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5 April 2007

**European Breakfast Meeting  
Featuring Mr Philippe de Buck, Secretary General of  
BUSINESSEUROPE  
“The State of the European Union as seen by the Business  
Community”**

**Wednesday April 11<sup>th</sup>, 2007  
7h45 – 9h30 am  
FIAF Skyroom – 22 East 60<sup>th</sup> Street New York**

I am very pleased to be back in New York and discuss both European and Trans-Atlantic politics and business achievements.

Your presence and the work done by the Chambers of Commerce representing 6 countries show how important Europe is for the United States and needless to elaborate on the importance of the United States for the European economy.

As BUSINESSEUROPE representing the European private sector through our 39 industrial and employers federations from 33 countries, we work to improve growth and competitiveness in Europe. This is a key condition to promote the development of European companies at home and abroad.

The European integration must be supported because it brings not only benefits for the business but moreover for the society as a whole.

This was the central message to the Berlin declaration released on the 25<sup>th</sup> of March by Chancellor Merkel on the occasion of the 50<sup>th</sup> anniversary of the Treaties of Rome as it was the key element of our own declaration.

It is true that a lot has been achieved since more than 50 years: peace, political stability, free movement of people, goods, services and capital, common policies, a single market, an economic and monetary union – at least for 13 member states – and a progressive political integration and international standing.

Notwithstanding all those important achievements which were celebrated recently, the European Union faces a lack of support from governments and public opinions. This created the institutional deadlock we are in. But, as Trade Commissioner Peter Mandelson states in his pamphlet “The European Union in the Global Age”: *“Europeans need the EU now as much as in 1957, but for different reasons. It is the*



*multiplier that will enable us to turn our national ambitions into credible global influence to shape the international system.”*

It is therefore crucial that the business community raises its voice to present “a vision for Europe”. This was discussed intensively in our organization in order to be able to define on a unanimous basis, our views in Brussels but also in each of the capital of the member states.

Six major priorities were designated on which we would like to work shoulder to shoulder with the European institutions.

1. Firstly, the member states should put their house in order by implementing structural reforms in order to strengthen their economy. I do not know if in New York you are aware of the famous “Lisbon Strategy” set in 2000 and aiming at becoming the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010. This strategy is good but - as sometimes in companies – it is the implementation that failed. Not everywhere, because in Ireland, Denmark, the Netherlands, Finland, some new member states, important reforms were undertaken to adapt public finances, to create a better business environment, to boost research and innovation policies, to open their market to free competition, to flexibilise the labour market. But much more has to be done and especially in larger countries such as Germany, France, Italy.

And it is worthwhile to do it because the companies take immediate advantage of better economic conditions. Companies expand, they export more and they will create jobs: 8,5 million over the period 2006-2008.

But there is no time for complacency for the important reason that, compared to the USA, Europe’s productivity growth is stalling at around 1,5%. This is a major weakness when your competitors do better and when your demography will change dramatically the labour market.

More research, more innovation, better education, less taxes on labour, better rules or even less rules, are the success factors European member states should work on. We have published a barometer that you can download from our website which evaluates the progress made in each of the member states. We are not afraid to be more critical than the European Commission.

2. Secondly, the internal market must be reinvigorated. After all, this is one of the greatest successes of the European project. To develop an economy, there is no secret: the larger the domestic market, the more opportunities you create for companies, the greater choices you offer to consumers. “It’s the internal market, stupid!” we said once! It is therefore that we were – and still are – disappointed that the services directive was reduced in its scope and in its effects because there is neither an economic nor a social reason to limit the expansion of the services activities which represent more than 70% of the GDP. This is also why it is so important today to create a real open market for energy. The first preoccupation of the European companies and households is the security of energy supply at the lowest price possible.



3. Our third priority deals with a basic principle, namely to fight national protectionism.

This seems obvious but this must be repeated certainly during election campaigns! National protectionism or national champions are concepts which are not defensible anymore in an European context or even in a global economy. As the Financial Times headlined last week, this is playing with fire because it implies the rapid unraveling of the European Union.

