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EUROPEAN POLICY CENTRE

CORPORATE LUNCH MEETING – 15 OCTOBER 2007

ADDRESS OF ERNEST-ANTOINE SEILLIÈRE, PRESIDENT OF BUSINESSEUROPE PANEL DISCUSSION 12H45 – 14H30

“WHAT BUSINESS WANTS FROM A MODERN INTERNAL MARKET”

Introduction and thanks

Thank you very much for inviting me to address such a distinguished group of representatives of leading companies. Since I had the occasion to address an EPC breakfast on 26 January 2006, the name of the organisation I chair has changed. From UNICE to BUSINESSEUROPE. It is never easy to go through such a change; some had questions about the need to undergo that process. But after a little more than 7 months the transformation from UNICE to BUSINESSEUROPE has been a success. It is well assimilated, frequently quoted because it explains simply who we are, what we represent and at which level we act. But a new name must endorse a new positioning and a proactive doctrine.

More than ever, BUSINESSEUROPE is considered today to be reliable, pro-active but also quite a demanding business organisation not only in Europe but more and more at international level.

We also know better what we want to achieve, with whom we wish to have common actions and what our priorities and positions are. These were decided by the BUSINESSEUROPE ‘s Council of Presidents when they met in Berlin in June 2007.

BUSINESSEUROPE Priorities

Governance problem:

Let me first of all touch on the governance problem because we sincerely hope that later this week Member States will sign the Reform Treaty at the Inter Governmental Conference on 18 and 19 October.

We as BUSINESSEUROPE welcomed the outcome of the European Council in June reforming the Treaties. After almost six years of institutional debate the basis has now been laid to move Europe forward.



Since the opening of the crisis with the negative referenda in France and the Netherlands, BUSINESSEUROPE has been continuously present in the debate in order to ensure that key issues for business are recognised in the Reform Treaty. We recognised the efforts made by members of the European Council under the leadership of Chancellor Merkel and others to achieve the successful conclusions we had last June and we now expect the Portuguese Presidency to lead the discussion in the Intergovernmental Conference for a happy ending on the EU governance issue and to enshrine it in what will be called a “Lisbon” Treaty.

Yet the approval of the IGC is not sufficient. It must be ratified by national governments. In this important debate – we cannot afford a second failure – the benefits of the Internal Market and integrated policies should play a decisive role.

The Strategy for Growth and Jobs:

Later this year, the European Commission will **review the Lisbon agenda for the remaining period 2008-2010**. Obviously we are still far from target in many areas, but progress has been visible in recent years. Since the re-launch of the Lisbon strategy in 2005, i.e. in less than two and a half years, more than 5.2 million jobs have been created in the EU27. This is not the direct outcome of Lisbon strategy, but reforms have sometimes been conducive to these positive labour market trends.

The business community sees in particular two important successes since 2005. First of all, the use of national reform programmes and of specific recommendations collectively agreed by all Member States to the 27 countries of the EU was an important step forward. Countries, but also the European Commission and the Council have much clearer benchmarks to assess actual reform progress in Europe.

Another achievement is increased coherence of EU policies with Lisbon objectives. For instance, the EU budget has been adapted. Regional policies represent 35% of the EU's total budget and almost two thirds of this amount is earmarked for competitiveness-enhancing initiatives. For the first time, the EU's second most important financial instrument has been turned directly towards achievement of the Lisbon agenda.

Nevertheless, important work remains to be done for the last three years of the Strategy, with one clear objective: raise productivity growth in Europe. The present pace of productivity, which barely exceeded 1.5% annual growth at the peak of the current business cycle, is largely insufficient to support the long-term prosperity of our continent and the sustainability of social systems in an ageing society.

As regards future improvements to the Lisbon strategy, a key objective will be to integrate the concept of flexicurity as a main pillar of the EU growth and jobs strategy. The issue of flexicurity is at the heart of efforts to restore a positive link between flexibility and competitiveness on the one hand and security and social protection on the other.

It will also be a crucial challenge to raise the profile of the Lisbon strategy in EU capitals. National ownership remains limited, with variable levels of political commitment (actual responsibility of “Lisbon coordinators”) and of stakeholders' involvement (social partners and national parliaments).

Moreover, the Commission should continue improving the way it assesses reform implementation in Member States. In the absence of a clear methodology, the Commission's assessment is insufficiently transparent and sometimes too complacent.

Globalisation:

Another of our key actions addresses **globalisation and the fight against all kinds of protectionism.**

The fight against national protectionism is part of the internal market strategy. It is important to underline this, especially because we have seen some attempts from larger countries to protect their companies against mergers and acquisitions coming from outside. The concept of “national champions” is not the answer, nor is the intervention of governments in business mergers. But the Commission has the means to intervene if the rules of a free market economy are not respected for instance through strong enforcement of competition rules or the use of the infringement procedure.

