

# EUOBSERVER

Magazine

## Business in Europe

Tax breaks for the big  
hit the smallest 3

Nord Stream 2  
Business as usual 6

The economic  
consequences of Brexit 11

Integration — What is  
European business doing? 21

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## Cover photo

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# What is European Business?



European Business is not one single entity. It is composed of big companies such as Vodafone, BP, Unilever, Siemens and L'Oreal as well as 23 million more or less known small companies.

Small and medium-sized enterprises (SMEs) are often referred to as the backbone of the European economy. They represent around 99 % of all enterprises in the EU and the latest figures released from Eurostat show that 9 out of 10 enterprises in the EU employed fewer than 10 people.

Whatever is keeping Brussels busy is of interest to these businesses.

For example, integrating the one million refugees who arrived in Europe in 2015 is only possible in co-operation with the continent's companies.

The malfunctioning Schengen area and re-introduction of border controls in Europe make business more complicated.

Also, massive information leaks like LuxLeaks and the Panama Papers surely affect business and may lead to new tax regimes.

This might be good news for small companies. They do not benefit from current cross-border tax-avoidance schemes, but they need to compete with multinationals, some of which get away with paying less than one percent tax on their profits.

In the UK, business has played a key role in funding both the Leave and Remain campaigns for the EU referendum.

There is simply a business angle to every topic that Brussels has to deal with.

This magazine is all about that.

And if you like it, we will do it again.  
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Lisbeth Kirk  
lk@euobserver.com





# TAX BREAKS FOR THE BIG HIT THE SMALLEST

Tax breaks awarded to multinationals like Apple and Starbucks in Luxembourg allow their businesses to prosper, often at the expense of Europe's 23 million smaller firms.

*By Nikolaj Nielsen*

**O**liver Grun's Germany-based software company employs around 100 people and pays 30 percent tax on profits. Microsoft, his biggest competitor, pays 3 percent.

"We are paying 10 times more taxes on profits than them, that's crazy, that's absolutely intolerable," said Grun, who is also the president of the Brussels-based European Digital SME Alliance.

The EU has around 23 million small and medium-sized companies. They account for 99 percent of enterprises in the EU.

Of those, around 26,000 are in the digital sector. And they employ millions.

They also compete against multinational corporations. But Apple, Starbucks and many others benefit from huge tax breaks.

## KNOCK-ON EFFECT ON EUROPEAN BUSINESS

Secret deals cut in Luxembourg, revealed in 2014 by the International Consortium of Investigative Journalists, showed that some big firms managed to get away with paying less than 1 percent.

Some of those deals were made under the stewardship of EU commission president Jean-Claude Juncker when he was the prime minister and finance minister of Luxembourg.

Secret deals cut in Luxembourg, revealed in 2014 by the International Consortium of Investigative Journalists, showed that some managed to get away with less than 1 percent tax on profits.

*Photo: Chris Tolworthy*

The knock-on effect for businesses in Europe is widespread.

Fabio De Masi, a German MEP from the United Left who is spearheading parliament efforts to weed out big tax-avoidance schemes, said it was unfair to honest taxpayers and also bad economics.

“All those profits siphoned off are not reinvested into the local economy. Besides the disastrous effects of half a decade of austerity, this is a serious drain on growth and employment,” he said.

His statement is backed with numbers.

### UP TO €70 BILLION LOST YEARLY

An EU parliament study last September estimated up to €70 billion is lost each year or the equivalent of 23 percent of corporate tax revenue in 2013.

The real figure is likely to be much higher because the study looked only at profit shifting within the EU, and not from and to other countries.

Another study from 2010, recently cited by the

EU commission, says foreign-owned affiliates in high-tax European countries pay 32 percent less tax than domestically owned companies.

It means multinationals like Apple and Microsoft can use the extra cash to aggressively market their products and buy out smaller firms that may pose a threat.

### EXPLOITING DIFFERENT TAX RULES

As a result, smaller companies are finding it difficult to get recognition.

The EU is a market leader in things like Enterprise Resource Planning (ERP) software because of smaller firms. But few realise it, and clients still tend to go to their much bigger rivals.

“They have a market share of 51 percent but everybody thinks they have to buy Microsoft or Oracle,” said Grun.

Multinationals are also able to exploit 28 different tax regimes, setting up shop in the states that allow them to squeeze the public coffers elsewhere.

EU competition commissioner Margrethe Vestager concluded that some tax deals for multinational companies amounted to illegal state aid.

*Photo: European Commission*







Some tax deals were made under the stewardship of EU commission president Jean-Claude Juncker, when he was the prime minister and finance minister of Luxembourg.

Photo: [europarl.europa.eu](http://europarl.europa.eu)

Gerhard Huemer of the European Craft and SME Employers' Organisation said having so many different tax regimes made cross-border business excessively difficult.

"While big business can profit from them for tax planning, we have a high price for this," he said.

Only Bulgaria, Greece, France, the Netherlands, and the UK give SMEs tax breaks because of their size.

Huemer says a fairer system is needed and backs EU commission efforts of harmonising the tax base throughout the EU.

## STIFF RESISTANCE FROM MEMBER STATES

But member states are jealous guardians of their tax systems. And reforms at the EU level are likely to be met with stiff resistance from national governments.

"The fact that Amazon doesn't pay tax makes it more difficult for the bookshops to sell their products. Same with the Starbucks and the coffee shop around the corner," Huemer said.

The EU commission says it wants to harmonise the tax base with a re-launch of the Common Consolidated Corporate Tax Base, also known as the CCCTB.

Last October, it had also announced that selective

tax advantages issued through tax rulings for Fiat in Luxembourg and Starbucks in the Netherlands were illegal under EU rules on state aid.

And in January, it proposed new measures to claw back money from those who had benefited from corporate tax avoidance.

## EUROPE'S HIDDEN CHAMPIONS

Grun remains sceptical of the EU commission's efforts to crack down on corporate tax given the scale of the problem.

"It's lip service. At the end of the day, they are talking to the multinationals," he said.

He said Europe had "hidden champions" but are unable to get the proper exposure.

"We have strong hidden champions in the digital SME area but no-one is able to see it," said Grun.

He said the EU had already lost out in the digital revolution to the US, where giants like Facebook and Google dominate.

He said the only chance the EU now has to become a global leader is to shore up on business-to-business software.

The problem, aside from big firms getting unfair tax breaks, is that there is no single European law on tax.

"We must solve this problem and I don't understand why it still hasn't been solved," he said.



# NORD STREAM 2 BUSINESS UNUSUAL

EU and US leaders have said there is no business as usual with Russia after it started the war in Ukraine.

*By Andrew Rettman*

EU and US leaders have said there is no business as usual with Russia after it started the war in Ukraine.

Sanctions have curbed credit and technology exports to its top firms. Blacklists have stigmatised its ruling elite. Nato is creating a force in the Baltic region in case the new Cold War escalates and every day Russian TV pumps out shows that demonise the West.

But none of this has discouraged five EU firms from investing billions in an unusual project to redraw the map of Russian gas supplies to Europe - Nord Stream 2.

If things go to plan, in September they would start taking delivery of pipes that would lie on the bottom of the Baltic Sea ready to convey 55 billion cubic metres of gas a year from Russia to Germany from 2020 onward.



