



30 January 2007

BDI / BDA CONFERENCE “EUROPE DAY” IN BERLIN 30 JANUARY 2007

PANEL “EUROPE’S FUTURE – GERMANY’S RESPONSIBILITY AND INTEREST” 12H00 – 13H00

SPEAKING NOTES FOR PRESIDENT SEILLIÈRE

Speaking time: ca. 5 minutes introductory statement, debate

Further panel participants:

- *Professor Wolfgang Franz, President of the Centre for European Economic Research (ZEW)*
- *Mr Peter Hintze, Member of the German Parliament, Parliamentary State Secretary in the Federal Ministry of Economy and Technology,*
- *Mr Martin Schulz, Member of the European Parliament, Party of the European Socialists*

The panel discussion will be moderated by Mr Udo van Kampen, television journalist at the public service German television channel ZDF.

Introduction:

- Presidents, Distinguished Guests,
- First of all, please allow me to thank Presidents Dieter Hundt and Jürgen Thuman for having invited me to speak at the “Europe Day” of the German business community.
- As President of BUSINESSEUROPE I represent 39 national business federations which come from 33 European countries. The whole European business community looks with great expectations upon the German EU Presidency. In large parts the priorities in the German Presidency work programme, are also our priorities.

Future of Europe:

- We particularly support the German Presidency in the objective to start the discussion on the constitutional treaty anew. The current institutional framework is not equipped for an EU of 27, let alone more Member States.



- In Chancellor Merkel's speech to the European Parliament on 17 January, she warned that it would be a "historical failure" if the European Union did not succeed in overcoming its institutional crisis. BUSINESSEUROPE fully subscribes to this point of view.
- As you all know, the European project has been in crisis ever since referendums in France and the Netherlands rejected the EU constitutional treaty. This is not the first crisis the EU has gone through in its history, but it is a substantial one because it reveals that the European project has lost support among its citizens. Therefore it is more important than ever to recall how beneficial European integration is for every single European.
- European business has supported the European project from the beginning and will continue to do so. Our future lies in Europe. Last week BUSINESSEUROPE presented a declaration, supported by Presidents of business federations throughout Europe, on the 50th anniversary of the European Union. In that declaration we call for a boost to Europe by concentrating its future actions on six priorities:
 - Implement the reforms for growth and jobs
 - Reinvigorate integration of the internal market
 - Complete the reforms of EU governance
 - Fight national protectionism
 - Take advantages of the opportunities of enlargement
 - Reform social systems to make them sustainable

Reforms for Growth and Jobs

- Above all the EU must be a driver for economic reform. Without more economic growth and more jobs any other European project is doomed. On 8 March the Spring European Council will discuss progress in economic reform in Europe. This discussion is likely to take place in the context of the most favourable economic climate the European economy has known in years. Germany has experienced stronger-than-expected GDP growth of 2.5% last year, and growth forecasts for 2007 are still rather upbeat. This upsurge in Germany has spurred growth in other EU countries. Especially the employment situation has improved a lot. Some 2.5 million jobs have been created in 2006, and about the same amount is to be created in 2007.
- This is first of all a reason to rejoice. And to acknowledge that we are moving in the right direction, that reform progress has been taking place in many European countries. The fiscal situation has improved, more people have been integrated into the workforce, better regulation initiatives are sprouting. Some smaller countries in Europe - the Scandinavian ones above all, but there are others - have carried out reforms that put their economic structures on world-class levels.
- However, the upturn in the business cycle is no reason for complacency. The slight recovery, we are experiencing, owes a lot to external conditions and to the impressive restructuring that European companies have undertaken in recent years. Underlying economic structures in Europe have not yet changed sufficiently. Productivity growth within the EU has so far remained subdued which means that our growth potential has not increased.



- We therefore appeal to the Spring European Council and the German Presidency to keep up the reform momentum and not repeat the mistakes of the past, when, at the end of the 90s, a buoyant economic situation created exuberant optimism but stalled reforms which were needed already then to adapt the European economy to a new global reality.

