



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

ECONOMIC DIMENSIONS FOR A STRONGER EUROPE

(own-initiative resolution)

Sofia, 2018

The President Board of the ESC decided to develop a resolution on the topic of "The Economic Dimensions for a Stronger Europe".

At its meeting held on 16 November 2018 the Plenary Session adopted the resolution.

"A Union which, based on sustainable growth, [that] promotes economic and social progress as well as cohesion and convergence, while upholding the integrity of the internal market."- Declaration on the future of the European Union, adopted by the leaders of the 27 countries-EU Member States, at their jubilee meeting in Rome, March 2017.

1. According to the Economic and Social Council (ESC), Europe faces the challenge of becoming an even more powerful player in the world economy, becoming a model for progress, based on competitiveness and cooperation, of development in all sectors of strategic importance for global trends. ESC reports the oncoming changes in the world resulting from the new technologies, demography, trade, etc., and believes that from now on, the EU should not only endorse but also reconcile and develop the four fundamental freedoms of movement.
2. In order to better outline the path of the European Union (EU) over the next decade and the years to come, unanimous and ambitious solutions are required for the new challenges facing the economic dimensions that Member States are targeting. At the same time, ESC is convinced that all European citizens must be involved in making these decisions because the expected good results will improve the quality of their lives.
3. The ESC recalls that the beginning of the EU is set as an economic union. On the basis of economic progress, the EU grew later into a political union. Therefore, according to the ESC, the dimensions of accelerated economic development are of fundamental importance for the future place of the EU in the world economy, to maintain a common policy of the Member States in all sectors and branches of the European economy.
4. ESC is convinced that the Single Market, the Eurozone, the Banking Union, the Energy Union, the Digital Market, the Capital Market, consumer protection, etc., which are developing and should develop on the basis of enhanced competitiveness but also on the basis of cooperation between Member States. The achievements in these areas will not only strengthen the role of the EU in the development of the world economy but

will also increase the trust of the citizens in the European institutions and as a whole in the European project.

5. According to the ESC, the Single European Market that has been building and developing for 25 years is a key instrument and opportunity for the EU to achieve the goals set out in the Europe 2020 Strategy for building a highly competitive social market economy. But regardless of the achievement during this period, ESC considers necessary that the European institutions and the Member States should ensure the completion on the Single Market, by deepening and developing pan-European cooperation in the field of the 4 freedoms of movement - goods, services, capital and people.
6. Taking into account the huge potential of the Single Market for generating economic growth and jobs, ESC expresses its support for the efforts of the European Commission (EC) to achieve a truly functioning single market, including its social dimension. Building a more profound and fairer Single Market will create new jobs, stimulate productivity and provide an attractive environment for investment and innovation, as well as an environment that facilitates consumers.
7. ESC appreciates the proposal of the EC for the adoption of a new "Single Market Programme" for the next programming period (2021-2027), which takes into account the need for a strategic and integrated approach to reaching a coherent framework for a well-functioning internal market, by integrating the six programmes and a number of activities so far applied separately, and eliminates the overlapping of existing EU programmes.¹
8. With regard to the Single Market, ESC adopts the principle of harmonizing EU tax rules respecting tax base, but at the same time does not accept the introduction of a

¹ COM (2018) 441 final 2018/0231 (COD) "Proposal for Regulation of the European Parliament and of the Council establishing a Single Market Programme, the competitiveness of enterprises, including small and medium-sized enterprises and European statistics and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013 No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EC) 2017/826 (COM (2018) 0441 - C8-0254 / 2018 - 2018/0231)"

single EU tax rate, as this would result in competitive advantage of certain Member States.

9. Many times in its acts ESC has expressed support for the development of the social economy and social entrepreneurship. According to ESC, social economy enterprises and cooperatives based on the solidarity principle have withstood the crisis and have a role to play in social cohesion, growth and job creation. Therefore, these businesses need to be supported in the future by combining national measures with targeted European funds and financial instruments.
10. With regard to consumer protection policy, ESC supports the efforts of the European institutions aimed at improving the safety of products that are in circulation in the EU. At the same time, ESC considers that a similar approach based on the provision of comparable information should also be applied to goods imported from non-EU countries, through better cross-border coordination of market surveillance, and this is an important condition for preserving the competitiveness of European businesses vis-à-vis the global market.
11. At the same time, ESC welcomes the EC for the measures set out in the new programme to strengthen market surveillance and product safety, paying special attention to online products. This is expected to lead to improving health and safety at work and to protecting the environment, as well as to ensuring a level playing field between economic operators. More decisive action is needed on the part of European and national institutions for eliminating the practice of double standards in food offered by major European market producers in the EU.
12. In this context, ESC draws attention to the Commission's proposed New Consumer Transaction Package, which responds to the new challenges facing citizens in the increasingly digitized goods and services market. The proposed changes aim at the effective enforcement of existing consumer protection rules through individual and collective action as well as through greater cooperation with public authorities, and according to ESC, will contribute to a better functioning of the EU internal market.