Nord Stream 2 will use about 100,000, 24-tonne steel pipes

Photo: Nord Stream AG

They would lie alongside an existing 55 billion cubic metres of pipes known as Nord Stream 1.

Together, they would account for two out of every 10 drops of gas burned in EU homes and factories, or seven out of every 10 sold by Russia to the EU.

## ENERGY CHAMPIONS

The firms building Nord Stream 2 are Germany's BASF and E.ON, Engie (France), OMV (Austria) and Shell (Anglo-Dutch) together with Gazprom, the Russian energy champion which has the majority stake.

The venture is unusual in several ways.

It risks being blocked by sanctions, by EU law or by EU and US politics. It risks lack of demand. It is pricier than alternative projects. It also ties the EU firms more closely to a partner, Gazprom, that is controlled by Russian security services and is bleeding money at a rapid rate.

For Jens Mueller, a Swiss PR man who works for Nord Stream 2 – the consortium is based in the Swiss town of Zug – the EU sanctions do not pose a problem. Mueller told EUobserver that the sanctions were designed to let Nord Stream 2 go ahead. “Gas projects between the EU and Russia are out of scope of the sanctions regime,” he said.

Vera Surzhenko, a Shell PR woman, went further. She said the project was also in line with the “spirit” of EU policy on Russia. “All Nord Stream 2 discussions have carefully followed both the spirit and letter of sanctions requirements,” she said.

They are equally confident that EU law will not stand in their way.

## SOUTH STREAM BLOCKED ON LEGAL GROUNDS

The European Commission is studying if Nord Stream 2 complies with EU energy market legislation. It blocked a previous EU-Russia pipeline, South Stream, on legal grounds.

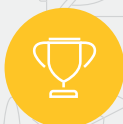


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Mueller believes the new study cannot say No. "The third energy package [EU energy laws]... does not apply outside the internal market," he said.

Nord Stream 2 is "completely different" to South Stream, he said, because that project was planned to run from Bulgaria to Austria, but Nord Stream 2 would lie mostly in international waters and end in Germany. That would mean only "connecting pipelines within the [EU] internal market that will transport gas from Nord Stream 2 onwards across Europe will be subject to all EU energy legislation".

One senior EU source agreed. "Lawyers are warning that the EU study might produce a result that those critical of Nord Stream 2 don't expect," the source said.

But Nord Stream 2 also faces fierce political opposition.

Nine EU states, mostly from central Europe, have said it would harm energy security and impoverish Ukraine. They said it would let Russia cut off supplies to its EU critics while protecting Germany and that it would divert gas from Ukraine's transit network.

## MAKING GERMANY MORE SECURE

"This project will make Germany more secure and central Europe less secure. It's so self-evident that it makes me laugh when I hear people try to contradict that," said Jonathan Eyal, an expert at British think-tank Rusi. "Nord Stream 2 is a purely political

and not a commercial project", Mykola Tochytskyi, Ukraine's ambassador to the EU, told this website.

Slovakia, one of the nine Nord Stream 2 critics, will oversee EU energy policy when it takes up the EU presidency in July. Maros Sefcovic, the Slovak EU energy commissioner, is critical of the project.

The US is also opposed, while Denmark, Finland, and Sweden - all of which are building closer US ties due to Russia's aggressive behaviour - will have to give permission for the pipeline to go through their territorial waters.

Whatever EU sanctions say, US policy has a global reach and the US is serious about enforcing the "spirit" of the measures. Last year, the US introduced new sanctions to block a Shell-Gazprom deal on gas drilling.

The Danish foreign ministry, for one, told this website: "Danish authorities have not received a formal application with regard to the Nord Stream 2 project. If such an application is received, it will be assessed according to all relevant rules and Denmark's international obligations".

With the spotlight on Denmark, Finland, Germany and Sweden, Mueller said: "Authorisation of the construction of infrastructure projects ... is clearly a competence of [EU] member states".

## NO OPPOSITION IN BERLIN

There is no political opposition in Germany. Nord Stream 2's main lobbyist in Berlin is the Rus-

EU and Russian leaders switched on Nord Stream 1 in 2011  
Photo: Nord Stream AG







Gazprom-sponsored yachts take part in European races to promote the firm

Photo: Nord Stream AG

sia-friendly SPD party in chancellor Angela Merkel's coalition. But Merkel also defends it - in one incident at an EU summit in December she told Italian PM Matteo Renzi that Nord Stream 2 was none of his business.

Despite this, Mueller and his colleagues are not taking chances.

According to the European Commission register in Brussels, Nord Stream 2 firms work with at least four big PR companies - Brunswick, Edelman, Fleishman-Hillard and G-Plus. Mueller said Nord Stream 2's own people travel from Zug to the EU capital for some four days each month to talk to press and EU staff.

Commission records show that firms linked to the Nord Stream 2 consortium have held 62 meetings with the two energy commissioners, Sefcovic and Canete, with commission president Jean-Claude Juncker, or with their cabinet staff.

Some of the talks are at a high level. Matthias Warnig, the CEO of the Nord Stream 2 consortium and a close associate of Russian leader Vladimir Putin, met Canete in April. Etienne Davignon, an advisor to Engie's boss and a former EU commissioner, met Juncker or Juncker's chief aide four times last year.

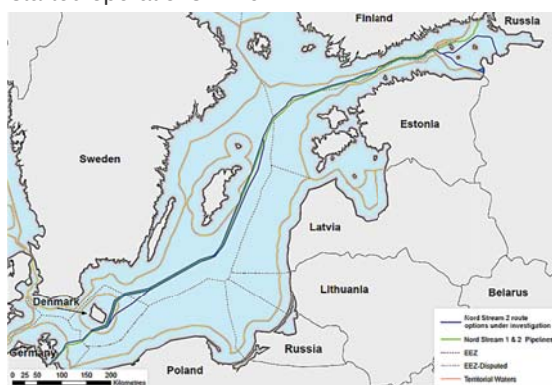
There are no lobbyist registries in Denmark, Finland, Germany or Sweden. But Mueller said: "We get support from different agencies in different countries according to the concrete needs for translations, media monitoring etc. and depending on the expertise of the agency".

The lobbyists work alongside Russian embassies. There are 138 accredited Russian diplomats in the EU capital and 110 in Berlin. There are 92 in Copenhagen, 53 in Helsinki and 35 in Stockholm. "Russian embassies are [kept] informed about the project development," Mueller said.

## NOT ENOUGH DEMAND

Nord Stream 2 critics have said the pipeline makes no business sense because there is not enough demand for gas.

Demand is so low that Nord Stream 1 last year worked at 70 percent of capacity and the Ukraine transit network at less than 50 percent. Gas prices have fallen by more than half since Nord Stream 1 started operations in 2011.



Nord Stream 2 (blue line) to go through Danish, Finnish, German and Swedish waters

The International Energy Agency in Paris recently slashed its forecast for EU demand in 2030 by 30 percent to 526 bcm. The EU commission says it could be just 370 billion cubic metres.

Demand might recover as EU economies return to

growth. But low oil prices, competition from liquid and shale gas and EU targets to cut CO2 emissions are expected to stay for the long term.

