

**Statement of Georges Jacobs, President of UNICE,  
at the Macroeconomic Dialogue on the Political Level.  
12 May 2003**

Thank you Mr Chairman.

Our dialogue today comes at a particularly interesting moment.

On the one hand, we are celebrating ten years of the single market and we can certainly learn a lot from this achievement. One key lesson is that more and better European integration is working and it helps to create jobs and wealth. On the other hand, we will welcome ten more countries into the Union next year: if we manage it well, this will increase our opportunities and strengthen our potential.

Unfortunately, this is happening at a time when the European economy is weak. Uncertainty has been particularly high this year, weighing on both business and consumer confidence and ultimately on growth.

Against this background, business welcomes the streamlining of the “Spring Package”, its medium-term perspective and the coordination between the Broad Economic Policy Guidelines and the Employment Guidelines. We expect from this approach a more efficient process. Furthermore, we would like to see this exercise also coordinated with the Competitiveness Council. The Competitiveness Council must become the driving force behind structural reforms in the Lisbon Strategy.

## **1. Economic Outlook:**

UNICE's own assessment of the current situation is close to the Commission's analysis laid out in the Spring Forecasts. This view seems to be widely shared among analysts since the forecast for Europe of the IMF and the OECD are also pretty much in line with this scenario of weak growth in 2003 and slow acceleration thereafter.

More interestingly these institutions present more divergent views when it comes to forecast the economic growth in the United States. For 2004, the Commission expects the US to grow by 2.5% where the IMF foresees 3.6% and the OECD 4%. I will not argue here about these forecasts, but I notice that all these institutions expect the US to grow more quickly than Europe. This suggests that Europe, because of its structural weaknesses, is not able to rebound strongly after a shock and it is not catching up, as it should according to the Lisbon Strategy. In the meantime, other competitors, like China for instance, are emerging.

## **2. Macroeconomic policy response:**

The Broad Economic Policy Guidelines propose, on balance, the appropriate set of policy measures necessary for Europe. The most critical from the business perspective are those, which will help to restore confidence and reduce costs.

### *Fiscal policy*

Implementation of sound budget policies in line with the Stability Pact is essential. The business community expects the Pact to be fully enforced.

### *Monetary Policy*

In UNICE's view, monetary policy has been successful in preserving price stability in the Euro area and UNICE is confident that the ECB will take the appropriate measures when necessary.

The strength of the Euro cushions against oil price increases, helps to reduce inflation and provides room for manoeuvre in monetary policy. But it puts pressure on European companies and damages their competitiveness. Let us not fool ourselves. The strength of the Euro is not due to an improvement in the European economy. It has more to do with what happens overseas, in particular with American imbalances and the increase in the twin deficits. This is certainly an issue that should be raised in the appropriate fora, like the G7 for instance. Since I am talking about the transatlantic relationship, let me, as a footnote, underscore how important this relationship is from the business perspective. US investment in Europe creates millions of jobs just as European investment does in the US. Therefore, it is critical that economic ties are not harmed by recent political tensions.

### *Wage and Employment Policy*

Turning back to the economy, Europe must accelerate its effort at home to improve its competitiveness. It is therefore important to improve the labour market's ability to react, allowing wages to reflect productivity differences, promoting mobility and improving incentives to take a job. Furthermore, let me emphasise that the Commission should also propose measures supporting the demand for labour and promoting entrepreneurship. The employment guidelines are particularly weak in this domain.

*Structural policies*

Mr. Chairman, let me recall UNICE's support for the Lisbon process. But, as I said, implementation is the key word. For its part UNICE has asked its member federations to produce a report evaluating issues at stake and assessing the progress at the national level. We are in the process of extending this exercise to our members representing the new EU members. What we can already say from these national reports is that it is a priority to move rapidly on liberalisation of the network industries, on social security system reform and on increasing our Research and Development effort.

To conclude, UNICE's message is that beyond good intentions and good recommendations the real issue is implementation of the agreed policies by the Member-States. The weak capacity of the European economy to absorb shocks and to be its own engine for growth underscores, painfully, how much remains to be done.

Thank you Mr Chairman.