13. At the same time, ESC considers it necessary to strike a balance between the interests of consumers and producers, avoiding that changes lead to unjustified administrative burdens and additional costs for businesses, which would reduce their competitiveness.
14. ESC draws attention to the findings of the White Paper², that the projections show a reduction in the economic power and influence of the EU, its share in global Gross Domestic Product (GDP) in 2030 is expected to be 20%, as compared to 22% in 2015. At the same time, European industrial enterprises, using the advantages of the Single Market with 500 million consumers, need to adapt to the changes in the expectations of a new generation of connectivity users and real-time results.
15. In this context, ESC welcomes the objectives and measures set out in the proposal of the EC for a renewed EU strategy for industrial policy, which emphasizes that industry has always been a cornerstone of economic prosperity in Europe and is essential for the future of the European economy³.
16. ESC believes that the strategy the EU on industrial policy outlines the direction of a modern industrial policy for a stronger European industry that will revitalize the economy of the EU's regions and build resilience to adapt to the changing global environment. At the same time, implementing a strategy aimed at "smart, innovative and sustainable industry that contributes to competitiveness, jobs and growth that everyone can benefit from"⁴, requires better functioning on the Single Market.
17. One of the most important goals of the EU, so far and in the future, is to provide all Member States with economic stability, balanced economic growth, a higher level of quality employment and sustainability of public finances. ESC expresses its conviction that along with the development of the Single Market the EU must complete the

² White Paper on the Future of Europe: Reflections and scenarios for the EU 27 to 2027

³ COM(2017)479 "Investing in smart, innovative and sustainable industries. Renewed EU Strategy for Industrial Policy".

⁴ COM(2017)479 "Investing in smart, innovative and sustainable industries. Renewed EU Strategy for Industrial Policy".

development of the Economic and Monetary Union with his two pillars: *monetary* and *economic policies*.⁵

- 18.** ESC believes that enhanced cooperation leading to deepening integration between a group of Member States in certain areas must be open to other Member States at any time under the Treaty on the Functioning of the EU.
- 19.** ESC supports the deepening and completion of an Economic and Monetary Union with a strong social dimension that does not challenge the integrity of the Single Market and does not create new dividing lines between the Eurozone and the other Member States.
- 20.** ESC acknowledges the already achieved results towards a stronger, more secure and more stable financial sector and welcomes EU leaders on the agreement reached regarding the completion of the banking union as a priority task.
- 21.** ESC expresses its principle support for the completion of the Banking Union, believing that future generations should be able to rely on stable banks that play their important role in financing the economy and supporting growth. The instruments for strengthening the Economic and Monetary Union must not be separated but should form an integral part of the overall financial architecture of the Union.
- 22.** ESC emphasizes, above all, that the banking union is helping taxpayers not to be the first to rescue troubled banks, and ensuring that savings of EU citizens of up to EUR 100,000 are always guaranteed regardless of bank difficulties and no matter where such citizens reside.⁶
- 23.** At the same time, participation in the banking union is also possible for Member States that have not yet adopted the Euro, but ESC notes that none of them have joined the banking union so far.
- 24.** ESC's position on EC proposals to strengthen the institutional framework of the Economic and Monetary Union through separate institutions and budget of the

⁵ ESC, Opinion on: "Accelerating the Preparations for Bulgaria's Accession to the Eurozone".

⁶ State of the Union 2018 -Speech by EC President Jean-Claude Juncker, 12 September 2018

Eurozone is that they would now lead to division of the EU into separate concentric circles whose interaction to achieve common goals would be difficult to achieve. The process of convergence for non-Eurozone countries would be significantly slowed down and their accession to the Eurozone would become difficult⁷.

