

Employers' Group

Newsletter July 2016



Dear Readers,

What's happened has happened, and further debates on the outcome of the UK referendum make no sense. The EU has no competence to discuss the domestic consequences of the result of the vote. It's time to focus on one simple question – what's next?

“Married or divorced, but not something in between”, said Xavier Bettel, Prime Minister of Luxembourg, on the nature of the UK’s new relationship. “We are not on Facebook, with ‘It’s complicated’ as a status”, he joked. The current uncertainty about the future has its cost, and it is still very much visible when you look at the reaction of the markets and will remain like this for a while. And the current suspense will either slow down or block numerous actions to be taken either by Member States or by the EU as a whole.

The British have taken a decision; the procedure they are supposed to follow is set out in the Treaties. The later the procedure is launched the greater the costs will be. Only once the formal notice has been filed will the EU be able to shape its future



EU-Canada FTA

**Driving Innovation and
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relations with the UK and start reforming itself. It is understandable that Mr Cameron is willing to leave this decision for his successor, but internal British politics should not justify prolonging this process.

The UK referendum was more about emotions and psychology than about facts. Public perception of the EU was negative and this, in my opinion, is where the EU must learn its lesson. The EU is too remote from its citizens: it is seen as an abstract, distant project, led and managed by a dehumanised bureaucratic structure. In Poland, over 80% of people are against leaving the EU, but a majority of people do not understand the structure of the EU or its decision-making process. Poles do believe in the idea of integration, but they do not understand how it works in practice. There is much to be done if we want to change that!

The EU must rebuild citizens' sense of belonging to the project, and must convince people that the EU is a reality that has positive impact on every single one of us. The EU is also a community of values that cannot be reduced only to the Single Market. Democracy, human rights, equality, tolerance and freedom of movement of people, goods, services and capital are foundations of the EU that distinguish us from many regions of the world.

Civil dialogue is one of the keys to restoring people's understanding of the EU. The policy makers must once again start listening to the representatives of civil society, and involve representatives of organised civil society more seriously in shaping Europe's future. The link between Member States and the EU cannot be limited to relations between governments and the Commission or to relations between the national parliaments and the European Parliament. A relationship between the EU and its citizens, based on common trust and understanding, is a must – and the European Economic and Social Committee has a significant role to play in developing it.

As the President of the European Council, Donald Tusk, stated, what does not kill you, makes you stronger. The Brexit experience must be forged into a lesson for



the future and should spark the reforms that will make the EU more efficient in the future. More integration where needed, less intervention when the matter can be handled at national level. The EU should focus its efforts on the policies and areas where integration is truly needed. In areas where the added European value is doubtful, let the Member States and their regions do their job – apply the subsidiarity principle rigorously.

Employers' organisations all over the EU have already identified a number of concrete steps forward that the EU should take after Brexit. First of all, the EU must further build upon its foundations, such as the free movement of people, goods and services, the single market and EMU. Secondly, the EU must speak with one voice in external relations, both politically and economically. This includes ambitious free trade and investment agreements, as well as security policy, including fighting terrorism and securing the EU's external borders without hampering Schengen. Thirdly, the EU should improve its governance, implement a better approach to regulation and support competitiveness in all policies at both EU and national level.

