BUSINESSEUROPE

SPEECH

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IBEC CEO CONFERENCE

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10H00 TO 10H30

DUBLIN

TACKLING THE EUROPEAN CRISIS – THE ROAD AHEAD

ADDRESS BY MARKUS J. BEYRER,
DIRECTOR GENERAL OF BUSINESSEUROPE

Ladies and Gentlemen,

It is a pleasure and an honour to join the IBEC CEO conference and to address the Irish business community after two month in office as Director General of BUSINESSEUROPE.

Both BUSINESSEUROPE and our colleagues at IBEC have been at the forefront in Europe, underlining that it is business that drives the recovery.

I know IBEC has transformed to meet the challenge in a dynamic fashion. The scale and theme of this conference clearly shows IBEC's innovative approach to communicating the business message, and Ireland is certainly an impressive example of sound and rapid structural reforms.

You have just seen a video that BUSINESSEUROPE produced to explain that business is at the centre of solutions to the European crisis.

This video shows that Europe has many assets on which we can build. Europe is the largest economy in the world. Europe has global and innovative businesses.

This is the good news and a good reason to be self-confident in our ability to over-come the difficulties that are facing us today.

Today, the Eurozone is said to be in recession when the rest of the world is starting to recover from the global economic crisis. The reasons for this are complex but there is one clear remedy to this situation.

Europe needs to take more care of business.

The decline in Europe's manufacturing in particular represents a major problem. Not only for European industry itself, but for the prosperity of Europe as a whole.

At the end of June 2012, the European Union industrial production was 10 per cent lower than its pre-crisis level. And more than three million industrial jobs have been lost.

Industry delivers around 16 per cent of European GDP and 80 per cent of Europe's exports. Eighty per cent of private sector R&D investment comes from manufacturing. And industry accounts for 45 per cent of Europe's workforce (with each job in the industrial sector linked with at least two high quality jobs in the service sector). A strong industry is vital to ensure economic and employment recovery.

16% is not enough. The best performing countries are doing much better. So, we must re-industrialise Europe.

Labour productivity is a central issue for Europe's industrial future.

During the decade preceding the crisis, most European countries have experienced large increases in labour costs which have not been matched by sufficiently high productivity gains. In the US, labour productivity in manufacturing has increased by approximately 1.80% annually since the early 2000, compared with 0.66% annually in Euro Area. And the gap in productivity with developing countries is narrowing because productivity increases there are much faster.

Labour productivity gains have been higher in countries with a favourable business environment, strong macroeconomic fundamentals and a well-trained workforce.

So, the most important question we have to ask ourselves is: how can we improve the business environment in Europe?

Our surveys tell us that businesses are looking for reforms in 3 key areas: fiscal consolidation, labour markets and product markets. But this reform agenda is met with resistance and there is a lot of work to be done to fight misconceptions.

The first misconception concerns fiscal consolidation and growth. Fiscal consolidation is not the enemy of growth. On the contrary, sound public finances are a pre-requisite of sustainable growth and employment.

Member States must strengthen confidence in the stability of public finances by continuing to move towards balanced budgets and reducing long-term debt positions. Progress has been made, but too often thanks to tax increases.

The second misconception concerns labour market flexibility. Flexible labour markets are not the enemy of employment. On the contrary, they facilitate job creation, speed up transitions between jobs, and help to match skills supply and labour demand. National structural reforms must be pursued if we want to overcome labour market rigidities and to increase productivity and employment.

Like the Irish Presidency, BUSINESSEUROPE considers that youth unemployment must urgently be tackled. But jobs are not created by decree and the proposed European youth guarantee scheme will only work if it is voluntary and is backed by cross-cutting labour market reforms to ensure that unemployment in general decreases when economic activity picks up.

The third misconception I want to mention concerns the effects of increased competition in the Single Market. Stepping up competition on product markets through completion of the Single Market is not a threat for companies and workers. On the contrary, it opens up new growth and jobs opportunities in areas such as services, energy and the digital economy.