In the context of globalisation I think it is of utmost importance to recall the need to conclude an ambitious WTO Round. When the WTO proposals were made in July we welcomed the momentum but underlined that European companies are extremely concerned about the suggestions for tariff reductions on industrial goods. We call on Commissioner Mandelson to direct his efforts to obtain a substantial reduction of the current applied tariffs and to complement this with ambitious results on non-tariff barriers, services, rules and trade facilitation.

In parallel, BUSINESSEUROPE also supports the negotiations for bilateral trade and investment agreements with Korea, ASEAN and India. European business needs new market access to maintain our international competitiveness and these agreements, if they guarantee liberalisation on the broadest sectoral basis can certainly contribute to this.

European companies also need work on divergent regulation and standards – which will be the trade and investment barriers of the future. This is particularly important in the transatlantic context and BUSINESSEUROPE is working closely with the US Chamber of Commerce to ensure that the first meeting of the new Transatlantic Economic Council on 9 November provides both short-term results and a work programme for the future.

The benefits of globalisation are beyond any doubt, not only for new economic powers like China or India but also for Europe: lower input costs, new export markets, new technological solutions and new sources of financing.

This is not to underestimate the challenges that lie ahead if Europe is to win in globalisation. The pace of productivity growth in the EU remains mediocre and still hovers below 1.5%, even in the current recovery. 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.

Energy and Climate Change:

I would also like to touch on one of the most important issues in the European pipeline, the **promotion of a secure, competitive and climate-friendly energy system.**

This is a very important topic since it impacts on many issues. Let us concentrate on the energy internal market and begin by reflecting on some basic data:

- If global economic growth continues and governments stick with today’s energy policies 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 consequence, greenhouse gas is projected also to increase by 50%.



- It is further projected that the EU's 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%.

Energy prices have already doubled since 2002. As access for European companies to secure and affordable energy is a key factor for our competitiveness, these are alarming developments.

The establishment of a comprehensive European internal gas and electricity market is a critical factor for our competitiveness and security of energy supply. In addition, proper functioning of the internal market will also significantly contribute to environmental effectiveness and climate protection, as it will reduce inefficient use of energy and enable us to generate large amounts of electricity for example from wind or solar, where the natural conditions are most conducive and not where the electricity will be used.

A functioning internal market for energy also necessitates a strengthening of cross-border transmission grids. It is for example still unduly cumbersome to transfer electricity between France and Spain, or between the Baltic countries and the rest of the EU.

Several elements of the September 2007 energy package represent a positive step forward, in particular for improving governance. However, the package fails to pay adequate attention to the need to upgrade all the framework conditions which play a critical role in guaranteeing the long-term supply of energy to energy-intensive industries at competitive prices.

Policy-makers must prepare themselves today to prevent dramatic situations tomorrow. Policies on energy and climate change will increasingly have to be coordinated at the EU level.

The Commission's September 2007 proposals rightly seek to give energy regulators more power and greater independence from government, in order to facilitate implementation of the internal energy market.

BUSINESSEUROPE will look with interest at the proposal to create a European Agency for the cooperation of energy regulators, given the need to strengthen this cooperation in a way that leads to effective joint decisions.

Reform of the European social systems to respond to global challenges:

We all know that everywhere in Europe social systems are under pressure. International competition is growing tougher by the day, putting pressure on our labour markets to adjust. Europe's ageing population means that fewer people will contribute to and more will depend on social security systems, ultimately undermining the latter's financial sustainability.

Europe therefore has no other choice than to modernise labour markets and adapt social protection systems to the realities of the 21st century. Most of the decisions will have to be taken at national level, depending on country-specific facts, habits, rules and existing regulation.

For BUSINESSEUROPE, the issue of flexicurity constitutes the right way forward for European labour markets. In essence, flexicurity is about moving away from a job preservation mindset into a job creation mindset. It requires comprehensive national strategies with the right mix of economic and social measures to foster job creation and help people to maximise their chances on the labour market. Therefore, flexicurity must be founded on the following pillars:



- flexible labour law with smart rules on protection against dismissals and a variety of employment contracts to answer different needs of companies and workers together with a strong commitment to fight undeclared work.
- putting into place effective active labour market policies and lifelong learning systems fostering employability and labour market integration, an area in which companies are actively engaged; and
- having an employment-friendly social protection system and in particular unemployment insurance which links rights and obligations for the unemployed as opposed to giving unconditional passive income support.

Depending on the national context and traditions, the detailed ingredients of this mix will vary.