25. ESC believes that integration processes in as well as towards the Eurozone should continue in order to further strengthen the common currency and to boost economic and social cohesion by streamlining the framework for economic policy coordination - the European Semester.
26. ESC agrees with the position of the European Parliament that the protection of deposits is a matter of common interest for all EU citizens and that the banking union will remain incomplete if the third pillar - the European deposit insurance scheme - is not put in place timely.
27. ESC shares the view that the capital markets union is an important complement to the banking union and that well-integrated capital markets contribute to risk sharing in the private sector, improve financial stability, increase economic convergence and European economic sovereignty, and help mitigate possible future shocks.⁸
28. In the context of the UK's withdrawal from the EU, the completion of the capital markets union must be accelerated as a priority issue, and in this regard, ESC supports the efforts of the Commission and the other European institutions.
29. ESC believes that by introducing alternative sources of financing to supplement bank financing and mitigating the impact on the real economy of potential problems in the banking sector, a well-functioning capital markets union will be achieved. An integral part of this process must be to strengthen European structures for system supervision and for more general supervisory practices within the Single Market.

⁷ ESC, Opinion on: "Accelerating the Preparations for Bulgaria's Accession to the Eurozone".

⁸ State of the Union 2018 -Speech by EC President Jean-Claude Juncker, 12 September 2018

- 30.** ESC expresses its support for the proposed European regulation pan-European personal pension product, which further develops the existing national pension schemes for personal pension insurance and provides more opportunities for consumers to choose more pension benefits. ESC shares the position that the promotion of this product among workers in different Member States will contribute to the accumulation of additional long-term investment capital for the development of capital markets across the EU⁹.
- 31.** ESC welcomes the established European Fund for Strategic Investments (EFSI), which is the basis of the Juncker Plan, and aims to support economic recovery and the necessary conditions for job creation and growth through more efficient use of limited public financial resources.
- 32.** ESC notes with satisfaction that, with a total of EUR 21 billion, EFSI has been able to mobilize over three years EUR 335 billion of new investment to support highly innovative and risky projects involving new technologies as well as large-scale funding for small businesses. The effect reported by the EC demonstrates the indisputable impact on the EU economy and the radically changed attitudes about the way innovation in Europe is funded.
- 33.** ESC welcomes the achieved results also of the investment plan "Juncker" in regard to real economic benefits for citizens and businesses and the catalysing effect on private investment in the EU. It should also be noted that the Juncker plan has also supported other EU objectives in the field of energy efficiency, the fight against climate change, social policy and digital and transport infrastructure.¹⁰
- 34.** In the context of the good results of the implementation of the Juncker plan, ESC calls for swift adoption of the EC's proposal to extend EFSI's duration and double its amount to EUR 630 billion by 2022, while at the same time this resource must reach as many regions as possible.

⁹ ESC, Opinion on: "Proposal for a Regulation of the European Parliament and of the Council on a Pan-European Personal Pension Product (PEPP)" COM(2017) 343 final.

¹⁰ State of the Union 2018 -Speech by EC President Jean-Claude Juncker, 12 September 2018

- 35.** In this regard, ESC expresses its support for the objectives and priorities set out in the so-called EFSI 2.0, in force from 30 December 2017, which provides for an extension of the guarantee until the end of 2020, increase of the investment objective at least to EUR 500 billion, with a stronger focus on funding small and medium-sized enterprises (SMEs) and green and sustainable projects and sectors.
- 36.** ESC welcomes the EC's proposal to continue the Juncker plan for the next budgetary period after 2020 to provide further incentives and conditions for new investment, innovation and jobs. ESC is confident that through the new InvestEU programme additional investment of EUR 650 billion will be generated over seven years which will be directed in four areas: sustainable infrastructure, research and innovation, digitization; small businesses.
- 37.** ESC stresses the importance of pan-European investment projects in the field of digital, transport and energy infrastructure that need to achieve connectivity and focus investment on technological innovation to improve competitiveness and structural convergence.
- 38.** ESC believes that targeting investments into strategic EU projects in cutting-edge areas such as artificial intelligence, supercomputers, cybersecurity or industrial digitization will help to complete the digital single market, which is one of the Union's main priorities. In this regard, ESC welcomes the EC's proposal to establish a digitization program for Europe, which is included in the next Multiannual Financial Framework with a budget of EUR 9.2 billion. The programme aims to model the digital transformation of Europe for the benefit of citizens and businesses.¹¹
- 39.** On the other hand, ESC draws attention to the fact that, in a globalized world that stimulates the spread of technology and innovation The EU has not yet developed a digital strategy that takes into account the benefits Internet technologies can have for international trade.
- 40.** At the same time, the direction of development requires action and programmes to respond to the challenges of globalization and technological change. According to ESC,

¹¹ The programme emphasizes five specific goals: 1) high performance computing, 2) artificial intelligence, 3) cybersecurity, 4) advanced digital skills and 5) ensuring their wide use across the economy and society.

it is crucial that all Member States without delay transpose the relevant provisions contained in the energy, rail and air transport packages within the EU.

