BUSINESSEUROPE

SPEAKING POINTS

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BRUSSELS ECONOMIC FORUM

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PANEL: SECURING EUROPEAN COMPETITIVENESS IN A GLOBAL PERSPECTIVE

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Ladies and Gentlemen,

It is a pleasure and an honour to join you here today. In recent years the Brussels Economic Forum has become one of the most important annual gatherings of economists, policy makers and business representatives, as today's list of speakers demonstrates.

Economic situation

I am particularly pleased that the organisers have asked to hear the views of companies. While government has a crucial role to play in setting the right framework for economic activity, it is companies that ultimately drive growth and employment creation.

And we are meeting at a crucial time.

Economic forecasts say that our economy should return to moderate growth in the final months of 2013 and into 2014.

[Assuming business confidence picks up through the remainder of 2013, BUSINESSEUROPE forecast growth of 1.4% in 2014 in the EU and 1.1% in the Euro Area.]

But the situation remains fragile. Leaders must demonstrate their commitment to putting in place the necessary actions to improve competitiveness, rebuild business confidence and restore private investment if we want sustained growth.

Meeting the challenge of globalisation

And when the European Council will discuss how to ensure this next week, they have to start from what we debate in this panel this afternoon: how to secure European competitiveness in a global economy.

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I have been asked to speak first about whether European business are addressing the challenges from globalisation in order to benefit from the process.

My response is an unequivocal yes. BUSINESSEUROPE, on behalf of the 20 million companies we represent across 35 countries, has been THE advocate of taking forward ambitious trade deals across the globe, in particular with the US.

This is because one job out of ten in the EU depend upon exports. Right across Europe there are many firms producing world leading product and services, drawing on highly skilled workforces to develop and make use of the most advanced technologies available. These firms need more open markets to compete and sell to more products and services across the world.

But it is also true that we need to do much more in Europe to strengthen the fundamental determinants of our competitiveness.

- Research and innovation: R&D spending as a proportion of GDP remains stuck at around 2% in the EU, compared to almost 3% in the US and 3.5% in Japan. And the paradox is that European firms sometimes invest in R&D in the US rather than in Europe because research and overall investment conditions there allow a better return on the money devoted to innovation.

  The sad truth is that we spend less on research than oncomplying with the administrative regulatory requirements (3.5% of GDP, or €470 billion according to the Commission).

- Education and Training: We have a certain competitive advantage there but we are lagging behind in strategic areas. Educational performance in maths, reading and science in most EU countries now significantly lags behind the best performing Asian economies.

- <u>Energy costs</u> have increased considerably and now vastly exceed those faced by our competitors in the US and Asia; and

- <u>Labour market competitiveness</u> in many countries that were worst hit by the crisis may have started to improve, but we need to do much more to ensure that wage levels better reflect underlying productivity performance.

I could go on with many more examples. But the diagnosis of the problem is well known. What we need to focus on is the concrete actions that urgently need to take if we want to remain in top league.

What do we expect from the European Union ?

First and foremost, we want real implementation of long overdue structural reforms. That is why we are calling upon the European Council to fully endorse the Country Specific reform recommendations set out by the Commission at the end of May.

There must be no watering down or backtracking.

Establishing long-term growth and employment in the EU requires and reaping the benefits of the efforts we made in fiscal consolidation requires to carry out these structural reforms.

Member States need to increase the pace of reforms, in particular to improve labour market flexibility, enhance product market competition, and reduce the regulatory burden on businesses.

But Member States' efforts to improve the sustainability of public finances must continue. Today, we spend 10 times more servicing debt than investing in innovation. We need to get out of this situation as soon as possible. And where the room for manoeuvre in the EU fiscal framework regarding the speed of consolidation is used, it must support structural reform, whilst ensuring that the overall trajectory of public finance consolidation is maintained.

A sustained recovery will only take place if businesses across Europe have access to finance for investment on reasonable terms. This means we must also make real progress on banking union, ensuring that prudential regulation finds the right balance, and developing alternatives to bank financing.

And we need to make the best use of EU funds to increase growth, particularly by leveraging private investment. This means a rapid finalisation of the Multi-Annual Financial Framework and greater support for European Investment Bank schemes such as project bonds (which work alongside, rather than try to replace, the private sector).

We need structural reforms and fiscal consolidation to get more growth if we want to solve the employment crisis Europe is facing. But we also need to do all we can in the short run to support people in their efforts to integrate labour markets, especially young people who are particularly hardly hit by unemployment. That is why the Youth Employment Initiative should be adopted as soon as possible, and combined with labour markets reforms and improvements in education and training.

And we must do much better to combine national and European reforms so that they become mutually reinforcing. We need to do more to complete the single market, particularly in key areas such as services, energy, transport. Creating a true digital single market alone can contribute 4% to EU output by 2020.

Conclusions

Ladies and Gentlemen.

I have given you a series of examples of what national and European policy makers must do to ensure that European firms get better access to world markets. I could easily add to this list. But the essence of what needs to be done can be expressed in one word: competitiveness. We need to develop an international agenda to open market access for European goods and services and we need to improve framework conditions in our home market: the European market. If we really do that I have no doubt that we will restore long-term growth in Europe.
The European companies we represent are the engine of this growth. You can count on BUSINESSEUROPE to do all we can to help you putting this agenda in place and put Europe back on a path of growth and employment in the coming months and years.

Thank you for your attention.