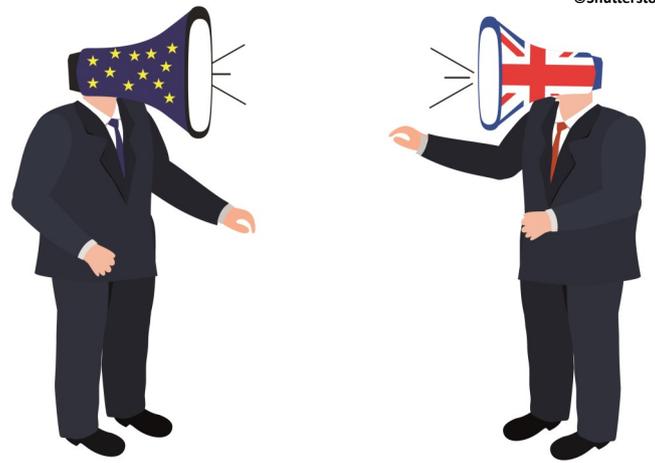
The EU cannot stick to the Eurosceptic concept of the Europe of nations clinging to their protectionist approach. "Europe has delivered on the promise of peace and prosperity", said Hans de Boer, President of VNO-NCW, during our recent bureau meeting in The Hague. 28 nations, with historical divisions, varied experiences and often completely different needs and beliefs, got together and provided years of peace and prosperity. Now, when Europe is going through turbulent times, even more mutual trust, understanding and commitment is needed. We need more Europe where needed and less Europe where there is no added value!



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British Roulette

By Jonathan Peel



When asked his greatest challenge, Harold MacMillan, the former UK Prime Minister, replied “events, dear boy, events”. Events do not come much bigger than “Brexit”. The effects of this political earthquake will still be felt in 30 years time, with knock-on effects totally unforeseeable today.

The after-effects will be profound both for the EU itself and for Member States, some more than others. Each will need to study the likely implications very carefully, as well as the prospects for similar referenda elsewhere, with the danger that the EU might then fall apart.

Some have already called for an early exit for the UK, accompanied by harsh separation terms: few divorces end amicably. However, a rushed decision could result in years of soured relationships or, worse, put other countries in an impossible situation. Ireland is deeply intertwined both economically and culturally with its neighbour: an ill-considered result could force it to leave as well. If another Member State left, the whole European concept could start to unravel.

For business, as for younger voters, the outlook is grim. There may be short-term gains for exporters from the 10% fall in the value of sterling, but imports are increasingly entwined with exports, and these will suffer. Suppliers and producers are already unwilling to offer contracts, credit or terms until stability and predictability return, whilst increased isolation will help nobody.

The UK per se has not negotiated a trade deal since the 1970s. Now it will need to negotiate at least 50 at once. But it cannot do so whilst still bound by the Lisbon Treaty. Nor does the UK have ‘defined terms’ within the WTO, joining as part of the EU. There is no process to correct this - and no WTO Member can unilaterally decide what its rights and obligations are.

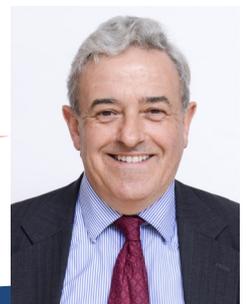
A Norway type deal with the EU is not an answer. If the American colonists objected in 1776 to taxation without representation, why should the UK accept that now?

So why did it vote by over 1m votes (52%-48%) to leave the EU, after a high-octane debate based far more on emotion than on fact? This was a revolt against the centre, against London and Brussels, against

globalisation. It was a major protest vote, notably by those who feel that they are ‘losing out’ - those who see their jobs under threat from migrants (no matter where from), those who fear increased demand for housing or the health services (sign of an ageing population), or who perceive threats to culture and religion. This could range from same sex marriage to growth of non-Christian religions. 13% of the population are migrants. Those voting out tend to see themselves as English, rather than British, so perhaps we should now refer to the “Anglo-Irish Archipelago”, as opposed to the British Isles.

But the protest went wider than that. Two thirds of Conservative Party members voted out, despite David Cameron’s gamble. It was almost impossible in the campaign to guess how people might vote. Despite Labour Party and trades union support for ‘Remain’, there were large ‘Leave’ votes in their English and Welsh heartlands.

The effects on the UK itself will be profound, as already seen by the sudden end to many top political careers. Major political realignment may be inevitable: the break-up of the UK certainly is – just the timing is uncertain. Scotland voted 5:3 to remain on a lower turnout: a second Independence vote is sure to follow. Northern Ireland also voted ‘Remain’ – where there are the added issues of stability and the threat of the re-imposition of the border. There may be a need for a new Celtic confederation.