Nord Stream 2 lobbyists have said it is needed because Norwegian and UK gas production will fall by more than 100 billion cubic metres as fields deplete.

Its critics countered that the private sector could increase the capacity of Ukraine pipelines for a fraction of the price of Nord Stream 2 even if the extra demand for Russian gas materialised.

The private sector, such as UK energy analyst Platts, has said the dip in Norwegian and UK output would create, at best, a "limited window to earn money" for Nord Stream 2 before the long-term trends on low demand take hold.

Meanwhile, Gazprom itself is an unusual partner.

In Russia, they call some of the firm's top men the "gazoviki" by reference to the "siloviki", a clan of Putin-loyal former spies.

Five of its senior managers - Andrei Akimov, Valeriy Golubiev, Alexandr Kozlov, Sergei Khomyakov and Alexandr Medvedev - have links, like Putin, with the Russian intelligence service, the FSB. Warnig, the chief of the Nord Stream 2 consortium, used to spy in former West Berlin for the former East German secret service, the Stasi.

The roll call indicates that Gazprom juggles security and commercial priorities. It is also associated with graft and mismanagement.

A contact working with Alexei Navalny, a Russian



anti-corruption activist, told EUobserver it's "one of the most corrupt companies in the world."

Nord Stream 2's Mueller declined to comment on Gazprom's reputation.

Shell also declined to comment on whether Nord Stream 2 poses a reputational risk. It said politics does not play a role in its decisions. "We are a business entity. We take decisions based on best commercial interests", the firm's Surzhenko said.

Markets have commented on Gazprom, however.

The company was worth \$369 billion in 2008. It owns more gas than any other in the world. But the gazovikis' failure to adapt to market developments and Gazprom's political exposure have seen its value, or market capitalisation, fall to less than \$50 billion.

If it were to keep shrinking at that rate, BASF, E.ON, Engie, OMV and Shell might see it vanish before Nord Stream 2 is built.



Deja vu?  
Pipe-laying ship installs Nord Stream 1 in Baltic Sea

Photo: Nord Stream AG



Most Nord Stream 2 gas will come from Yuzhno-Russkoye field in northwestern Russia

Photo: Nord Stream AG



# Headache for businesses, uncertainty for investors — the economic consequences of Brexit

Look at the main donors to the Remain and Leave campaigns and the first impression is of a David vs Goliath contest.

By Ben Fox

The referendum question: "Should the United Kingdom remain a member of the European Union or leave the European Union?"

Photo: Reuters



A long-standing tradition among British europhiles is to lament the hostile euroscepticism of most of its newspapers.

Yet while Rupert Murdoch and others leant towards Brexit, the big beasts of its business community lean the opposite direction. Look

at the main donors to the Remain and Leave campaigns and the first impression is of a David vs Goliath contest.

Both campaigns in the run-up to a referendum on 23 June on UK membership of the EU lean heavily on individuals.

David Sainsbury, a long-standing financier of pro-European think tanks and political parties, had given € 4.9 million to the Remain camp by mid-April, according to the UK Electoral Commission. Multi-millionaire businessman Arron Banks donated € 7.9 million to Leave.

Bloomberg and Richard Branson's Virgin group are among major donors to the pro-EU cause, but the only group that appears to have co-ordinated itself is investment bankers.

Goldman Sachs, JP Morgan, Citigroup and Morgan Stanley have coughed up € 2 million between them for the Remain camp.

If funding from sharp-toothed US mega-banks has offered an easy line of attack for Leave campaigners, it is no surprise that Goldman





Sachs and the other banks were among the few to put their heads above the parapet.

## FINANCIAL SERVICES IN THE ECONOMIC FIRING LINE

The UK's financial services sector is probably first in the economic firing line from a Brexit.

Their concern is that losing single market access would result in some financial sector activities being relocated away from London. This fear is not without foundation.

For example, in March 2015 the European Court of Justice overturned a rule by the European Central Bank that would have required central clearing counter parties (CCPs) handling transactions worth more than €5 billion to be located inside the eurozone, a major victory for the City of London.

However, the court made it clear that London's financial houses would not be able to offer the service were they outside the EU.

"Outside the EU, the UK would not have been able to challenge this decision and achieve

this result," said Liberal Democrat MEP Catherine Bearder at the time.

Bloomberg founder, CEO, and owner, Michael Bloomberg said on 23 May that some people in Frankfurt and Paris were "rooting for Brexit".

"In my conversations with chief executives of banks and other industry leaders, with rare exceptions, they see Brexit as a serious complication that could lead some jobs to shift to the continent over time," he said.

Meanwhile, monthly surveys by tax and audit firm Deloitte in 2016 have indicated that companies have postponed decisions on whether to invest in the UK since the announcement of the referendum.

It would be a mistake, however, to think that only big banks and multinationals fear Brexit.

A survey by the Confederation of British Industry (CBI) found that 71% of their members backed Remain. So, too, do a majority of members of the British Chambers of Commerce and the Federation of Small Businesses.

UK prime minister David Cameron wants to remain in the EU while Tory colleague and former London mayor Boris Johnson is campaigning to leave.

*Photo: Prime minister's office*





Goldman Sachs, JP Morgan, Citigroup and Morgan Stanley have coughed up €2 million between them for the Remain camp.

*Photo: Howzey*

Similarly, 70 percent of firms in the UK's booming tech sector back Remain, and the figure is 61 percent in the manufacturing sector, according to the UK's Engineering Employers' Federation, a trade association.

Most small businesses do not trade directly with the rest of the EU but are part of the wider supply chain. Single market integration has blurred the distinctions between companies who export directly and those who do not. However, the difficulty for the pro-EU cause has been to persuade business leaders to engage in the campaign.

The CBI, Nissan and Honda were among a group of organisations who publicly warned in the late 1990s and early 2000s that the UK economy would suffer if it stayed out of the eurozone, only to be left high and dry when Tony Blair and Gordon Brown backed down from joining the euro.

They were, understandably, reluctant to risk getting their fingers burnt again.

## **BUSINESSES CRAVE CERTAINTY**

If the referendum is a major political irritant to most European capitals, the economic consequences are negligible for most of Europe. Ireland, Cyprus and the Netherlands are most directly exposed to the UK economy, particularly in terms of bilateral trading and banking.

A survey of economists by the Munich-based Ifo Institute found that 65 percent believed Germany would only experience "minor economic drawbacks" from Brexit, with 12 percent anticipating "strong disadvantages".

In truth, it is impossible to accurately estimate the economic impact of a Brexit (though that hasn't stopped anyone from trying).

However, the "better the devil you know" argument is hard to trump.

The Centre for European Reform estimates that EU membership has increased trade between the UK and EU members by 55 percent, equivalent to € 171 billion.

"If someone offers you a stock that offers at best zero you're not going to take it," says strategist Rupert Harrison of US investment management firm BlackRock.

Businesses crave certainty or, at the very least, predictability. That is why the Bank of England, CBI, Treasury and the vast majority of policy think tanks have warned that Brexit would hit everyone in the wallet.



# CAR INDUSTRY DODGES DIESELGATE, FOR NOW

While Volkswagen reels from revelations that it cheated on diesel-emissions tests, the industry as a whole appears to be weathering the storm.