41. In this context, ESC welcomes the proposed by the EU Horizon Europe Programme (2021-2027) for research and innovation, ensured with resources amounting to 100 billion euros. ESC has always supported efforts to increase investment in research and innovation that have a direct impact on job quality, growth, competitiveness, and generally on preserving the EU's top positions in science and innovation.
42. According to ESC, the creation of a single European Research Area, in which scientists will be able to work anywhere in the EU, and cross-border cooperation will be supported and promoted, will give strong impetus to economic development. Therefore, ESC calls for higher education institutions to be more involved in international projects, networking with foreign higher education institutions and other international institutions, both for attracting more funds and for wider mobility of teaching staff, exchanges academic experience and good university practices in the development of multicultural higher education and research.¹²
43. In this regard ESC calls on all Member States to promote STEM training¹³, which uses the methods of science, technology, engineering and mathematics more widely in all stages of education, including in pre-school education. This, according to ESC, would help children from an early age to participate actively in learning through the practical application of what has been learned.
44. ESC also calls for the promotion of innovation and private investment in R&D through the creation of tax incentives for proven benefits, modernizing research establishments at higher education institutions, awarding scholarships for young scientists and researchers, encouraging the inclusion of students in scientific activities and projects in higher education institutions, as well as their early involvement in teaching and scientific activities.¹⁴

¹² ESC Opinion "Strategy for the Development of Higher Education in the Republic of Bulgaria 2014-2020" - 2014

¹³ STEM (Science – Technology – Engineering – Mathematics).

¹⁴ Resolution on: "Actions to Support Young People and Tackling Youth Unemployment in Bulgaria" - 2013

45. ESC believes that in all programmes, the EU must take into account the "think small first" principle as the regulatory burden at European, national, regional and local levels continues to be a major obstacle for SMEs. These businesses create most of the new jobs in the EU but face serious problems in finding skilled workforce, especially employees with digital skills.
46. ESC places a special emphasis on easier access to finance for SMEs - the predominant business form in the EU - that must be a priority for Europe, and considers that the stimulation and development of these businesses requires the improvement of the business environment and the reduction of administrative barriers as well as the simplification of the rules for SMEs to access EU funding.
47. In this regard, ESC expresses its support for flagship initiatives of the EC aimed at creating new competitive advantages for the EU and its citizens - a package of measures for the circular economy and a package of measures to support labour mobility. ESC stresses the need for Europe to invest primarily in its young people and in job seekers, as well as in its start-ups and SMEs.
48. ESC draws attention to the fact that, in the context of limited natural resources and climate change, the market will increasingly impose sustainable products and requirements for their circular consumption. It should be noted that in the context of globalization, some shortcomings in the business environment affect mostly SMEs, which find it hard to access investment for innovation and for qualified human resources.
49. ESC expresses its concern about some problems facing businesses, especially SMEs in a number of countries, such as the lack of adequate workforce, unfair competition as a result of unauthorized imports, over-regulation, high administrative burden, etc.
50. In this connection ESC assesses the EC's efforts to better regulate intersectoral policies through the implementation of the Better Regulation Programme and welcomes the opportunity for active stakeholder involvement in this process, including businesses, which is key to improving the quality of EU legislation.