And the same applies to international free trade agreements. They do not undermine European employment. Quite the contrary! You have seen in our video that one European job out of ten comes from exports. And we calculated that a free trade agreement between the European Union and the US could deliver over 2 million jobs.

Ladies and Gentlemen,

The Irish Presidency wants to open a new phase in the European Union drive for recovery.

Until 2008, the Irish economy was known as the “Celtic tiger”. It has experienced great difficulties as a consequence of the global financial crisis but is bouncing back because it has strong corporate foundations, rooted in a relatively positive attitude towards business. You are not in the fast-lane to get out of the group of so-called “programme countries” by coincidence. That is why you are well placed to help the European Union as a whole to enter into a new phase of recovery based on the right structural reforms.

A few minutes ago, I presented **BUSINESSEUROPE priorities** for the Irish Presidency to the Taoiseach.

My message was that clear choices will have to be made and that the approach in some policy areas will need to be radically changed if we want real improvements in growth and jobs.

The reduction of future oriented budget lines such as the HORIZON 2020 initiative for innovation, or the Connecting Europe facility to bridge missing links in infrastructure or the COSME programme to support SMEs, in the final compromise on an EU budget for 2014-2020 shows that the required change of mindset is not there yet.

And poorly designed energy and climate policies continue to put our industry at disadvantage. Our competitiveness is undermined by high energy prices (up by 28% between 2003 and 201). Today, the price of gas for industrial consumers is around 20% of the European cost in the US. Our companies will not be able to compete if the EU keeps pushing energy costs higher while our competitors have lower energy costs.

Coherence between EU energy and climate policy is an issue that European leaders cannot afford to sweep underneath the carpet..

What we need is a market and technology driven approach to energy efficiency and climate protection, not unsustainable subsidized short cuts that temporarily hide problems without solving them and that make European companies foot a very high energy bill.

The real answer to our energy and climate challenges is innovation. With innovation, we can find better ways of exploiting renewable energies such as sea tides, the sun or wind. We can pave the way to clean exploitation of shale gas in Europe and further improve nuclear safety. We can increase our energy efficiency by acting on the consumption side. And we can reduce the amount of energy lost in transport or find ways to store energy sources that are currently wasted.

More generally speaking, innovation is the key to increase productivity and create growth. Europe has got brains but it lags behind in the commercial exploitation of the inventions of its brains. Boosting innovation requires much more than doing research. Policies must focus on bridging the gap between research results, experimental development, manufacturing and commercialisation in Europe.

The education and training offer must be much more geared towards companies' needs. For example, by developing dual learning to ensure that national education and training institutions truly educate for employment.

But most important for innovation, we must change the risk aversion culture and see the opportunities in change. We must be able to have rational discussions on key issues for our future, ranging from shale gas to data protection.

Innovation also requires a more positive attitude to intellectual property protection, implementation of the Unitary patent and accompanying international patent court agreement. But the protection of companies against international counterfeiting remains weak after the non-ratification of the international anti-counterfeiting agreement.

This brings me to my last point: international relations.

International relations and foreign trade policy is an essential component of any European pro-competitiveness policy. 30 million European jobs depend on export markets outside Europe.

Whilst many member states need to significantly improve their international competitiveness, an overall EU current account deficit in 2011 of just 0.3% illustrates the potential European companies have to compete successfully in the global market.

There are huge opportunities in the conclusion of a big transatlantic free trade agreement, which could boost output by up to 1.5%. To support a swift launching of the negotiations between the EU and the US, IBEC, in partnership with BUSINESSEUROPE and the US Chambers of Commerce is therefore organising a major high level business roundtable on promoting a transatlantic Free Trade Agreement on the 18 April in Dublin Castle.

Conclusion

Ladies and Gentlemen

Europe's future depends on business and the future of business depends on Europe.

This crisis may have given us the chance to change things in the right direction. There is no time to waste. We must urgently carry out the necessary reforms to improve the investment climate in Europe. If we miss the window of opportunity, we will not be able to improve growth and employment in Europe.

So, let's get down to business!

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