout the 'Single Market', you will have 28 sets of accounts to take care of. The result can be guessed; small business owners choose the safe option and run their business solely in their own country or they will do everything to not exceed the turnover threshold abroad. Or worse, concentrate on non-EU countries.

Instead of the solving this advanced jigsaw of rules and regulations first, the Commission expects to force the Single Market on its SMEs. A good example is a proposal forcing companies to sell their products to all EU countries. The proposal around geo-blocking, which everyone initially associated with the inability to play your Netflix content in other Member States or the fact that your BBC iPlayer will not work on the continent, also has major implications for companies selling their products online.

Most companies that sell their good via the Internet wish to gradually expand their business into neighbouring countries and take it from there. The proposal however will require you to sell to Bulgaria as well, with all the consequences referred to above. In the context of this proposal, selling a product to one EU Member State but not the other is regarded as discrimination on the basis of IP address and therefore not permitted.

Is it really that important to push through the completion of the Single Market, that we skip bridging huge gaps and create counterproductive Regulations? Not to mention the fact that the migrant crisis has rendered the Schengen Area clinically dead. Let the European Commission get things right first, before expanding, just like the Juncker Commission promised us at the beginning of its term.

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John Walker *is a newly appointed EESC member from the UK and director of the European Small Business Alliance since it was founded in 1998. He was National Chairman of the Federation of Small Businesses, UK (2010 to 2013) and Policy Chairman (2001 to 2009). His career started in high street banking then self employment in retailing and financial services. Currently he is in property investments and renovations.*

To begin with education and training...

by András Edelényi, Hungarian Chamber of Commerce and Industry (HCCI)

In the second half of the last decade, shortly after joining the European Union, the Hungarian Chamber of Commerce and Industry (HCCI) thoroughly examined whether Hungary's economy had an adequate supply of skilled labour. This study revealed a shortage of secondary and upper level skilled workers. Moreover, high drop-out and unemployment rates were identified, especially at the entry level stage of people's careers. Changing careers was also very common, and the structure of the workforce was imbalanced. The content and the practical component of training did not fit the demands of the labour market and in particular those of investors in advanced technologies. Meanwhile, economic policies sought to increase the supply of skilled labour to industries, both quantitatively and qualitatively.

The Chamber drafted new legislation to restructure vocational and education training (VET) and since 2013 has been working on the introduction and consolidation of the new VET system. As a Central European-style chamber, and with the best insight into the economy as a whole, the HCCI was asked to take over a large number of functions and public policy tasks. These probably make up the most intensive part of its activities today.

The Chamber reinforced its professional resources and reworked the National Qualifications Register, the academic and practical component of the curriculum, as well as the vocational exam requirements. The most important step was, however, the large-scale introduction of a dual training system, based upon an adapted mix of German, Austrian, Swiss and French dual education and apprenticeship system components. The amount of time devoted to practical training was increased to half of the total time, and vocational subjects made up 67% of the total curriculum, with general studies making up the remaining 33%. Conditions for financing training providers were reviewed, so as to make apprenticeships more attractive to companies. The student contracts system was harmonised and reinforced. The Chamber played a significant role in the professional orientation of (future) vocational students, registering and countersigning tripartite student contracts, delegating members to examination bodies, and supervising vocational training at companies. HCCI organises the national skill competitions as well as participation in the EuroSkills and WorldSkills 'Olympics'.

In 2014, 51% of vocational students were already involved in dual training (a threefold increase in 10 years). Also in 2014, 59% of all participating students found a job immediately after graduating (vs. 49% in 2009). The drop-out rate is expected to diminish from 30% to 20%, the post-qualification unemployment rate from 25% to 15%, while student contracts should increase to 70 000 by 2018.

The Chamber's main focus now moves towards a number of important goals: consolidating the results already achieved; improving the education and increasing the numbers of master craftsmen to establish a solid training base for vocational training at firms, mainly at SMEs; wide-ranging introduction of the Apprenticeship Placement by Chamber Guarantee (APCG) system, i.e. without this certificate, vocational schools are not entitled to prevent students from working with external companies for the practical part of their training, unless no suitable company can be identified. This is an unparalleled initiative the likes of which cannot be found in any other European country, as well as a new approach for the Chamber's relationship with its members.