*By Peter Teffer*

**T**he Skoda Museum in Mlada Boleslav is by far the most popular destination for tourists visiting the millennium-old Czech city, around 60 km north-east of the capital Prague.

The colourful cars and Skoda paraphernalia give the visitor the feeling that the Czech car company, founded in 1895, is still a cause for national pride. Yet the company has been part of Germany's Volkswagen Group for 16 years now.

As could be expected from a museum about a private enterprise's product, the texts are upbeat and positive – there is no mention of toxic pollutants, let alone cheating the emissions test system.

But then again, the Volkswagen Group diesel scandal, which affected 1.1 million Skoda vehicles, seems to have had little effect on the Czech subsidiary.

"So far we have not noticed serious negative effects on our business," said spokesman Tomas Kubik in a written response to EUobserver's questions. That's because Skoda, along with other VW subsidiaries Audi and Seat, is not paying for the repairs.

"The direct costs for fixing the diesel vehicles affected will be taken over by Volkswagen Group," said Kubik.

In fact, 2015 was Skoda's most successful year to date.

"The company achieved record sales, revenue, operating profit, net cash flow and liquidity," it said in its annual report, noting that the firm's sales revenue was up by 5.2 percent from the previous year.

## **VOLKSWAGEN TAKES THE HIT FOR SKODA**

It seems as if Volkswagen has taken the hit for the entire group – not only the financial hit, but also the reputational damage.

At a press conference in April, Volkswagen Group boss Matthias Mueller said the scandal had had a "very painful" effect, ending 2015 with an operating loss of €4 billion.

Mueller said that without dieselgate, results would have been comparable to the year before. But VW had to make provisions worth €16.2 billion to pay for fixing cars, an American buy-back scheme, and to cover lawsuits.

It is unclear how many lawsuits Volkswagen will face, but shortly before this magazine went to print, another high-profile claimant presented itself: the Norwegian government's pension fund, also known as the Oil Fund. The fund, worth around €750 billion, holds around €700 million in VW shares.





New cars leaving the Mlada Boleslav train station

Photo: Peter Teffer

Fund spokesman Thomas Sevang told EUobserver in an emailed statement that the fund intended to join a legal action against Volkswagen because the company “provided incorrect emissions data”.

“We have been advised by our lawyers that the company’s conduct gives rise to legal claims under German law. As an investor it is our responsibility to safeguard the fund’s holding in Volkswagen,” added Sevang.

## REPUTATIONAL DAMAGE

Then there is also the damage to the company’s reputation, which is more difficult to measure.

“More than ever our most important currency is our credibility and the trust in our brand and our products and in Volkswagen itself,” said Mueller. “Regaining that trust will be the most important task over the next months. All else takes second place at this moment.”

In 2015, consumers bought 15.1 percent fewer Volkswagen cars. By contrast, sales for Skoda were up by almost 12 percent.

Some companies that evaluate brands for a living said after the scandal that Volkswagen could lose a third of its brand value, estimated at around €28 billion.

But just a month after it was revealed VW had cheated, 91 percent of those polled by brand consultancy firm Prophet said they believed other car makers also manipulated emissions tests. And the more people believe cheating is omnipresent in the industry, the less they will blame a specific brand. Indeed, in the same October 2015 poll, 65 percent said the company still built “excellent” cars.



## NO LARGE IMPACT ON SALES

Looking at the car industry as a whole, the dieselgate scandal, which broke in September 2015, seems not to have had a direct impact on sales.

According to figures from the European Automobile Manufacturers Association (ACEA), passenger car sales worldwide were up by 2 percent. For Europe, the figures were even higher.

“The EU market continued its positive performance and ended 2015 extremely strongly, thanks to economic improvement and better macro conditions,” ACEA said. “With 13.7 million passenger cars sold, results for the full year were consistently higher (up 9.3%) than in 2014.”

And the first four months of 2016 were each better than 2015, with car manufacturers selling 9.1 percent more cars in April 2016 than the same month a year earlier. But such positive figures may be rocked if there is a new scandal involving an issue closer to people’s hearts than environment, like individual driver’s safety.



Visitors reliving the past in the Skoda Museum

*Photo: Peter Teffer*

In the Skoda Museum in Mlada Boleslav, one room explained the process of restoring old cars. The museum boasts that the old cars were “part of our cultural heritage”.

“This room reveals the love, dedication and precision with which we maintain and restore cars,” it said, adding that Skoda’s new cars were being built with “the same competence and passion”.

Those who care about the car industry will hope such warm words will be taken as a call to action.

Cleaner at work in front of the Skoda Museum in Mlada Boleslav

*Photo: Peter Teffer*





# IS THE 'CIRCULAR ECONOMY' A RESTRAINT ON BUSINESS, OR AN OPPORTUNITY?

Waste collection and recycling is going to be ramped up, and that will translate into circular business opportunities.

By Dave Keating

▲  
Only around 40% of the waste produced by EU households is recycled.

Photo: Chiang Benjamin

**A**t first glance, the European Union's "circular economy" strategy, issued last year, seems like bad news for businesses.

In effect, it is telling us to spend and use less.

Don't buy a new phone, buy a used one. Don't buy a plastic bag, reuse a cloth bag. Don't buy a car, share one with your neighbour.

A lot of businesses only hear one message: don't buy.

Buying has long been the centre of the Western world's economic model, what some have termed the "throw-away society". We buy something, use it until it breaks, throw it out and buy a new version. The European Commission is proposing an alternative economic model.

"Our planet and our economy cannot survive if we continue with the 'take, make, use and throw away' approach," said Frans Timmermans, the commis-

sion's first vice-president, as he unveiled the package at the end of 2015. "We need to retain precious resources and fully exploit all the economic value within them."

The Commission has been keen to stress that the new economic model is not a punishment or a restraint, but rather an opportunity to squeeze out the maximum value and efficiency in Europe's production and use process. But is it really?

## GOOD NEWS, BAD NEWS

For those manufacturers who some suspect engage in "planned obsolescence" – deliberately designing products to stop working earlier than they need to – this might be bad news.

Under the circular economy model a manufacturer is liable for dealing with their old products once they stop working, rather than having the taxpayer foot the bill for putting them in a landfill.



So too could a circular economy mean lower sales for retailers, whose customers may not be buying at such a frenetic pace.

The commission plans to put new requirements for repairability, durability and recyclability in new ecodesign requirements.

But for every cloud there is a silver lining. The commission has said implementation of their circular economy strategy could create 170,000 jobs, and bring net savings of €600 billion for businesses in the EU.

According to a report by McKinsey, the policy could deliver a net economy benefit of €1.8 trillion by 2030.

Where is all that economic benefit coming from? The commission says it can come from every stage of the process, from production to waste. The EU is making money and resources available to make this happen, and so unsurprisingly, business associations in Brussels are positioning themselves to make sure their members get a piece of the pie.

"Steel is 100% recyclable - a 'permanent' material. This means that it is the key to the functioning of the circular economy," says Axel Eggert, director general of the European Steel Association (Eurofer).

Photo: voestalpine



## PRIMARY MATERIALS

One might not think of traditional industrial products like steel, glass and aluminium as being environmentally friendly, but in fact these industries see the circular economy as a way to finally re-establish dominance over newer, harder-to-reuse materials like plastics.