Assessment of reform progress

- The Commission published in its “Annual Progress Report” a detailed assessment of each Member State’s progress in economic reform, and made, for the first time, country-specific recommendations for further reform. We very much support this procedure and call on all Member States to follow up their specific recommendations.
- However, we think that the overall assessment by the Commission of reform progress in the EU is too positive. BUSINESSEUROPE has asked national business federations how they perceive progress in reform in their countries, and in many cases (including for Germany) we have received a less optimistic assessment than the Commission has done.
- Many reforms are still in their early stages and need to take important hurdles before they can take full effect. This is holds true for many policy issues: a majority of public finances in the EU are still in medium- or high-risk of becoming unsustainable, better regulation initiatives have not translated into real alleviations for companies yet, competition on many markets, especially services, is not sufficient, the adaptability of Europe’s workforce must be improved.

Social Policy

- As a European social partner, BUSINESSEUROPE will make very clear at the EU Tripartite Social Summit on 8 March, which will take place ahead of the Spring Council, that in order to preserve the European social model, Member States must urgently the reform their social systems according to the principle of “flexicurity”. As regards EU social legislation, the current priority is to ensure its correct implementation throughout the EU, including in the new Member States. If necessary, legislation must be simplified.

Better Regulation

- Better Regulation concerns the EU as well as the national level. Every year European companies have to spend 3,5% of EU GDP, or 470 billion Euros in absolute terms, on fulfilling administrative requirements. We very much welcome the emphasis the German Presidency puts on Better Regulation. It will be an important signal if the Spring European Council commits to an EU-wide goal of reducing administrative burdens by 25% throughout Europe. This will imply setting up the right structure for better regulation, including systematic impact assessments and a methodology to measure to cost of regulation. Many governments, including the German government, have already taken promising initiatives that respect.



Energy

- Energy will surely be the policy issue to receive the most attention at the Spring Council, and rightly so. European companies see an urgent need to develop a European energy policy which integrates the key challenges of competitiveness, security of supply and environmental protection.
- We will be facing growing pressure on the question of energy supply. BUSINESSEUROPE welcomes a coordinated policy on the European level. The EU must be able to speak with one single voice on questions concerning external energy policy, including in the dialogue with Russia.
- Furthermore, we must all together work towards a truly global solution to the problem of climate change. Germany, which is also the current holder of the G8 Presidency, is in a good position to achieve progress in that matter. However, we are concerned that the Commission proposal to commit to a unilateral EU emissions reduction policy too quickly and too unconditionally might not be the right diplomatic approach to get everybody into the boat.
- Each Member States must decide itself decide on the best energy mix for its future, but we should not create ideological taboos. Bearing in mind the magnitude and complexity of energy challenges, we should keep open all options of energy sources, including the nuclear energy option.
- The most urgent task the EU to tackle in the energy area is the completion of the internal energy market. Competition on European gas and energy markets is incomplete. BUSINESSEUROPE considers it vital to succeed in finding a solution to effectively unbundle energy supply and distribution. We must tackle the question of future energy regulation in Europe. And we must urgently strengthen interconnection between European countries.

Innovation

- We expect the Spring European Council to agree on strategic priorities for innovation in Europe. The momentum of last year's Lahti European Summit must be kept, and numerous measures which have been started in many Member States to support research and innovation must continue.
- According to a recent BUSINESSEUROPE survey among national business federations, of all economic reform policies within the European growth and jobs strategy, those to boost research and innovation have progressed most over the last year. This is not to say that we do not have a long way ahead of us to make Europe a world-leader in innovation again. Only 2% of European biggest companies have been created after 1960, compared with 42% in the US.
- Intellectual property protection, for instance, is still too burdensome in the EU. It is necessary to further improve the current European patent system in terms of costs and legal certainty. There is also much room to improve the conditions for public-private partnerships in Europe. Therefore we are watching very closely the setting up, at EU level, of Joint Technology Initiatives and the planned European Institute of Technology.



International Trade

- Following the suspension of negotiations in July 2006, the Doha Round is in crisis. Time is running out. European business – service providers, trade and industry – is united in its deep concern over the current impasse. If WTO negotiators fail to reach an agreement on the core of the deal by Spring 2007 not only do we stand to lose the benefits of multilateral trade liberalisation, but the costs of failure will be diverse and severe.

End

- Ladies and Gentlemen, in order to tackle its big current challenges Europe needs leadership. BUSINESSEUROPE therefore considers it a lucky circumstance that the German EU Presidency is happening at this very moment. Let's grab this opportunity together and make it a success.

* * *