

Commentary of the Union of Entrepreneurs and Employers on the Resolution of the EESC on the reconstruction of the European economy after the COVID-19 crisis

On 11th June 2020, during the 522nd plenary session, a Resolution was adopted addressing the proposals of the European Economic and Social Committee (hereinafter referred to as “EESC”) regarding the reconstruction of the economy and economic recovery after the crisis resulting from the Covid-19 pandemic. In its Resolution, the EESC expressed its conviction that – in order to successfully overcome the challenges Europe is facing due the crisis, both the institutions and member states of the EU cannot aim to only restore the previous state of affairs, but ought to focus on reconstructing along with restructuring of the economy. Henceforth, the EESC suggested that the current crisis is not a normal part of the economic cycle and should be used to shape a better social model.

The Resolution comprehensively describes the situation in which the European Union has found itself from an economic, social, environmental, industrial and geopolitical perspective. The crisis is a serious challenge for the SME sector, the competitiveness of large enterprises, as well as the survival of certain industries, such as tourism, transportation or culture. Basing on available analyses, the authors demonstrate that the unemployment rate on an EU scale will increase from 6.7% in 2019 to 9.0% in 2020. Furthermore, the rapporteurs emphasise that the consequences of this crisis are particularly threatening, as it hit the Union in a phase of transition towards a digital and climate neutral economy. Mentioned amongst the threats are the relocation of strategic resources’ production outside the EU and dependence on China.

The authors make accurate diagnoses regarding the problems of the European economy and propose a number of goals to address them. The EESC’s postulates include the improvement of the competitiveness of European enterprises, including the SME sector, by unleashing the full potential of the single market, implementing the pillar of social rights, launching low or zero-carbon investments, and increasing the EU’s self-sufficiency in the event of any and all threats by refining supply chains.

The fundamental weakness of this Resolution is its high level of generality. One of the EESC’s postulates is to increase EU security by encouraging strategic European companies to transfer their production from third-party countries to the EU by refraining from applying state aid rules. Nevertheless, in the same Resolution, the EESC emphasises that investments made under the Reconstruction Plan should be subject to the requirement of reciprocity, i.e. they should benefit society also in environmental or social terms. On the other hand, according to the “do no harm” principle, investments encouraged by short-term economic stimuli under the Green New Deal should be neutral or should accelerate the structural transformation of

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the economy towards achieving climate goals by 2050. Therefore, in the EESC's view, industrial sectors such as steel production, cement production or the chemical industry must undergo transformation. However, there are no proposals as to how these seemingly contradictory interests should be reconciled.

Another contradiction can be found in the EESC's approach to the application of state aid rules. The loosening of state aid rules during the crisis has enabled the support of enterprises, the amount of which is currently estimated at almost EUR 3,000 billion (16% of EU's 2019 GDP). As the EESC notes, the huge disparities in the aid provided by individual member states has led to a disruption of the single market and requires urgent correction, while recommending the departure from public aid rules to encourage European companies to relocate their production back to the EU.

The goals set by the EESC are not only vague, but can also be rather difficult to achieve. One of the main demands is to strengthen the EU institutional structure at the upcoming conference dedicated to the future of Europe. The lack of chance of this proposal's success is evidenced by the fact that the EU Council ruled out the possibility of amending the EU institutional structure in a statement issued on 24th June, less than 2 weeks after the publication of the Resolution in question. As the EESC itself has stated, the EU is facing the worst shock since World War II, whereas economic results at a pre-pandemic level will not be achieved until 2022. We are now in the midst of a crisis and there is no political or social climate that would allow amendments to the EU structure.

The exception to the Resolution's general demands is the chapter on Investments. Having listed 8 areas for the 'injection' of public resources, the EESC has pointed out that retrofitting of buildings should be prioritised. Energy consumption in buildings generates one-third of CO₂ emissions in Europe, and 75% of residential and commercial buildings were built before EU energy legislation was introduced. Research indicates that the average cost for the healthcare system due to energy poverty will be three times higher than the cost of retrofitting. Moreover, the construction sector involves a lot of work and the potential involvement of SMEs. Thus, retrofitting (energy conservation) should contribute to climate and social goals as well as to economic recovery.

The lack of precision in the postulates of the EESC may be due to the early stage of negotiations regarding a new EU budget proposal. We hope that in the course of work these postulates will be further developed and supported with relevant data. Ultimately, whether the EESC's recommendations constitute an acceptable solution will depend on economic and social data as well as market forecasts.