We at BUSINESSEUROPE are very much involved in a debate with the European trade unions on flexicurity. In fact, over the past 12 months, we have been negotiating a joint labour market analysis, the results of which will be presented to the Tripartite Social Summit later this week. We have been able to come to a common understanding of and recommendations around the key components of flexicurity which we hope will contribute to the European Council when it adopts a set of common principles on flexicurity in December.

It is clear that status-quo is not an option. Firm and forward-looking action is necessary to correct urgently structural weaknesses on European labour markets. However, time is running out. We cannot afford to wait any longer. BUSINESSEUROPE and its member federations will continue to promote flexicurity throughout Europe.

Integration of the European market:

Last but not least, the **integration of the European market** which is the real core business of BUSINESSEUROPE.

It is a tremendous instrument for economic power and a pillar of the European well-being. Since the 90s it has created numerous advantages and opportunities:

Consumers are better informed and protected and they enjoy wider choice and lower and more transparent prices.

Citizens: can choose to live, study, work and retire in any EU country.

The economy offers a more competitive, dynamic and transparent environment resulting in more growth and higher employment. 2.75 million extra jobs have been created and EU GDP has risen an extra 225 billion euros (2%) thanks to the Internal Market.

Companies like yours can grow more easily and have easier access to a market which now comprises almost 500 million people in 30 countries (EU-27 plus Iceland, Liechtenstein and Norway,). European companies' competitiveness and their position in the global market have been reinforced. For example, the opening of EU telecommunications markets has contributed to productivity in this sector, which has increased by 60% more than in the US since the beginning of the 90s.

Despite this encouraging picture, the Internal Market presents **important weaknesses**. Barriers continue to hamper movement of workers, goods, services and capital and need to be removed; further integration is needed in sectoral markets like energy, transport, goods, public procurement, intellectual property rights, financial markets as well as correct implementation of the services directive. Transposition and implementation of Internal



Market rules into national law remains unsatisfactory. Enforcement of rules and standards is uneven across the EU and deficient in certain domains.

But the Internal Market is not only dependent on the realisation of those four freedoms of movement and the regulatory framework enacted to that end, it also relies on an efficient policy ensuring fair competition in the market and more broadly speaking on a business-friendly environment that encourages competitiveness and innovation.

Let me spend some time on the issue of **enforcement**. The practical implementation and application of the basic principles and legislation of the Internal Market is of paramount importance for the well-functioning of the Internal Market and plays a central role in the perception of citizens and companies, especially SMEs about Europe.

As you can see in a recent BUSINESSEUROPE publication on this matter, enforcement involves various aspects and different tasks according to the different levels in the decision-making process both at EU and national level. Action should focus on:

- Improving quality of legislation: it must be clear and easy to understand in order to avoid different interpretations and conflicts between areas of law.
- Ensuring timely and correct transposition and administrative implementation of Community legislation via systematic use of transposition assistance and correlation tables (e.g. services directive)
- Effective and homogenous market surveillance, and efficient external border control for harmonised sectors; fair and cooperative application of the mutual recognition principle for non-harmonised sectors.
- Ensuring easier access to both EU and national problem-solving tools including promotion and reinforcement of SOLVIT and speedier and more coordinated infringement procedures.
- Better knowledge of the main Internal Market principles should be ensured at European and national level, including legislators, officials and judges.

Creation of an **internal market for services** remains a top priority. After the difficult adoption of the directive Member States must roll up their sleeves and work for swift and correct national transposition and implementation.

Despite the substantial reduction of its scope and the legal uncertainty of some of its core provisions, national governments have a golden opportunity to deliver the growth and jobs objectives pursued in the directive.

The task will not be easy. A lot needs to be done to implement the directive's provisions on administrative simplification and national screening, including creation of points of contact that will make easier for enterprises to establish and to provide their services by providing the necessary information and assisting in completion of formalities.

Application of article 16 in a transparent way that does not result in new barriers and better cooperation between competent authorities will also be of paramount importance.



Conclusion

- ✓ In conclusion I would like to stress once more that a modern and better functioning Internal Market is the best instrument that Europe has to enable citizens and businesses to reap the benefits and respond to the challenges that globalisation and the needs of today's society pose.
- ✓ Europe has a great opportunity in the forthcoming review of the Single Market to prepare the ground to make the necessary adjustments to equip us for the 21st century and to keep Europe at the cutting edge.
- ✓ The European business community expects more than words and wishful thinking and it is ready to take up its responsibilities. The companies that you represent have extensive experience in both EU and global markets and have a great deal to say about what is needed. I therefore urge you to speak louder to your EU and national politicians and legislators on these matters. I look forward to hearing your views and proposals for a modern Internal Market.

Thank you very much.