Steel, for instance, can be melted and reused.

The sector is also able to make by-products from the steel production process. For instance, the process gas from iron ore melting has been used since the 19th century to produce energy used in other steps of the production process, or for other industrial plants.

Axel Eggert, director general of the European Steel Association (Eurofer), says the industry has been working to make sure the strategy sets definitions of "final recycling" and "by-products" in a way that will make it easier for steel to be recycled. He says this has significant profit potential for the industry.

"Steel is 100% recyclable; a 'permanent' material. This means that it is the key to the functioning of the circular economy," he notes.

## PRODUCTION

The commission insists producers will not suffer from the new requirements for durable design. New design requirements create a market opening for new production technologies and materials, they insist. In addition, making products easier to disassemble means that it will be easier for manufacturers to retrieve and reuse them, saving money.

Repair services could provide a significant potential for job creation.

Photo: John Sattar



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One beneficiary could be the electronics and appliance industries. In the next year the commission will propose rules for easier and safer dismantling, reusing and recycling of electronic displays. There are also incentives planned for producers to make appliances that are more easily disassembled.

CECED, the European appliance manufacturers association, has been trying to show its members how to take advantage of the incentives, through position papers and outreach.

## TOUGH MEDICINE?

Of course the most obvious business opportunity to come from the circular economy strategy is in recycling.

The strategy has set a common EU recycling target of 65% of municipal waste by 2030, and 75% of packaging waste by 2030. Today, only around 40% of the waste produced by EU households is recycled.

This will mean that waste collection and recycling is going to have to be ramped up, and that will translate into business opportunities.

The process gas from one production can be used to produce energy used in other steps of the production process, or for other industrial plants.

*Photo: Symbiosis Center Denmark*



Marco Mensink, from the Confederation of European Paper Industries has observed that the opportunities for new jobs resulting from the demand created by the higher targets cuts across sectors. "This is an area where the needs of industry closely align with many other stakeholder positions," he says.

Though the circular economy may sound like tough medicine, industry groups in Brussels have been quick to make sure their members can reap the full advantage of new opportunities created by the strategy.

Under the circular economy model a manufacturer is liable for dealing with their old products once they stop working, rather than having the taxpayer foot the bill for putting them in a landfill.

*Photo: Phil Greaney*





# Integration – What is European Business doing?

Work is an engine for integration of refugees, but EU companies struggle with recognition of qualifications, language, culture and red tape.

*By Lisbeth Kirk*

**T**hirty-six German companies teamed up under the name Wir-Zusammen (We Are Together) in autumn 2015 to promote integration of refugees.

It happened just weeks after German chancellor Angela Merkel had declared “we can do this” at a press conference on 31 August, raising hopes for thousands of asylum seekers wanting to start a new life in Germany

ThyssenKrupp, an engineering and steel conglomerate headquartered in the western German city of Essen, was one of the initiators of Wir-Zusammen.

The firm will be offering 230 internships and 150 apprenticeships to refugees over two years.

“When the crisis arose, we thought: What can we do to tackle the problem? How can we help the government and help the people? So we encouraged our employees to help the refugees,” the company’s Heike Neumeister told EUobserver.

“For example here in Essen there is a refugee camp one kilometre from us, and we urged people to donate things and allowed employees to help them during working hours with for example learning German.

“We also thought: What could be a long term help to integrate people? And that is of course work. If people work here, they have a better chance of integration.”

The internships last from three weeks to three months and are meant to give an insight of the company.

Eighty refugees have already had an internship, which is a pretty good number, according to Heike Neumeister.

She says the process has not been easy.



So far 40 refugees have made it into Siemens’ six-week internship programme, which can lead to other courses.

*Photo: Surber*

"At first, people need have to have certain status, they must have been acknowledged to stay in Germany," says Neumeister.

"We can't just go to a refugee camp and say please come with us and have an internship. That does not work, they have to follow a certain process."

The apprenticeships are more demanding than the internships, for the company as well as for the refugee.

They involve three years on-the-job training that qualifies for full-time employment. The firm plans to start offering them in autumn this year.

## REFUGEES MUST COME WITH OPEN MINDS

"The biggest issue is usually the language. You have to speak a very good German to work on the production side within ThyssenKrupp. You must be able to understand instructions due to safety issues," Heike Neumeister explained.

On the refugee's side the most important thing is to come with an open mind, she said.

"Of course we are a bit different so they have to be

open minded and motivated. We are very punctual and follow certain rules that are new to some of them and they have to be able to accept that we work this way," she said.

ThyssenKrupp and many other German companies are facing a potential shortage of skilled labour.

"All the systems we develop now to qualify people, to integrate people, to get cultural training and all that stuff that is something we will benefit from in five years' time," Neumeister said.

The sudden task of integrating refugees into the company's workforce challenged the company's HR organisation.

"What the HR organisation is learning now is to speed up processes, because the refugee situation became very critical very fast – so we had to deal with it very fast. It's an issue of flexibility," said Neumeister, who is the firm's spokeswoman on HR issues.

It is also a key to success that the company's existing workforce are on board and informed of the plans.

"We have to communicate a lot and make these issues very transparent. We are offering these internships and apprenticeships additionally as we did not want



## 'A positive agenda to overcome fragmentation'

The Slovak Presidency **priorities** in short:

1. Stronger European economy
2. Modernised single market
3. Sustainable migration and asylum policy
4. Globally engaged Europe



### Get inspired by Slovak innovation

AeroMobil, the world's first flying car, transforms in seconds from an automobile to an aeroplane. Other inspiring stories include Ecocapsule, an opportunity for an eco-life, Sygic, a global trendsetter in navigation, and Pixel Federation dedicated to mobile and tablet game development.

### Discover Slovakia's castles

Slovakia is home to almost 650 castles and manor houses. The oldest castle, Devin, dates back to 868.

### Go underground

Dobšinská, a World Heritage site and one of Europe's biggest ice caves, houses magnificent ice columns, icefalls and stalagmites. Slovakia also boasts 1 300 mineral springs and 25 spa towns.

### Fall in love with Slovak wine

Slovak wine producers were awarded 18 gold medals and 37 silver medals at Vinalies Internationales 2016.

### Have fun at Slovak festivals

Slovakia has a wide range of events on offer, including multi-genre Festival Pohoda, and Viva Musica, a non-traditional music festival featuring some of the world's finest classical performers





# Arbeitsamt



German companies are facing a future with a potential lack of skilled labour

*Photo: Stephan Mosel*



Companies and nations face a huge task to integrate the one million refugees who arrived in Europe in 2015.

*Photo: European Commission*

anyone to feel that something was taken away from them,” Neumeister said.

“But actually only very few people respond negatively. And it helps that a lot of employees have direct contact to refugees, because then the image completely changes so they are fine with it.”

## PATIENCE IS THE BIGGEST CHALLENGE

Siemens, a technology and engineering conglomerate that employs 114,000 in Germany alone, was also among the initiators of Wir-Zusammen.

So far 40 refugees have made it into the company’s six-week internship programme, which can potentially lead on to a six-month course in language and mathematics.

“Without German language nothing works here,” the firm’s HR specialist Alexandra Frommer told EUobserver.

She said it was quite a challenge to get the internship programme started.

