



SPEECH

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“THE RENEWED LISBON STRATEGY 2008-2010: HOW TO DELIVER MORE AND BETTER? THE ROLE OF ORGANISED CIVIL SOCIETY”

HIGH-LEVEL CONFERENCE OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

**ADDRESS BY MARC STOCKER
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8 FEBRUARY 2008, BRUSSELS**

Ladies and Gentlemen,

Fulfilling the Lisbon Strategy goals is more than ever a priority. The world economy is facing an unprecedented level of uncertainty, with the US on the brink of recession, continued financial market turmoil and rising inflation.

For the time being there are no reasons to be overly pessimistic for Europe and there are elements of resilience which make the prospect of a severe slowdown on this side of the Atlantic a relatively distant prospect:

But Europe will not escape unscathed from the present global economic headwinds and will need to release its untapped potential to keep growing in coming years. This can only be done through reforms!

Relying on large fiscal rescue packages – as often discussed at present – would be counterproductive and economically irresponsible. High wage demands will lead to more inflation, less employment, and will reduce the ECB’s capacity to stimulate growth if the economy weakens more substantially.

Hence, the Lisbon Strategy is not some distant objective but the relevant response to present economic difficulties.

It is the time again to reconcile employment and productivity, to support domestic demand and external competitiveness at the same time.

Of course, labour market reforms on the basis of the flexicurity principle are essential in this regard. European social partners have presented joint recommendations that have already served as a basis for the recent agreement on French labour market reforms. We are really looking forward to a new momentum in the modernisation of European labour markets.

But there many other examples of reforms able to enhance growth and meet legitimate aspirations of companies to be competitive and workers to increase their purchasing power. It is easy to calculate that if food, electricity, gas, water supply and transport prices had developed in the euro area at the pace of its most competitive national markets, this would have reduced annual inflation by 0.3% over the last five years, leading over that period to additional gains in purchasing power of 1.6% - and even more for the lowest income brackets.

This alone would have probably been sufficient to stabilise the labour income share – in particular of the low-skilled – in recent years, and would have had also substantial positive effects on productivity and job creation.

Hence, we strongly believe that removing barriers to competition, particularly in services and energy markets, has a great potential to boost domestic demand and reinforce global competitiveness at the same time. This is exactly the type of win-win measures that are needed today and that could create growth windfalls even in the short term. This puts a lot of emphasis on reinvigorating the Internal Market, which we think the Single Market Review Package is able to do if governments really take responsibility.

Substantial growth dividends can also be freed up by boosting innovation. According to the Commission, reaching the spending targets on R&D could imply a boost to GDP of close to 5%. Most of these gains would come from cross border trade, investment and technological transfer, which provides a strong rationale for European level actions.

It is therefore high time to bring numerous European initiatives with great potential in this field together in a coherent strategy. We strongly support the European Research Area or the recent proposal for a “Fifth Freedom” - the free movement of knowledge. But implementation and concrete deliverables will be key to demonstrate that the EU is indeed serious about the knowledge economy.

BUSINESSEUROPE also welcomes the proposal for a European Small Business Act, which is intended to give new impetus to EU and Member State activities in favour of SMEs.

We have always been convinced that true consideration by public authorities of the “think-small-first” principle and integrated policies in favour of SMEs, are the best way forward. A milestone in this respect has been the introduction of SME-specific priorities into the Lisbon strategy. We should reflect whether in this context more SME-specific targets or measures need to be defined in the future, to obtain stronger results.

Finally, the EU’s ambitious climate change strategy, whose package proposed by the European Commission on 23 January is probably going to lead to the most important EU legislation to be adopted before the European elections next year, must fit within the Lisbon framework. Climate protection must not be opposed to growth and

competitiveness. We need much more emphasis than currently is the case on energy efficiency and energy-saving technologies and a strategy that avoids over-burdening the European industry in the context of tough global competition.

Challenges for the European economy are numerous, but so are identified strategies to meet them at the national level. The business community has endorsed Country-Specific Recommendations proposed by the Commission in its December Lisbon Package and which are submitted to the Spring Council. But in the face of poor progress in most member states in 2007 our message here is crystal clear: it is implementation, implementation, implementation.

In fact, our last BUSINESSEUROPE Reform Barometer highlighted a risk of reform slowdown and showed that the Country-Specific Recommendations were insufficiently taken on board in 2007.

For us, the key priority for the next Lisbon coordination cycle therefore is to boost ownership and reinforce the incentives to deliver at the national level.

What business wants in particular is that:

- First, Member States respond to the Council's recommendations with an action plan, specifying targets and time schedules to deliver. Member States should also make clear how they will integrate flexicurity principles in their labour market reform strategies
- Second, the profile of the Lisbon Strategy must be raised at the national level, for instance by involving stakeholders more and at an earlier stage, by supporting a benchmarking culture and with better communication
- Third, there should be more peer pressure in the Council, and less complacency, in particular towards larger EU Member States. This also comes with better and more consistent benchmarking instruments.
- Fourth, the role of the eurogroup in the Lisbon governance must be reinforced for euro-area countries

The Integrated Guidelines do cover the right policy areas and remain well adapted to respond to new challenges. Focusing the political debate on a revision of the Integrated Guidelines would divert attention from more concrete decisions and not make any practical contribution to speeding up reforms over the next three years.

To conclude, reforms are the precondition to unleash the immense untapped growth potential in Europe. Freeing up this reserve will be vital to keep the European economy going in the next two years. This is a message that needs to come out loud and clear from the Spring Council.

We also hope that a broader consensus can develop among social partners and civil society that reforms are not opposing the interest of companies to the rest of society. There are obvious win-win situations as in the case of competition, innovation, skills and flexicurity.



Thank you for your attention.