



*** Check against delivery ***

20 September 2007

EPP-ED GROUP BUREAU MEETING EUROPEAN IDEAS NETWORK

EIN SUMMER UNIVERSITY AND EUROPEAN IDEAS FAIR – 21 SEPTEMBER 2007

**ADDRESS BY ERNEST-ANTOINE SEILLIÈRE,
PRESIDENT OF BUSINESSEUROPE
PANEL DISCUSSION 15H15 – 18H00**

“THE WORLD IN 2025: CHOICES AND CHALLENGES FOR TOMORROW”

Introduction

- Thank you very much for inviting me again to the EIN. The last time I spoke to you was two years ago in Lisbon, and many things have changed since then. And that was only two years ago – today we want to discuss what is going to happen in almost 20 years.... This is not an easy, but nonetheless a very useful and interesting task.
- The EIN brings together politicians, businessmen, academics, policy advisers, think tankers, journalists and representatives of civil society to discuss ideas and solutions to the burning problems of our continent. This is a good approach and I will today share the thoughts and worries of European entrepreneurs and business people with you.
- As you know, BUSINESSEUROPE has been very vocal in the past two years, and has pushed the politicians at both the EU and national level to get us out of the constitutional impasse we were in. Now, we are very aware of the political realities, but we feel it is important that the politicians know what businesses in Europe think about topical questions in the EU.
- In the coming months, a number of crucial events will require a clear understanding of the EU's longer-term objectives:
 - i. Definition of new priorities for the Lisbon strategy (Spring 2008 summit) and for the internal market
 - ii. Concrete plans for the EU's energy and climate change policy
 - iii. A redefinition of the EU budget structure and its financing (end 2008 / early 2009)
 - iv. Final negotiations for the Reform Treaty
 - v. European parliamentary elections in June 2009



- So, let's think about Europe's longer-term future. As clearly pointed out in the enlightening EIN report presented today by James Elles, globalisation, demographic changes and climate change will probably be the key elements influencing the political debate over the years ahead. If Europe wants to be relevant in the eyes of European companies and citizens, it will need to respond to these challenges with clear policies delivering concrete results.

Globalisation

- In recent years, the astounding pace of global trade and capital flows and the emergence of new information technologies have been the engine of the most dynamic global economic upswing in decades. The benefits are beyond any doubts, not only for new economic powers like China or India but also for Europe, buying cheaper imports, exporting into new markets, benefiting from new technological solutions and getting new sources of financing.
- More than 20 million new jobs have been created over the last decade in the EU, with around 10 million expected only for the period 2006 to 2008. This is unprecedented and clearly dispels the idea that globalisation is a one-way process, occurring at the cost European or US workers.
- The worst reaction would be to surrender to protectionist pressures. Building fences will not help European growth or European jobs; it will cut us off from a formidable engine of prosperity. The international company Shell, which has built up a reputation for its long-term scenarios, predicts that an "open door" global economy would generate 40% more prosperity by 2025 than a "closed door" protectionist scenario.
- This is not to underestimate the challenges ahead if Europe is to win in globalisation. Companies, and in particular SMEs, still face a long list of obstacles when they try to adapt, invest or innovate in today's global environment.
- This is notably reflected in the lacklustre pace of productivity growth in the EU, which still hovers below 1.5%, even in the current recovery.
- BUSINESSEUROPE firmly believes that it is the EU's main task to remove these obstacles and release the large untapped potential of growth and prosperity that globalisation can bring to our continent.
- This is why we are organising on 21 November in Brussels a major event to discuss ways to release SME potential and the EU's entrepreneurial spirit. Some of you have kindly accepted our invitations to speak, such as Paul Rübige or Miroslav Ouzky, and I encourage you to come and join us for our SME Action Day.

Demographic ageing

- The second major challenge facing Europe is its demography. Europe's workforce is ageing and will soon start shrinking. Under current projections, the size of the working-age population will fall by 16% or almost 50 million people by 2050.
- This will alter the functioning of our economies, putting pressure social systems, public finances and companies' ability to find the necessary skills to meet their needs.