Completely new contracts had to be developed, rules and regulations incorporated and new networks built between the public authorities, job and asylum centres.

But now it goes much more smoothly and the intern-





There is so far little pan-European organisation of business initiatives to integrate refugees.

*Photo: Renate Meijer*

ship programme will get rolled out in four different parts of Germany.

"Patience is the biggest challenge for us as well as for the refugees," she said.

"It can take four to five years to learn the language and require the skills needed for a job here in Germany.

"Many don't expect this and do not understand why rules and regulations must be followed. We can't just enrol a refugee into a university here, they must first fulfil the criteria."

## REFUGEES CONTRIBUTE ECONOMICALLY

There is so far little pan-European organisation of business initiatives to integrate refugees. But initiatives are popping up across Europe.

Denmark has for example 58 companies signed up to an initiative named 'Sammen om Integration' (together for integration).

In Sweden, LinkedIn launched a pilot programme called Welcome Talent that attempts to match qualified refugees with local job and internship opportunities.

In Germany, McDonald's is funding 20,000 three-month language courses for refugees.

Philippe Legrain, a former economics adviser to the European Commission, said there were quite a few businesses being proactive and recruiting refugees, but overall they needed to do more.

He has led one of the first comprehensive, international studies on how refugees can contribute to advanced economies for the Tent Alliance, a foundation aimed at helping displaced people, set up by billionaire yoghurt producer Hamdi Ulukaya and supported by among others Airbnb, the IKEA Foundation, LinkedIn, MasterCard, UPS and Western Union.

"In order for business to do more, governments need to put in place the right policies," Legrain told EUobserver.

"It should be possible for asylum seekers to come to work while their application is being processed and to speed up the processes. They need to make sure their qualifications are recognised quickly or that courses are provided that you can require equivalent," he said.

"Government and businesses need to work together."



# REFUGEES WILL GIVE EU ECONOMY A BOOST

Investing €1 in welcoming refugees could yield nearly €2 in economic benefits within five years, study shows.

*By Lisbeth Kirk*



Welcoming refugees is not only a humanitarian act, it is also an investment that can yield significant economic benefits.

Investing €1 in welcoming refugees could yield nearly €2 in economic benefits within five years, said a Tent Foundation report.

It is authored by Philippe Legrain, a former economic adviser to the president of the European Commission.

The key message of the study is that policymakers and practitioners should stop considering refugees as a "burden" to be shared, but rather as an opportunity to be welcomed.

Calculations based on IMF data suggest that welcoming refugees would increase public debt by €68.8 billion between 2015 and 2020, but cumulative GDP over the same period would be €126.6 billion higher.

But that is not the only benefit from welcoming refugees.

"Ageing societies with a shrinking native working age population, such as Germany's, benefit from the arrival of younger refugees whose skills complement those of older, more experienced workers. Refugees can also help care and pay for the swelling ranks of pensioners," read the study.

Legrain says it is a common misconception that refugees' economic contribution depends on their skill level, with highly skilled refugees making a positive contribution and less-skilled ones having a negligible – or even a negative – impact.

Once they start working, some refugees do dirty, difficult, dangerous and dull jobs that locals spurn, freeing locals to do higher-skilled jobs that they prefer, his report concluded.

## BUSINESS INCENTIVES

The real problem is rather that European countries have inflexible labour markets that privilege insiders at the expense of outsiders.

There is a spectrum of models for welcoming refugees to choose from.

At one extreme, the US gives refugees a burst of initial help, after which they are expected to fend for themselves.

At the other extreme, Sweden has traditionally provided refugees with generous social support, but made it hard for them to work.

While Sweden now focuses much more on getting refugees into work, barriers to employment remain high. But overall, the US is much more successful than European countries at getting refugees into work, the study found.

"Arguably, an ideal refugee welcome programme would combine the active assistance of the Swedish model with the job and enterprise opportunities of the US one," the report concluded.

Many provide the worst of both worlds: little help for refugees and high barriers to employment and enterprise.

Skills aren't much use without job opportunities. So refugees should be resettled in areas where there are jobs, not in areas where cheap housing is available and jobs aren't, recommended the report.

## AN OPPORTUNITY TO BE WELCOMED

Yet, with so many positive indications of refugees bringing long term positive contributions to society, why are so many Europeans hostile?

"On the economic side, both the opponents of refugees and the supporters of refugees tend to believe they are cost. Opponents say it is a cost that we can't afford to bear and supporters say it is a cost that we have a duty to bear for humanitarian reasons," Philippe Legrain explained to EUobserver.

"And so they both talk about a burden and that is a misconception as the report documents."

"So they ought to be looking at this as an opportunity to be welcomed. You need to start changing the language to show refugees contribute."

However, he also recognised there were issues to add to the economic rationale, such as culture, security and terrorism.

"They need to be addressed separated," he said.



# Losing Schengen would hurt EU businesses

Systematic border controls would cost €53 to €130 for every European citizen, according to estimates, but the transport industry is already feeling the pain of border checks within the EU.

*By Eszter Zalan*

Reintroducing border controls would effect an estimated 57 million journeys a year across Europe's frontiers for international road transport operations.

*Photo: EUobserver*

I still remember the gut-wrenching tension of our approach to the border between our native Hungary and Austria. While all our papers were fine, the excitement of crossing from a post-communist country into "free" Europe loomed over our car for hours.

Then, when Hungary joined the EU and the passport-free Schengen area, the frontier, the officers and the nervousness disappeared. The jitters were replaced by an overwhelming feeling of freedom, that we all belonged to a Europe without borders.

But those psychological barriers, and the actual border checks, are coming back. The migration crisis has put unprecedented pressure on EU politicians to control the flow of asylum seekers within the Schengen zone.

Lorries queuing for hours for border checks to be carried out between Belgium and France was an unimaginable spectacle only a year ago.

But now the reinstatement of border checks in eight countries within the Schengen area is raising increasing concern that the surging costs of trading goods may threaten jobs and destroy passport-free travel.

The economic price is already being felt, and every EU citizen will pay a price.

The EU Commission estimates losing Schengen altogether could cost as much as an €18 billion drop in the EU's annual GDP.

## A RACE AGAINST TIME

Countries fed up with the lack of coordinated EU response have started to introduce various degrees of border checks inside the Schengen zone to stem the flow of migrants travelling unchecked over European borders.

Since last September, eight Schengen countries out of the 26, including Germany and Austria, have introduced border checks.



The measures heightened fears that one of the cornerstones of European integration, the free travel of goods and citizens, might unravel.

“Saving Schengen is a race against time and we are determined to win that race. Without effective control on our external borders, the Schengen rules will not survive,” EU Council chief Donald Tusk warned last November.

## EUROPE TRADES MOSTLY VIA TRUCKS OR TRAIN

The economic price would be felt all over the EU. Europe’s trade is mostly done by trucks and trains that are now being stopped at some borders for checks. Reintroducing border controls would effect an estimated 57 million journeys a year across Europe’s frontiers for international road transport operations.

“We are very concerned about continued border controls,” Stuart Colley at the Brussels office of the International Road Union (IRU), an industry association for road transport, told EUobserver.