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CETA will demonstrate Global Leadership for New Progressive Trade Policy

Free trade remains a critical source of good middle class jobs, renewed growth and shared prosperity. Concerns about free trade agreements, however, are widespread and legitimate. Citizens are seeking reassurance that the terms of these agreements will not restrict the sovereign right of states to govern and regulate in the public interest. They want to know that these agreements will enable them to uphold strong public services and promote sustainable development, cultural diversity and high standards of health, labour and environmental protection.

The EU can demonstrate these benefits and advance a new progressive trade agenda by signing and ratifying CETA, the Canada-EU Comprehensive Economic and Trade Agreement, because it includes clear reassurance in these areas.

CETA's investment chapter establishes a new, more transparent and impartial system for resolving any potential investment dispute. It explicitly affirms the right of the state to regulate in the public interest and does not allow foreign investors to force changes to law or regulation. It addresses concerns about conflict of interest by introducing a new transparent system of tribunals comprised of members chosen from a pre-appointed roster, with ethics requirements that do not allow tribunal members to act as counsel in other investment disputes. CETA also introduces a new appeal mechanism for all such cases.

CETA commits Canada and the EU to pursue high levels of labour protection and to enforcement of labour laws. It recognizes the importance of sustainable development and environmental protection, and for the first time in a trade agreement, it commits the parties to ensuring that trade and environmental protection are mutually supportive and reinforcing. It forbids any weakening of labour or environmental laws in order to promote trade or attract investment. It establishes an annual Canada-EU Civil Society Forum intended to underline the importance of sustained dialogue with civil society and labour groups and members of the public to ensure that these commitments are met.

The EU is the 2nd-largest foreign investor in Canada, with €112 billion in foreign direct investment in 2015 alone. CETA offers opportunities for significantly expanding two-way investment. It provides EU companies with unprecedented

access to public procurement opportunities at all levels of government in Canada. It recognizes a wide range of EU geographical indications that offer a significant new advantage to EU producers. It eliminates tariffs on virtually all EU exports to Canada, and provides EU service industries with more predictable and secure access to the Canadian market, notably in areas such as dredging, airport ground operations and maritime services, where EU firms are highly competitive.

Just as CETA will expand and deepen our economic relationship, a new Canada-EU Strategic Partnership Agreement will reinforce our security cooperation as together we face so many shared global challenges, including many in the immediate European neighbourhood. This agreement will strengthen our cooperation in the fight against climate change, in support of greater energy security, and for greater shared efforts to promote democracy, human rights and the rule of law with willing partners around the world. It will also support closer ties in science, technology and innovation, notably in areas such as Arctic and marine cooperation.

Some have asked about the impact of the UK referendum result on these two agreements. Canada respects the choice of the people of the UK and is confident that the UK and the EU will make sound decisions in determining next steps. Both remain important strategic partners for us, with whom we share deep historical ties, common values and shared global interests. We will continue to build closer relations with both.

We remain committed to signing and implementing CETA, as well as its accompanying Canada-EU Strategic Partnership Agreement, as soon as possible. By establishing a progressive new trade policy for the 21st century, CETA will reconfirm Canada and the EU's shared commitment both to a strong role for governments and to expanding opportunity and prosperity for our citizens. Let's move ahead with it.



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5 years of EU-Korea Free Trade Agreement

On 1 July 2016 the EU-Korea DAG marked the fifth anniversary of the Free Trade Agreement (FTA) between the EU and its Member States and the Republic of Korea ("Korea"), which has been provisionally applied since July 2011. It is the EU's first trade deal with an Asian country.

The institutional provisions of the FTA established seven Specialised Committees, seven Working Groups and an Intellectual Property (IP) Dialogue. The annual meeting of the EU-Korea FTA Trade Committee at ministerial level plays a supervisory role and ensures that the FTA operates properly. The FTA has already seen its first amendment.