- A comprehensive set of reforms across a broad front will be needed to face this challenge.
- Detailed measures must be decided at the member state level, but a set of common principles can be identified at EU level in the context of the Lisbon strategy. For instance, older workers' participation, education, life-long learning and reforms to our social system are issues that most EU countries will need to actively promote in the coming years.
- Ageing also raise the issue of migration policies. Where information, technology, capital, goods and services have no borders, it is important for European companies to find the appropriate skills and knowledge where it is available. Skills shortages are already a reality in Europe and labour mobility and migration must be a part of the response in an ageing society.

Climate change

- If the rapid global economic growth continues and governments stick with today's policies over the coming decades, world energy demand will probably increase by more than 50% in 2030 (from 10.8 billion tonnes of oil equivalent today to 16.8 billion tonnes). In other words, this means that twice the economy of the USA will have been added to the world map of energy demand.
- It is further projected that the EU's already high energy dependency will increase from about 50% today to 65% in 2030. In comparison, the USA and Canada have an energy dependency of only 17%.
- This business-as-usual scenario would have very serious consequences for our energy security, our competitiveness, and our environment. Policy-makers must therefore prepare themselves today to prevent dramatic situations tomorrow.
- In the energy field, investments are made on a very long-term basis. Many of the power plants that will be in operation in 2030 are being built today. This is important given that China alone is currently building one new coal-fired power plant every week to match its growing electricity needs. In Europe, the electricity industry reckons that around 600 billion Euros will have to be invested in new electricity facilities in the next 25 years.
- These developments are of course also tremendous business opportunities, especially for European industry, which in many areas holds global leadership in clean, climate-friendly technologies.
- Policies on energy and climate change will increasingly have to be coordinated on the EU level. China has already overtaken the EU's biggest Member State Germany in its economic weight, and according to a *Goldman Sachs* study, India will have done the same by 2024, and Brazil by 2035. In total terms, China has recently overtaken the US as the world's biggest emitter of CO₂.
- BUSINESSEUROPE is undertaking an intensive campaign on this dossier, including meetings with many members of the EP's climate change committee, a study on energy-efficiency and debates with the high-level group on competitiveness, energy and the environment. Furthermore, BUSINESSEUROPE is organising a debate on this topic in the European Parliament later this year, and you will all be invited to attend.

**BUSINESSEUROPE priorities**

- In the face of these challenges, all Presidents of BUSINESSEUROPE's national members have agreed on our common doctrine, which translates into six priorities for our actions:
- **Implement the reforms for growth and jobs**, and I insist on the word "implement". The Lisbon strategy has identified the right priorities are set ambitious targets. The real problem is the implementation gap. Some member states such as Germany have made remarkable progress, others still need to do more, including my own country France. We at BUSINESSEUROPE have created a Reform Barometer (which can be visited on our website), looking at the reforms in all member states and comparing the Commission's analysis with our one – there are a few interesting differences, I can tell you....

As the Commission prepares the ground for the next three-year cycle of the Lisbon strategy, I have this message for president Barroso: reforms are ongoing and member states have a roadmap with a concrete set of Council recommendations to be put in practice. The priority for the next three years is to ensure continuity, to remain concrete and to encourage a wider participation of national actors in the Lisbon process, including social partners and national parliaments.