“Many of the businesses in the sector are small or medium sized, family owned businesses, and there is a real potential that some of them will be put out of work because of the rising costs,” Colley said, pointing to penalties for late arrivals of goods, damage to goods and extra security costs associated with keeping migrants away from trucks.

IRU’s Austrian member reported delays of between one and two hours at border crossings into Germany, just as Austria announced new border controls at its Italian and Hungarian frontiers.

According to IRU’s estimates, the extra cost for companies is €55-€65 per hour, per vehicle at border crossings where checks are now installed.

In total, the estimated increase in costs yearly due to border controls for the road transport sector stand at €5 billion.

## DIRECT COSTS FOR THE EU ECONOMY

But it is not just the road sector that will feel the pain. Sustained border controls will cost to European economies, various studies have warned.

The EU Commission has estimated that full re-establishment of border controls within the Schengen area would have direct costs for the EU economy annually between €5 and €18 billion (0.05-0.13 percent of GDP).

The EU’s executive reiterated that the free exchange of goods within the EU now accounts for more than €2.8 trillion in value and 1,700 million tonnes in volume.

The costs for member states would be uneven.

▶  
“Colle Isarco, in the Alpine valley down the Brenner pass between Italy and Austria, one of Europe’s most important border crossings, where Austria has strengthened controls”.

Photo: Alice Latta



The commission points out that member states such as Poland, the Netherlands or Germany would face more than €500 million of additional costs for the road transport of traded goods, while others such as Spain or the Czech Republic would see their businesses paying more than €200 million in additional costs.

This would ultimately damage competition within the EU, putting jobs, investment and tourism in jeopardy, interrupt supply chains, while administration costs for countries would go up.

It would also harm tourism. At least 13 million nights tourists spend in Europe could be lost with permanent checks, according to the commission's estimates, with a total cost of €1.2 billion.

### AT LEAST €5 PER CITIZEN

The Commission also said there are 1.7 million workers in the EU crossing a border every day to go to their jobs, and border controls would cost them between €1.3 and €5.2 billion in total yearly costs.

A study by the German IFO think-tank estimated in a report in April that systematic controls at Schengen borders would lower the economic output of the 27 EU countries by 0.19 percent to 0.47 percent on a yearly basis. (Croatia was not involved in the calculations due to lack of data.)

That would equal €27 billion to €66 billion, or €53 to €130 for every European citizen.

It is difficult yet to determine the costs associated with the temporary border controls since their reintroduction, as not enough time has passed to gather data.

### MANAGING MIGRATION COMES WITH A PRICE

But the Munich-based IFO think tank also calculated that since the border closures started, for the EU27 the economic impact on the GDP is between €9 billion and €15.4 billion.

"The calculations also took into account that not all the borders are controlled, and some of the checks are asymmetric, meaning there are controls going in, but not on the way out of a country," the IFO's Jasmin Groeschl told EUobserver.

However, the think tank argues that it is still less than the cost of managing the migration crisis. In Germany, housing, food and healthcare for the 1.1 million asylum seekers would cost the state €21 billion, IFO estimates.

In a separate study, the French government estimated that the EU could face up to €100 billion in long-term costs, 0.8 percent of the Schengen area's GDP would be reduced over the next decade, if the border checks remain in place.

### THE OPEN BORDERS NO LONGER A GIVEN

Permanent border controls would decrease trade between Schengen countries by 10 to 20 percent, the study says, the equivalent of a 3 percent tax on trade.

Another study by the German Bertelsmann Foundation said the overall GDP losses in the EU could be €470 billion (calculated for 24 out of the bloc's 28 states), under the assumption that the price of imported goods would rise 1 percent.

If the checks remain and prices go up by 3 percent over the next 10 years, the EU's losses could rise as high as €1.4 trillion, according to the Bertelsmann Foundation.

While EU leaders talk about saving Schengen and passport-free travel, developments on the ground show that member states are bracing themselves for checks to remain in place.

The open borders Europeans took for granted are no longer a given.

Controls at the Danish-Swedish border were introduced on 4 January to reduce the flow of asylum seekers from mainland Europe, ending 60 years of passport-free travel between Nordic states.

Photo: EUobserver





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# "It's our duty to turn the migration challenge into an opportunity"

The arrival of more than 1 million refugees has posed a major challenge for cities. The Urban Agenda launched by regional policy commissioner Corina Cretu is an effort to deal with it.

*By Eric Maurice*

The refugee crisis that took Europe by surprise last year has posed many challenges for the EU's asylum system, border management and decision-making.

But it is cities that have borne the brunt of the arrival of more than 1 million people in a single year.

Roughly 70 percent of the European population and 75 percent of the continent's jobs are concentrated in cities. Many of the problems governments have to address – from affordable housing and air quality to energy efficiency and poverty – are also concentrated in cities.

To this list of challenges has been added the short-term welcoming and long-term integration of a massive number of refugees. They have all been

included in an Urban Agenda that the European Commission and member states presented on 30 May.

## **REFUGEE CRISIS IS TESTING IDEAS**

"Member states and cities came to realise that with all these challenges nobody can go alone. With this pact we can start working with a consolidated agenda for years to come," EU regional policy commissioner Corina Cretu said in an interview with EUobserver.

The idea for an Urban Agenda was launched by the commission in 2014 to increase cooperation between the EU, member states and regional and local authorities. Almost two years later, the refugee crisis is testing the idea.



Roughly 70 percent of the European population and 75 percent of the continent's jobs are concentrated in cities. ▶

*Photo: Yadid Levy/Norden.org*

"It's our duty to do everything we can to turn the migration challenge into an opportunity," Corina Cretu said.

While the EU was addressing short term needs like accommodation, mobile hospitals, sanitation or water supply, she said "we all know that most effective solutions will be long term".

"We cannot avoid the fact that around 1 million people is already on the EU territory and that most of them are here to stay," she said.

EU regional and social funds have been used for many years to run development projects and community initiatives. But these programmes were designed before the migration crisis, the commissioner noted.

## MORE FLEXIBILITY REQUIRED

Addressing new challenges will require more flexibility in the way the EU, member states and regional and local authorities are used to manage EU-funded projects.

Money from the European Regional Development Fund (ERDF) was used to finance hotspots and mobile hospitals in Italy and Greece. Social funds were used to train refugees, mainly with language lessons.

For this year, with the risk that more migrants come to Italy after the closure of the Balkan route, plans have been made to establish a working group between the commission's directorate general for migration and home affairs and the Italian interior minister to see how funds can be used to help cities.

"It is important for member states and regions to know how to exploit all possibilities of EU funds," Cretu said. "We have to find the balance between the necessity of stable investment and adapting ourselves to the challenges."

In April, the commissioner, along with her migration colleague Dimitris Avramopoulos hosted a meeting with representatives from EU cities on coping with the crisis. At the meeting, she stressed that cities directly managed €15 billion as part of the EU's 2014-2020 cohesion funds.



"It's a sign of trust but at the same time a great responsibility," she told EUobserver. European cities are encouraged to exchange their experiences and offer to help the most affected cities. "We ask member states to come up with ideas" for projects and initiatives, Cretu said.

## AMSTERDAM TOOK THE LEAD

As part of the Urban Agenda, Amsterdam accepted the lead on migration. It is one of the urban areas, with Berlin and Stockholm, where projects have been run for years and could be used as model.