According to EC data, the imports of products that have been fully or partially liberalised by the EU-Korea FTA grew by 21% and 26% respectively, while the EUR 7.6 billion trade deficit with Korea had already turned into a trade surplus of EUR 3.6 billion in the EU's favour during the third year of FTA implementation. Based on the five years of implementation of the EU-Korea FTA, it is clear that the FTA has worked well for both sides.

The Korea-EU FTA is also the first of the EU FTAs that includes a fully-fledged Trade and Sustainable Development (TSD) Chapter (Chapter XIII) devoted to tackling the trade-related aspects of sustainable development. Regarding the institutional set-up, Article 13.12 of the FTA establishes a Committee on Trade and Sustainable Development (CTSD). In accordance with Article 13.12 of the FTA, each Party has established a Domestic Advisory Group (DAG) on sustainable development with instructed to "advise on the implementation" of the TSD chapter.

Additionally, Article 13.13 provides that "members of DAGs of each party will meet at a Civil Society Forum (CSF) in order to conduct a dialogue encompassing sustainable development aspects of trade relations between the Parties".

One of the main achievements has been the expressed openness of the Korean side to discuss cross-cutting themes,



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such as Corporate Social Responsibility (CSR). Responsible business conduct practices had been acknowledged as contributing to sustainable development and exchange of best practice on CSR between the EU and Korea DAG has been encouraged.

This includes reporting on environmental, social and governance aspects, transparency along the supply chains, compliance with environmental and labour standards, human rights and others.

One of the main challenges so far has been the lack of environmental organisations in the EU DAG, limiting opportunities to include environmental considerations on the agenda of the joint meetings with Korea and effective monitoring regarding the implementation of the environmental part of the trade and sustainable development chapter. This situation may change as in the second term, there is now an environmental organisation in the EU DAG.

Based on the EU DAG's proposal, the CSF (Civil Society Forum) agreed on the need to discuss the impact of the EU-Korea FTA on chosen sectors at the next CSF meeting. This could include one or more case studies to be prepared by each of the DAGs.

The EU DAG and the Korea DAG meetings at the EU-Korea Civil Society Forum have succeeded in agreeing strong and clear joint conclusions in the labour-related aspects. Conclusions from joint annual meetings have been adopted at the end of each such meeting and shared among the Parties and can be consulted at the [website](#).

The next meeting of the Civil Society Forum will take place in autumn 2016 in Brussels.



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Driving Innovation and Industry in Europe

Closer ties between business, academia and government are beneficial for all and a number of possible improvements could facilitate that process, agreed participants at the "Driving Innovation and Industry in Europe" seminar, held on 16 June in Cambridge.

Cambridge was chosen as the venue for this event because of the overwhelming presence of high standard research and education representatives; Cambridge is thus a real European - even global centre of excellence – said Brenda King, British Member of the Employers' Group in her welcoming speech. The aim of the discussion panel, consisting of academics and innovative entrepreneurs, was to identify factors for innovation and show the concrete solutions that had been successfully introduced in Cambridge.

Promoting the STEM Agenda (science, technology, engineering, mathematics) in education is one of the fundamental issues for boosting innovation in industry in the future, explained Monica Grady, Professor of Planetary and Space Science from the Open University. She underlined that industry both in the UK and the EU as a whole suffers from lack of high-qualified engineers. Success stories from numerous rewarding European research projects should be used to convince youth to choose this career path. Courses for upskilling the workforce and a proper system of apprenticeships should also be considered in order to drive innovation.

If we are to be more innovative, we must be more tolerant of failure, which is an inherent part of innovation, argued Dr Simon Galbraith, CEO of RedGate Software. In his view, both researchers and industry should accept certain failure rates and take them into account when planning.

He also pointed out that small innovative companies have limited access to numerous calls for tender that could include



innovative solutions, because tender specifications allow large players only. This, in his view, often hampers innovation.