- 51.** The ESC considers that this programme, which "ensures that the new legislation is in line with the objectives set at minimal cost and that the current legislation is checked periodically, thereby establishing and removing unnecessary bureaucratic obstacles", supports and interests of business and citizens and its implementation will contribute to "integrating competitiveness, innovation, digitization, investment, SMEs, social protection, consumer protection and the environment into EU policy making"¹⁵.
- 52.** ESC estimates The European Energy Union above all as an integration project that needs to find common and sustainable solutions in the field of energy. ESC appreciates that this project also aims to encourage Member States and the energy industry to work together to ensure security of supply and to increase transparency in purchasing agreements for energy resources from outside the EU.
- 53.** ESC recognizes that developing the European energy market is a complex and lengthy process and requires maximum agreement, coordination and cooperation between European Member States and all stakeholders, emphasizing the important role of the social partners and organized civil society in the dialogue process.
- 54.** ESC expects that the establishment of the European Energy Union will be based on solidarity between Member States, outline the fields of mutual cooperation between them, increase the security of energy supply and ensure social protection for vulnerable consumer groups.
- 55.** ESC also notes that Member States' national energy strategies and policies need to combine both national interests, particularities and regional specificities as well as the EU's objectives in the context of the European energy market, by taking into account the necessary balance of interests in the name of security and development.
- 56.** ESC shares the view that one of the most serious challenges for the EU energy sector is the shift towards low-carbon economy in line with climate change commitments.
- 57.** ESC expresses its support for the Paris Climate Agreement of December 2015, which contains an action plan to limit global warming well below 2°C. For the European Union and its Member States, the Paris objectives are already set out in the "Climate

¹⁵ COM(2017)479 "Investing in smart, innovative and sustainable industries. Renewed EU Strategy for Industrial Policy".

and Energy Policy Framework 2020-2030" of 2015, which includes planned national contributions and common European target - a reduction of at least 40% of domestic greenhouse gas emissions by 2030 as compared to 1990.¹⁶

- 58.** In this context, ESC joins the position expressed by Bulgaria as well as 9 more Member States against raising ambitions for new EU targets (reaching by 2030 a reduction in greenhouse gas emissions of 45% instead of the already agreed 40%¹⁷) before Member States making a realistic assessment of the effect of such a change on the economy and citizens within Member States.
- 59.** At the same time, ESC is worried that the withdrawal from the Paris Agreement or the failure to comply on part of some of the world's leading economies places the European economy in uncompetitive position and can pose very serious challenges for its development.
- 60.** The ESC also emphasizes that efforts to achieve the objectives of the Paris Agreement must be universal and calls on the EU and the Member States which are engaged with other partners in a broad "high-ambition coalition" to include in this coalition representatives of organized civil society.
- 61.** ESC expresses its strong support for endorsing the transition to low-carbon and a circular economy in the EU and the world, which will create new jobs in innovative services and the creation of more sustainable products. At the same time, ESC calls for this process at the national level to be smooth, gradual and without massive pressure on the labour market, employment and income, energy prices, investment in new carbon-free energy capacities, the potential for high economic growth and improved competitiveness.¹⁸
- 62.** ESC believes that citizens and civil society organizations can participate actively in the process with concrete initiatives and proposals at work, in cities, municipalities and

¹⁶ ESC, Opinion on: "Challenges and Opportunities for the EU and Bulgaria Following the Negotiations on Climate Change in Paris".

¹⁷ Report of the International Panel on Climate Change (IPCC).

¹⁸ ESC, Opinion on: "Challenges and Opportunities for the EU and Bulgaria Following the Negotiations on Climate Change in Paris".

regions. Moreover, in The Paris Agreement the role of local authorities in tackling the effects of climate change is recognized for the first time.

- 63.** ESC welcomes the EC's efforts to simplify and rationalize the European Semester. In this context, the integrated approach to policy governance ensures coherence between the different policy areas at the Community and the national level.
- 64.** According to the ESC, in achieving enhanced coordination and joint action at the EU level it is necessary to evaluate in advance the effects of the reforms planned in one Member State on certain sectors in another Member State. This would improve the performance in some policy areas at both the national and the EU level.
- 65.** ESC draws attention to the fact that integrated economic governance places a stronger emphasis on recommendations to Member States to meet the requirements of the Stability and Growth Pact and the macroeconomic imbalances procedure than on assessing the implementation of the Europe 2020 Strategy targets.
- 66.** ESC supports the EC's position that Member States should involve more social partners in the European Semester not only to ensure that key reforms are understood and accepted, but also because this involvement will increase the effectiveness of policy coordination at the EU level.¹⁹
- 67.** Therefore, according to ESC, Europe needs such a political alliance, which should provide a credible political foundation for all the alliances that have been seen so far, through genuine democratic accountability, legitimacy and institutional strengthening, and also encourages the active involvement of the social partners and civil society at all levels.²⁰

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¹⁹ ESC resolutions on AGS for 2013 and resolution on AGS for 2014.

²⁰ ESC Resolution on: "Institutional Mechanisms to Involve Social Partners and Other Civil Society Organizations in the European Semester".