In Sweden, the country which has received the most refugees as a proportion of its population, the capital Stockholm has developed what the commissioner called a "nice project" with ERDF and social funds.

Refugees have been given housing as well as language courses and job training. Children have been able to go to school for the first time, Cretu noted.

In Berlin, another project was launched several years ago with EU funds, where German mothers help Turkish mothers when they have to deal with administration.

Corina Cretu noted that the atmosphere in the EU since the start of the crisis had not been good, with difficult discussions about how to share the burden across the EU.

But "no matter how hard discussions are between EU leaders, at the end of the day it is up to local administration to find very quick solutions," she noted.

She said that Barcelona had offered to take more than 100 refugee from German cities, but the Spanish national government did not approve.

She also noted that large cities were not the only ones confronted with the need to find solutions.

"I admire mayors of small cities," she said, mentioning the example of a 6,000-inhabitant town in Slovenia that had dealt with more than 10,000 migrants a day at the height of the crisis. Linked with the migration issue, other areas cov-

ered by the Urban Agenda are social housing and the fight against poverty.

"It is important to avoid ghettos and segregation. Social inclusion is not only for migrants, but it is now the most important issue," Cretu said. "We want to tackle areas where there is a structural concentration of poverty."

France and Belgium are the pilot countries in this domain. One of the areas where the agenda is being tried out is the Brussels neighbourhood of Molenbeek, which has become infamous in recent months for being the home town of some of the terrorists from the Paris and Brussels attacks.

The commission will also present in June its Integration Agenda, which will complete what is in the Urban Agenda.

Corina Cretu during a visit to the Swietokrzyskie Region in Poland.

*Photo: European Commission*







▲  
US president Barack Obama's term is likely to end before TTIP is concluded, but there is no guarantee that the next administration would support it.

Photo: Deutsche Messe

# ARE THE EU AND US READY FOR FREE TRADE?

While Europe is one single market, America remains decentralised with different rules and standards, adding extra costs for European companies to enter the US market.

By Lisbeth Kirk

**E**uropean business broadly backs the Transatlantic Trade and Investment Partnership (TTIP), because the EU-US pact is expected to boost economic growth.

But Europe's engineering industry has lit an amber light, saying that the two markets are very unlike and that a lot of effort is needed to be able to achieve a good trade deal.

American firms would get direct access to a single European market, which has the same rules and standards in all 28 countries. But the US market is not as unified or easy to sell into.

Testing of products is regulated by the US Department of Labour's Occupational Safety &

Health Administration, (OSHA). Currently, 39 different product types are subject to testing and certification in the US.

OSHA's main priority is workers' health, which is why it operates under the Labour department.

The products are tested and certified at 17 privately owned test centres (NTRLs), but the 17 US entities are not obliged to recognise each other's results.

## ONE THIRD OF EXPORT AFFECTED

Up to one third of Europe's exports to the US is subjected to this system. As much as 75 percent of electronic exports are affected.

"The decentralised nature of the US system makes it difficult for European companies, in particular small and medium size businesses," said Adrian Harris, Director General of Orgalime, representing the European engineering industry.

"In practice, such fragmentation and lack of transparency means that European companies need to spend much more time and effort to continually monitor new standardisation work", he said.

"This also results in the need to purchase standards from different sources, which is becoming increasingly complex and costly".

When an EU company sells, for instance, an electronic sensor to US clients, the product must jump through 17 regulatory hoops. But under TTIP, its US competitor would have direct access to 28 markets through just one.

One study found that 5 percent of the price of any product sold in the US market is made up of certification costs.

## US BEHIND THE CURVE

There's been little talk of the issue until now, one source told EUobserver. But OSHA recently began negotiations with the European Commission as part of the TTIP process.

Orgalime's Adrian Harris underlined that industry is not against TTIP as a whole.

"You'll never find Orgalime campaigning against TTIP. We depend on trade and want as much free trade as possible," he said, adding that export to the US in the sector had grown from €75 billion in 2010 to €116 billion in 2015.

He said both American and EU firms would benefit from unified global standards.

Some US multinationals, such as GE, have managed to set global norms with their products. But in general US regulators have agreed to less international standards than the EU.



◀ The leading Democratic Party candidate, Hillary Clinton, endorsed the Trans-Pacific Partnership, a US trade pact with Asian states, when she was secretary of state. But she has flip-flopped on free trade.

Photo: NATO

"It's indisputable that trade agreements have helped both our economies," Obama told Europeans.

Photo: barackobama.com







TTIP faces political and popular resistance on both sides of the Atlantic.

Photo: Greenpeace

## RUNNING SHORT ON TIME

TTIP would form the world's biggest free trade area if it is agreed.

It faces political and popular resistance on both sides of the Atlantic.

In Europe, the pact would have to be approved by an increasingly sceptical European Parliament as well as member states.

In the US, president Barack Obama's term is likely to end before TTIP is concluded, but there is no guarantee that the next administration would support it.

Presidential candidates from both leading parties, Donald Trump and Bernie Sanders, have opposed trade agreements for decades.

The leading Democratic Party candidate, Hillary Clinton, endorsed the Trans-Pacific Partnership, a US trade pact with Asian states, when she was secretary of state. But she has flip-flopped on free trade.

"I have said I oppose the TPP agreement - and that means before and after the election," she said in early May at an election rally.

Presidential candidates from both leading parties, Donald Trump and Bernie Sanders, have opposed trade agreements for decades.

Photo: Reuters



# We believe in youth, we believe in another Europe.

What kind of Europe will the next generation of Europeans be living in? Will they live in a prosperous, open and friendly Union with opportunities for everyone? Or will they be confined to a Europe divided by walls, restrictions and differences?

The future of Europe will be in the hands of the next generation of Europeans, but right now that generation faces immense uncertainties.

We, the European Socialists and Democrats, want the European Union to give young people a clearer, brighter future by promoting:

## **Jobs and training opportunities for youth.**

**HOW?** By extending the Youth Guarantee – a European programme that guarantees young people an appropriate job, apprenticeship, traineeship or an opportunity for continuing education within four months of finishing their compulsory education or leaving their previous job. We want to make the programme permanent, increase its funding from € 6 billion to € 20 billion, and raise the age limit up to 30.

## **More international exchange programmes for young Europeans.**

**WHY?** Because Europe is changing. More and more young people are studying in different countries and graduating with more knowledge and experience, developing their full potential. The Erasmus+ programme helped a lot with that. Now we want to extend the Erasmus+ international exchange programme also to high schools and vocational training.

## **Culture within everyone's reach.**

**WHERE?** All over Europe young people should receive support to create and access culture. We will introduce European Culture Cheques, which will provide young people with free access to cultural events and venues and will support young artists in their creative process. We all need access to culture, because art can change people for the better.

## **Good childcare for all Europeans.**

**WHEN?** Right now, because children are our future and the most fragile members of our societies. The current economic crisis is threatening some of the basic needs of children in the EU. We support the Child Guarantee initiative and we want European and national policies to address these needs of all children, so that they have access to free health checks, an affordable place in quality childcare and a healthy meal at school.

**These are the 4 pillars of our EUROPEAN YOUTH PLAN.  
Will you support us?**



Sergei Stanishev,  
President of the Party of European Socialists