- **Reinvigorate the internal market.** The Commission's forthcoming Single Market Review must seek to identify necessary tools to adapt the internal market to today's reality with three objectives in mind: completion, enforcement and efficiency. The services directive will be test case to measure implementation progress. Avoiding delays and respecting the spirit of the text will be crucial to unleash the benefit integrating service activities, which after all represent 70% of the EU economy. I also would like to seize the opportunity here and say thank you for the work done in the EP on this dossier, notably by Malcolm Harbour. I know that we were not always in agreement on this and would have liked to achieve more, but we acknowledge the difficult political circumstances in which this package was negotiated.
- **Govern the EU efficiently.** The efficient governance of the EU is key for achieving our objectives. With a membership of 27 Member States (and in 2025 many more??), the functioning of the EU has become more complex and, both at a political and technical level, decision-making processes, procedures and priority-setting must be well managed. The revised treaties now provide the updated legal basis needed by the enlarged EU. But good leadership, management and governance of the EU now have to build on this legal framework.
- **Shape globalisation and fight protectionism.** The EU's global leadership in trade and investment is driven by the international competitiveness of European companies. Strong global rules are needed to foster the international development of our companies. At the same time, EU regulation should make Europe an attractive location for domestic and foreign investment where innovation can flourish. This requires an open approach to regulatory cooperation and foreign investment with our global partners.
- **Promote a secure, competitive and climate-friendly energy system.** It was a timely decision by European leaders to embark on a wide-ranging action plan on energy and climate change policies at the Spring Council in March 2007. This plan sports ambitious goals and will translate into a legislative package to be proposed by the Commission at the end of this year. I would also like to take the opportunity here and once again



congratulate Chancellor Merkel for her outstanding work in the framework of Germany's EU and G8 Presidencies.

- BUSINESSEUROPE endorses this increased EU focus on energy and climate change in general, although we still have some open questions especially concerning the ambitious goals on renewable energy. European business is aware of its responsibility to further mitigate the climate change threat and has been taking actions to reduce greenhouse gas emissions. But it cannot act alone and calls on EU policy-makers to:
 - i. Take all appropriate initiatives to ensure that other industrialised regions contribute to climate protection with similar efforts to the EU's 20% emission reduction target in 2020.
 - ii. Spread clean technologies by setting standards and incentives to upgrade technology. The EU's Strategic Energy Technology Plan (SET Plan), due to come out later this year can make an important contribution under the condition that it adequately involves industry.
 - iii. Strengthen the internal energy market and the electricity grid across Europe. Inter-connections in the EU are still insufficient, which severely hampers the efficiency of energy production and use throughout Europe.
 - iv. Allow nuclear energy to compete with other sources of low-carbon generation on a level playing field.
- **Reform social systems to respond to global challenges:** We do not need to debate whether there is more than one social model in Europe, what is important to accept, also for business leaders, is that there are 27 social systems all based on one philosophy: when there is economic growth, when productivity improves, part of it must be used to create more solidarity and to support social welfare. BUSINESSEUROPE calls for the modernisation of European social systems, not to dismantle them, but to make them sustainable and compatible with today's global reality.
- A final word on the very important dossier of *flexicurity*. This concept is at the heart of efforts to restore a positive link between competitiveness and social protection. For BUSINESSEUROPE, flexicurity constitutes the right way forward for European labour markets, both at the conceptual level and in its practical application. It should therefore be considered a strategic long-term priority for Europe. Ahead of the Tripartite Social Summit on October in Lisbon, we are currently negotiating with the ETUC a joint analysis of labour market challenges, including a common definition of what flexicurity stands for and what it can achieve. We will present these results at an event in the EP which BUSINESSEUROPE is organising on 16 October. Mr Silva Penada will be speaking for the EPP. We very much hope that these results will be taken into consideration by the Council, but also by the EP resolution.

Conclusion

- ✓ In conclusion I would like to say that business in Europe continues to strongly support the European project, but would like to see more willingness to reform. Only if we reform will we be able to keep our unique social achievements and our European way of life.
- ✓ The flexicurity, the single market review and the energy and climate change packages.
- ✓ BUSINESSEUROPE sees itself as a partner of the EP, and a partner of the EPP-ED group. We have enjoyed a good cooperation in the past and hope that we can further improve it – we are there for you when you need our help or advice.



- ✓ The ever increasing role of the EP will also be felt when it votes for the next Commission President – whoever that may be, the outcome of the EP elections of June 2009 will have to be taken into account.
- ✓ The other big pledge I have to you relates to the electoral campaigns for the 2009 EP elections. We all know that often these elections are not truly European elections, but elections based on national considerations and campaigns. We ask you to discuss truly European issues with the people during your campaigns. Bring into your campaigns politicians from other EU countries. Explain in your manifestos and speeches the huge advantages that the EU brings to all of us. This is what I am doing every day, and I hope it will pay off.

Thank you very much.