Considerable effort has already been invested into preparing for the 2018 EuroSkills competitions taking place in Budapest. This may contribute significantly to the popularisation of skilled work and professions in Hungary. One of the biggest challenges is to come up with recommendations for improving the motivation and state-led financial incentive systems for positive discrimination in favour of underprivileged children in VET systems.

When it comes to restructuring the vocational education and training systems, the HCCI is halfway there in its journey between setting ambitious goals and achieving them. Its members are ready to listen, learn from the relevant experience of others, transfer best practices, participate in and contribute to studies, develop recommendations and promote successful approaches to the progressive evolution of European labour market conditions.

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The reindustrialisation of Europe: agricultural development and industrial production on circular economy principles

The concept of a circular economy, as opposed to a linear "take-make-use-dispose" economy, was born of the need to foster sustainable growth, with a view to ensuring that products retain their added value for as long as possible and to maximising the chances of reusing their components productively, thus reducing waste generation and waste disposal and environmental pressures ever further. The need to support and develop sustainable growth is resulting in changes to processes that for many years have formed the basis of agricultural production, trade, services and industrial processes.

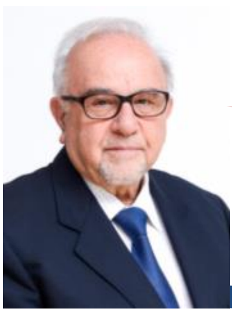
According to McKinsey, between 60 and 80% of resources are wasted at the end of the linear take-make-use-dispose process. In a world where three billion consumers are set to join the middle classes, this is no longer sustainable.

The transition to a circular economy requires producers, workers, consumers and citizens to make significant changes to their attitudes towards the use of resources and raw materials, product design, market and business models, and the search for new waste and resource processing methods. This transition is now possible thanks to the use of increasingly accessible technology, digital networks and the internet of things and services.

A green growth model of this type requires not only a wholesale culture shift, with a strong boost to innovation and research, but also significant investment in technology, education, organisation and relevant training for new occupational profiles. Moreover, it demands new funding methods and appropriate policies.

An integrated policy approach is essential in order to exploit job creation potential, based on new occupational profiles, and to manage the challenges inherent in the transition to a non-linear economy. In order to shed light on these new approaches in the area of agriculture, trade, services and industry – which require behavioural change and new technologies – the EESC's Group I met for two days in Milan and Bergamo, at the invitation of its president, Jacek Krawczyk. The group drew on the input of members and experts from the world of agriculture, trade and industry to analyse these new issues and agree on some proposals:

- **The systemic barriers impeding the deployment of circular business models** by firms will have to be removed and efficient use made of materials from waste streams and sectoral and cross-sectoral information networks, including at EU level.
- **New occupational profiles will have to be developed for staff** responsible for managing these processes since education and training aimed at creating greener jobs relies on sound basic training supported by lifelong learning and should incorporate training geared to raising environmental awareness.
- **Appropriate financial instruments will have to be made available**, especially for research and innovation, capacity building and market analysis, through instruments such as H2020, the Structural Funds, the EIB and public-private partnerships (PPPs).
- **An active role will have to be developed for the social partners and civil society** in the design, application and monitoring of national sustainable development policies and in the transition to an environmentally sustainable circular economy with strong potential for creating green jobs.
- **A culture of dialogue and cooperation in the workplace must be fostered** in order to encourage a more rational use of resources, to cut waste, adopt clean and risk-free technologies and working methods and improve the quality of employment.



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In Bergamo we had the chance to explore the role of innovation in developing the food sector with some influential people from the world of politics and business. Among the speakers was Maria Letizia Gardoni, an entrepreneur and national delegate of *Coldiretti Giovani Impresa* (CGI).

Maria Letizia believes that: "Food production, innovation and the circular economy are the watchwords in re-establishing Italy as a model country and creating a Europe that is more competitive, more democratic and more in touch with the needs of its citizens, who are its lifeblood. This process of awareness dates back about ten years in Italy and is driven by the primary sector, which has the best record worldwide for food safety, quality and biodiversity and sustainable production processes. This record has a lot to do with the history of our regions and the soundness of our traditions, but it is gradually gaining added value and resilience as this heritage merges with technological, process, product and service innovation."