Mr Galbraith was critical towards EU funding for innovation. In his view, a system where Member State governments and EU administration have to decide which projects are to be financed cannot be efficient. "Instead of picking the winners, the governments should focus on creating an innovation-friendly environment, beneficial for all companies", he said.

Professor Ulrich Sann, Director of the Jülich Research Centre and EESC rapporteur for the Horizon 2020 mid-term review, admitted that there is still too much bureaucracy involved in applying for EU funds. He pointed out that there can be no innovation without basic research but basic research itself is far from enough to boost innovation. "Under new regulations, collaborative research projects are less supported than in the past, this should be changed as these joint projects have a great EU added value", he said. More synergy between research and companies is also needed.

Professor Keith McNeil, former CEO of the Cambridge University Hospitals NHS Foundation Trust, focused on the role of innovation in healthcare. In his view, health is currently one of the greatest wealth generators. As numerous countries are struggling to maintain sustainability of health care systems, an innovative approach to healthcare might be a solution that would not only significantly reduce costs but also improve the quality and efficiency of healthcare systems. He also complained of the enormous regulatory burden on healthcare which slows down innovation.

The discussion was organised by the Employers' Group together with the Cambridge Network, an organisation fostering closer relationships and sharing ideas between business, academia and individuals.



Imminent Global Challenges: Dutch and EU Solutions

Extraordinary Meeting of the Employers' Group Bureau Meeting in The Hague

The Hague is the administrative centre of the Dutch government. It is also the City of Peace and Justice as it provides accommodation to international courts and UN organisations, besides EU Agencies, such as Interpol and Eurojust. In parallel, it represents also, somewhat surprisingly to some visitors, future-oriented economic dynamism, that were the focus of a visit of the Bureau of Group I in the beginning of July.

The Dutch Economic and Social Council has a long tradition with an international reputation. Together with its French counterpart it served as a model for the EESC in the Treaty of Rome in 1957. Before and ever since the cooperation of social partners in the Council has contributed to Dutch social and other legislation. Understandably this has never been an easy ride. But the all-over result of the cooperation remains positive thanks to a characteristic negotiation model that is known under the name of *Dutch poldermodel*. Two recent successful results are a common opinion on TTIP and a national energy-agreement among 46 (!) concerned parties.

Hundred meters from the Council are the headquarters of Dutch Employers Confederation. President Hans de Boer presented a rather positive picture of the Dutch economy that is highly ranked in Global Competitiveness Index. All European economies face equal challenges such as technology and innovation, low-energy and climate change, huge changes in the labour market, better and up-to-date education, more efficient tax systems and low growth rates. As a result of adjusted labour legislation and a higher degree of flexibility, the Dutch employment situation looks rather well at the moment, but there is still plenty of room for further fine-tuning, notably in the field of education and training. A main

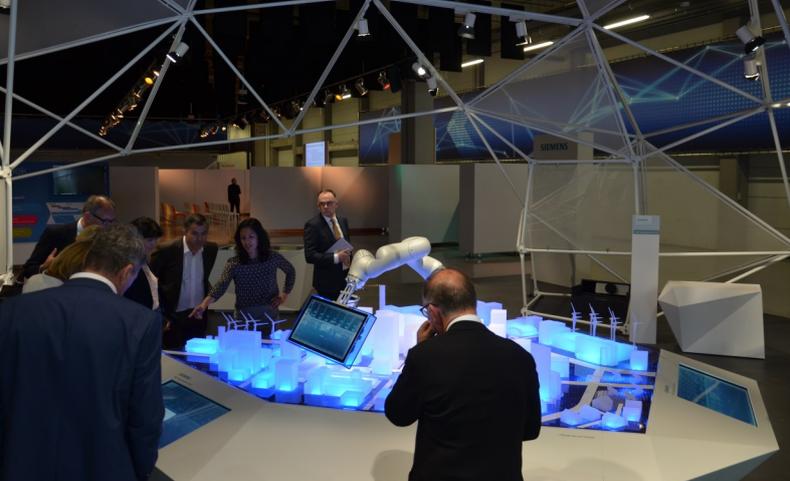


worry is increasing protectionism and the state of European integration that is suffering from a lack of implementation of agreed rules across the continent.

