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FORUM:

“WHAT SHOULD BE DONE TO REBUILD COMPETITIVENESS OF EUROPE”

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President Lubys,
Ministers,
Ladies and gentlemen,

I would like to begin my presentation thanking the Lithuanian Confederation of Industrialist – LPK – for the invitation to this forum in this my first year as President of UNICE.

EU IN CRISIS

- 2005 was not a good year for the European Union (EU). In economic terms, economic growth was low and the negative referenda in France and the Netherlands on the Constitutional treaty created one of the worst institutional crises the Union has had in its 50 years of existence.
- Furthermore, the EU is having identity problems, which manifested themselves in uncertainties about how to treat, for example, the Turkish EU candidacy and other enlargement issues as well as current European important dossiers such as the Services Directive.
- In this context, the convergence of all these problems raised a number of questions in the business community: what is happening in Europe?
- Since I assumed the UNICE Presidency last summer, I have identified two responses within the business world:
 - A rather passive and indifferent answer: acceptance that a period of reduced EU efficiency is acceptable: there is a tendency towards business as usual. In fact, I do not know of any company board that met in 2005 to discuss the EU crisis.
 - But there is another view, which we at UNICE share: looking at the rest of the world, we see that Europe will fall behind if we go on like

this. And that would mean that European companies will suffer in the future. Therefore we believe it essential that the European project goes on. There is currently a risk of Europe coming to a halt, and of past achievements like the Euro or the Internal Market suffering seriously. If this happens, we will have a problem.

- It is clear that the European Union is main task now is to recover EU citizens' confidence: Europe must not come to standstill. If Euroscepticism spreads to the point that nobody believes it will be important for the EU to progress further, if not the main achievements of 50 years of European construction would be called into question. The EU needs a solid governance structure.
- The European business community is also ready to play an active role to envisage the future of European integration. Last 7 April, the Presidents of UNICE Member Federations gathered in Paris for a Special Presidents meeting decided on which will be UNICE mandate to strengthen UNICE action and communication to promote essential objectives of companies.
- UNICE and its member federations are worried about Europe's future and we call for measures to be taken urgently to reinvigorate the European Union:
 - Reforms for growth and jobs must be implemented, not only talked about,
 - The integration of European markets has lost momentum,
 - The EU is not efficiently governed,
 - National protectionism would cause a negative domino effect,
 - Enlargement is an opportunity not a threat,
 - The European social model needs to be modernised to be preserved.
- UNICE has now the challenge to present these issues in such a way that the need for a stronger European Union is made clear and the role of the business in the EU is positively underlined.

COMPETITIVENESS AS TOP PRIORITY

- The root of Europe's problems is our lacklustre economic performance. Since 2001 our economy has been in the doldrums. 20 million unemployed Europeans, almost half of them long-term, leave no doubt that there is something wrong with our economic and social model.
- Europe's competitiveness is on a downhill slide. Our economy is squeezed between the highly productive US on the one side, and the emerging economies India, China but also Russia and Brazil on the other. These

countries are catching up fast, which is first of all good news for the economy, as this means more prosperity in the world, cheaper products and services for everybody, and new market opportunities for European companies. But this global economic shift is also shaking up Europe's economic structure. Whole sectors in Europe have to reinvent themselves. Europe as a whole can only win from globalisation if we embrace it. We must take up the challenge and play the game.

- The European Union has the right instrument to walk out of the crisis: the strategy for Growth and Jobs. But now it is time to move from declarations to reforms, from words to deeds.
- The key word of the growth and jobs strategy must be: implementation. European business commends the European Commission on its good intentions to contribute to growth and job creation in Europe. However, tangible results of recent EU activities are still thin on the ground.
- The main work will have to be done at national level. In the wake of the renewed Lisbon Strategy for growth and jobs, Member States have drafted "National Reform Programmes", in which they outline the national reform policies they intend to carry out to fulfil the Lisbon goals.
- UNICE considers that these programmes generally identify the right priorities, particularly in countries with more pressing needs such as Germany, France and Italy. However, they suffer from a general lack of new initiatives and their objectives often remain too vague. At any rate, success will only be measured in the light of actual implementation, and in this regard, the business community remains particularly cautious in view of the recent disappointing track record. The surveillance of reform progress will need to be improved and would be greatly facilitated if governments would clarify reform targets and provide details on timing, responsibilities and, where appropriate, financing of the measures.
- Success depends on the delivery of the actions announced in them. UNICE with its Member Federations will closely follow up the National Reform Programmes. At European level, EU institutions must now develop appropriate surveillance mechanisms of national reform.