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Maria Letizia is young and so she is alert to how business starters of her generation approach innovation. Her message in a nutshell: "Innovation is primarily driven by the new generations of farmers who have gone back to working the land because the Italian agri-food industry offers unparalleled career fulfilment and quality of life."

The Italian experience may also be useful to young entrepreneurs from other countries. However, as Maria Letizia explains, the approach requires an organised system that can support their investment and innovation plans and that plays a fundamental role similar to the one performed by CGI – the largest organisation of its type in Italy and Europe – in supporting, guiding and making the most of the business decisions of all the young people (60 000) who at this time want to build a better country, starting with the Italian food sector.

Each year, CGI holds a national competition called Oscar Green to reward the best innovative ideas that are now making the farming industry a flagship sector with economic, cultural as well as social added value. This experience fits in perfectly with Group I initiatives that seek to raise awareness and, therefore, to support the initiatives of young European entrepreneurs.

The role of international trade in the reindustrialisation of Europe

On 26 October, EESC member and president of AICE (the Italian Association of Foreign Trade), Claudio Rotti, hosted a conference in Milan on *The role of international trade in the reindustrialisation of Europe.* The conference was organised by the Employers' Group of the European Economic and Social Committee.

An interesting discussion developed during the meeting on the importance of international trade for economic development and job creation in Europe, just a few days after the publication of the Commission Communication on "Trade for all", which outlines the main thrust of the future European trade strategy. After the welcome addresses by the president of AICE, Claudio Rotti, and the president of the EESC Employers' Group, Jacek Krawczyk, Maurizio Bernardo, president of the Finance Committee of the Chamber of Deputies of the Italian Parliament, gave the opening speech, stressing the Italian institutions' commitment to supporting policies of internationalising Italian businesses.

The other speakers' speeches revealed that the challenge facing the EU is to create jobs, growth and investment and that international trade is essential to the achievement of this goal, which will benefit businesses, consumers and workers.

In particular, free trade agreements are key tools for the development of international trade and the growth of the global economy. In support of this point, Mr Rotti related some particularly interesting facts:

- the European Union is the top trading partner for 80 countries;
- on average, a billion euro in new exports generates 15 000 new jobs in the EU;
- around 31 million jobs in Europe are dependent on sales in countries outside the EU;
- the EU is the world's leading importer and exporter; Europe is the world's leading importer of goods and services;
- in Europe there are over 600 000 export SMEs, handling a third of all European exports and employing over six million people;
- in 15 years' time 90% of global demand will be generated outside Europe.

AICE (the Italian Association of Foreign Trade) fully supports the bilateral approach which the European Union is taking in trade policy regarding third countries while not abandoning the multilateral approach.

For instance, AICE warmly welcomed the signing of the Trade Facilitation Agreement at the December 2013 WTO Ministerial Conference in Bali, which, once in force, will bring enormous benefits for all in terms of reducing costs and removing non-tariff barriers. The hope is that the agreement will be ratified as soon as possible by the WTO member countries, just as significant progress needs to be made on the Doha Development Agenda at the forthcoming ministerial conference to be held in Nairobi in December.

The aim of the future European strategy must be fluid, simple, predictable free trade. In a globalised economy, the opening-up of the markets and predictable trade policy are crucial in order to encourage competitiveness and job creation in Europe. It is essential that barriers to market access be further reduced, releasing trade in goods and services in both directions in order to promote economic prosperity for both European and third-county businesses.

To be able to realise its full economic potential, the European Union needs a stable multilateral framework for global trade, into which it can integrate effective bilateral and multilateral trade agreements, thus providing further opportunities for trade, job creation and growth. Not least through the work of EuroCommerce, AICE encourages the European Commission to use the necessary means to finalise ambitious bilateral and multilateral trade agreements in order to promote free trade in goods and services.

EU industrial policy: does a one-size-fits-all approach work?

How do you boost reindustrialisation in Europe? How do you reach 20% of GDP from manufacturing by 2020? What are the regional challenges in terms of industrial policy? These were some of the questions raised during the conference "EU industrial policy: does a one-size-fits-all approach work?" held in Malta on 30 November 2015. The participants discussed how to tailor industrial policy to the needs of different EU Member States.

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The discussion was organised by the Employers' Group of the European Economic and Social Committee and the Malta Chamber of Commerce, Enterprise and Industry.

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