4. The enlargement of Europe has led to a lot of questions. For us, and this is our 4<sup>th</sup> priority, enlargement – apart from the fact that it celebrated the reunification of Europe – has breathed new dynamism in the European economy:
  - the growth rates in these countries are much higher than in the former member states.
  - the foreign direct investments are growing.
  - the trade balance is still in favour of the western part of the European Union.

Therefore, even if it has brought some governance problems and some doubts in public opinion where the borders of Europe stops, the enlargement has to be considered as a win-win situation.

5. You know that there is a big debate about the sustainability of the European Social Model. There are different reasons why we have considered the reforms of the social systems in each of the member states as our 5<sup>th</sup> priority. This is not an easy subject because of the political and social sensitivities. But it must be done.

As employers, we accept the European Social Model and the common value it conveys namely that economic progress goes hand in hand with social solidarity.

But the European systems have to be reformed. The labour market has changed, the demography will have a significant impact, health care is exploding, labour law must be flexibilised. In other words, this is a huge agenda that has to be carried out mainly at national level. Is there a need for more social Europe? We do not think so: as the major social target you have to achieve is jobs, jobs, jobs as former Dutch Prime Minister Wim Kok stated in his report to the European institutions. And that is certainly the case when companies have the possibility to expand.

It is therefore that we need flexicurity with more flexible labour law, with effective labour market policies and with an employment-friendly social protection. Companies – as already said – play their role by developing their activities, by creating wealth and by offering more jobs. But its much more could be done to create new opportunities and to release the full potential of European capabilities.

6. And finally – and now we are in the midst of a political debate – Europe has to be governed effectively and efficiently.



Company leaders know better than others that the success of a strategy or a business project depends on the way the governance is structured and organized. This is the case of companies, this is also the case of political entities.

Our final priority for Europe is to solve the institutional problems arising with 27 member states.

We count on the German presidency and Chancellor Merkel to come with a concrete roadmap next June in order to finalise this difficult debate before the next European election in June 2009. This will not be easy but it is indispensable. If the European Council is not able to find the political solution and make it accepted in each of the European countries, then the future of the whole project must be questioned.

The achievements of the European integration are not granted. If they are not managed properly, their existence can be at stake.

I will not bother you with institutional problems but it is all about how a leaner, meaner governance system can be put in place, how a faster decision process can be organized.

By not solving the institutional crisis, we run the risk of losing what we achieved today. Nothing can be taken for granted. We must ensure that the EU has the tools to preserve what it has and to move forward.

This is why business demands actions to reinvigorate the European Union. A European Union that is capable of swift and decisive action, when this is required. A European Union that is able to negotiate on global issues. A European Union that can coordinate national initiatives. A European Union that takes action to achieve the objectives of tomorrow.

When I touch on governance I would like to share some thoughts about the economic governance of the European Union and in particular the eurozone.

For the business community, the Euro is an undisputable success, fostering an environment of reduced financial risks, greater transparency and favourable financing conditions that support investment.

Part of this success is directly related to the ECB's strong institutional independence and clear mandate, which has allowed it to rapidly establish its credibility and to anchor inflation expectations at a low level. This is a major achievement and it should be more clearly acknowledged than it currently is in some political circles.

Regarding the current policy stance of the ECB, I am less anxious than president Trichet about inflation risks, but current interest rate levels still seems broadly appropriate to support the recovery. This said, in a global environment pushing for further euro appreciation, we ask the ECB not to go too far in its tightening cycle.



Ladies and Gentlemen,

This is how we see the state of the European Union and why we want to boost this European Union further.

It is our role to speak up, it is our role to encourage politicians to take courageous decisions. It is our mission to represent the European companies in these debates.

This is why we changed our name to BUSINESSEUROPE: it is clear in what we represent, it is also clear in what we expect and what we favour.

The European Union is the only way to be stronger in the globalised world. It is therefore that, at BUSINESSEUROPE, we work together with the main business organisations all over the world. Companies have to link themselves to partners if they want to be global, it is the also the case for business organisations.

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