Late in the afternoon of July 6th the Bureau paid a visit to the Hague Security Delta, an impressive cluster of activities concerning cyber security, the largest security cluster in Europe in which business, governments – including EU, Europol, NATO - and knowledge institutes are working closely together in developing innovation and knowledge. Although it is a fairly recent phenomenon, cybercrime is spreading fast, undermining the security of citizens, governments, and companies. Everyone has become much more vulnerable than in the past. Besides targeted international cooperation, fighting hacking and spying as well as criminal and terrorist organisations requires a well-defined strategy as well as operational counter-measures. The Hague Security Delta was set up by the city of The Hague, Delft University, TNO, and a group of founding business partners. Meanwhile the business group numbers 250 companies across the continent. On the spot numerous small and micro-companies are working on detailed projects. The organisation provides also education and training facilities.

On July 7th the Bureau visited Deltares in Delft, a technological institute with 800 collaborators and a turnover of €800 million, specialised in a broad range of issues in water management. 30% of the turnover is in international markets, for instance flood risks, environmental issues and climate change, water programmes, innovating structures. Deltares software is used in more than 100 countries. It is an active actor in Horizon 2020 and in Climate KIC. Despite the constant pressure to innovate it is a real pity that applied science is falling victim between fundamental research and industry-driven projects. Many projects Deltares is working on are multi-sectorial and cross regional. European projects are the Rhine, the most densely navigated European waterway, the navigability of the Danube, and the protection of Venice. Special issues are the handling of big data, disaster management, training facilities and right decision-making in the field, all based on specific knowledge of water conditions in regions, wherever they are in the world. The Bureau visited also a new unique test facility of Deltares where it is possible to test at full scale the effect of extreme waves on dikes, dunes, breakwaters and offshore structures. There is considerable





global demand for the realistic testing of hydraulic structures.

Finally the Bureau was received in the 4.0 Field lab Airborne Siemens in The Hague. President Ineke Dezentjé of the Metal and Electronic Industry made a strong plea for an active European policy concerning digitising industry. It is essentially a bottom-up process, but public private partnership is indispensable. Europe must keep pace with the US and China. Swift and effective actions are needed: removing market fragmentation, standardisation, procurement policy, Horizon 2020 and so on. It is also a management revolution

that affects all layers in the company, moving from the economies of scale to networking. Digital skills are crucial. As Prof Sol pointed out, in Holland seventeen 4.0 Field labs are helping the transition to the digital society: *change is the new normal*. The flexible networked factory is not a purely technological process, and it affects simultaneously all stakeholders, from the concept to the consumer. It requires a new mind-set in society. To that end a tripartite collaboration between business, workers organisations, and the government has been successfully started. These are crucial elements of the Dutch concept *Smart industry*. We must not lose time. It is an urgent affair. Fortunately business and society are responding positively.



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Do we need an Energy chapter in the TTIP?

The energy chapter in TTIP would boost the opening of markets, diversification and energy efficiency and is necessary for three reasons: geopolitical, economic and

environmental. The EU will propose an energy chapter during the next negotiation round in July and EU negotiators hope that the US side will accept to discuss this topic – these are the main conclusions of the seminar on energy chapter in TTIP, organised on 21 June by the EESC.

Civil society representatives from business, trade unions and other organisations expressed their support for an energy chapter in TTIP which can improve EU competitiveness, promote trade in green technologies and offer greater access of EU companies to energy related public procurement. However, stakeholders insisted that this chapter should be accompanied by stepping up EU-US cooperation on sustainable development and should not lead to delays in the energy transition respect of our objectives regarding renewables and energy efficiency.

The conference was organised as one of the initiatives integrated in the monitoring work of the Transatlantic Relations Follow-up Committee, chaired by the President of the Employers' Group, Jacek Krawczyk.



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