



DRAFT SPEECH

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ADDRESS BY ERNEST-ANTOINE SEILLIÈRE PRESIDENT OF BUSINESSEUROPE

CONFEDERATION OF INDUSTRY OF THE CZECH REPUBLIC – SP CR GENERAL ASSEMBLY

30 APRIL 2008

Dear President,
Ladies and Gentlemen,

My first words will be to thank you for the kind invitation to address your General Assembly meeting today. This is for me the opportunity to reiterate the strong links and successful collaboration between SP – with you Jaroslav Mil in particular – and BUSINESSEUROPE.

2008 marks the 50th anniversary of BUSINESSEUROPE. This year is the time for us, and our 39 member federations, to celebrate the successes achieved towards economic integration, growth and prosperity in Europe. I recall that SP has been a member since 1994, long before the Czech Republic became a member of the European Union. You joined with special status first, became associate member in 2001 and full member in 2004.

The prospects of EU accession and then accession itself have triggered a number of economic and institutional changes. This constituted a powerful engine of growth for Eastern and Central Europe economies. Trade, capital opening, macro-economic stabilisation and institutional reforms are key factors.

Increased foreign direct investment has supported the convergence process. It has facilitated technological transfer and created resources to finance capital deepening.

Although the prospects are good for the Czech Republic, there are still many challenges ahead. SP does not seem particularly impressed by the efforts of the Czech government to address them in a timely manner. In fact, in the latest BUSINESSEUROPE Reform Barometer, published in December 2007, your assessment of progress in implementing the Lisbon strategy and necessary reforms in 2007 puts the Czech Republic in the lower part of our reform scoreboard of EU Member States. The European Commission also considered in its annual evaluation report that reforms were insufficient.

The European economy has entered a new catching-up phase, with rapid structural changes in the labour market and rising demands for higher skilled workers. Although not as pronounced as in other Central and Eastern European countries, enlargement led to a significant increase in the number of Czech workers moving to the former UE-15 Member States to work. The impact on the labour market is considerable. Youth and brain drain is a reality. As a result, skills and labour shortages have occurred which threaten future economic growth in your country. Improving education, training and qualifications to alleviate skills shortages and to tackle skills mismatches are therefore important.

In addition, increasing labour market flexibility remains a key challenge to make the Czech labour market more responsive to change. This can be achieved by addressing rigid employment protection legislation.

Further a reform of the social system is crucial to consolidate public finances. With inflation rising above 5% this year, wage policies must avoid fuelling further tensions with lasting negative consequences for growth. Wages should be in line with productivity and competitiveness.

Full convergence with the EU requires continued efforts on better regulation and internal market enforcement. Effective use of the cohesion policy funds may greatly support the development of infrastructures and innovation capacity. This will contribute to make the Czech Republic and thereby Europe stronger to face the challenging level of uncertainty of today's world economy.

On the European economic situation however I hear as you do the alarming messages spread over the past months. Based on the perceptions of our member federations, we published last Thursday our Spring Economic Outlook. This new edition provides us with reasons to express some optimism:

- the European economy will still grow and even stronger than the US for the 3rd year;
- Companies results remain strong, certainly in industry;
- Investment predictions are quite positive;
- Export are still at high level;
- Employment is growing.

European companies are strong and competitive. As we said in our document to celebrate our 50 years of existence, we need successful companies if we want a successful Europe. Therefore, with all the Presidents of our members, we have set the following priorities in order to make the European Union a competitive area:

1. We need to make real progress in the implementation of the Lisbon strategy. The strategy is good. It started to deliver since its re-launch in 2005 while being only partially implement. But clearly the goals will not be achieved without a stronger commitment to reforms at political level. In addition we need to look already now at how the strategy will have to be pursued beyond 2010. Member States from

Central Europe demonstrated in the past their remarkable adaptation capacity. This should be an asset for Czech Republic to accelerate reform processes now.

2. Deepening the EU single market and ensure effective enforcement of rule is a must. The enlargement of the EU in 2004 has breathed new dynamism into the internal market, extending its scope and significance. With now 500 million people in 30 countries (EU-27 plus Norway, Liechtenstein and Iceland) the single market of is a tremendous instrument to strengthen European companies in order to face global competition. It is also a unique opportunity for consumers which gain access to better information, wider choice and lower prices of products. At the same time it increases health and safety protection. Finally it benefits citizens at large by offering them the freedom to live, study, work and retire in any EU country.

However the enlargement of the internal market came with some concern and emotion. Workers from Czech Republic and its Eastern European neighbours – especially Poland – were unfairly pictured as a potential threat to jobs and social standards in some Western European countries. Better enforcement of the single market, notably of the services directive, will also prevent those situations of mistrust by ensuring that the rules are known and apply to all the players.

3. Hand in hand with these policies we must modernise our social systems and reform labour markets in order to meet the demands of an ageing society and the lack of skilled people. The flexicurity approach is key in this respect. So is an effective social dialogue at EU and national level. The agreement we reached last year on – inter alia – flexicurity is a milestone in the European social dialogue.
4. In addition we want to fight all kinds of protectionism in the European Union and in the world. This is the only way forward. As already mentioned, the single market is the success of Europe but far from complete. At global level, BUSINESSEUROPE actively supports the Doha round in the WTO since its launch in 2001. Now we urgently want to see the negotiations finalised because in today's globalised world we need a strong multilateral trading system.

From 2002 to 2006, imports from China and other dynamic Asian economies increased by 70%, raising the EU trade deficit with these fast-growing markets to 165 billions euros in 2006. This accounted for 85% of the overall EU trade deficit observed in 2006. European companies want and need real market openness and new export opportunities, particularly in highly competitive emerging countries like China, India and Brazil. This would also enhance job creation in Europe.

5. We also attach the utmost importance to good governance and a swift ratification of the Lisbon Treaty. This is key to ensure that a European Union of 27 Member States remains operational. 11 EU countries ratified the Lisbon Treaty so far via their national parliament. In March we welcomed the fact that the Czech Republic had opened the parliamentary debate on the Lisbon Treaty. Now we will look with

attention at the decision of the Constitution Court on the compatibility of the Treaty with the Czech Republic's Constitution. We know that the ratification process might be long and not free from pitfalls. I call you to demonstrate strong support from the Czech business community to the successful ratification of the Lisbon Treaty before the 1 January 2009 when your country will hold the Presidency of the European Union.

6. Finally, the issue of energy and climate change is certainly the key topic for BUSINESSEUROPE these days. Two years ago we were more defensive. Today we have to be pro-active: industry is considered to be part of the problem. We see it above all as part of the solution to tackle the challenge of global warming.

BUSINESSEUROPE is committed to promote a secure, competitive and climate-friendly energy system. We call for the development of efficient policies designed to reduce global carbon emissions. At the same time we need to strengthen the security of the EU's energy supply. This should be done hand in hand with the competitiveness debate: we will not be able to evolve towards a low-carbon energy system if the competitiveness of European industry is sacrificed. And I know the strong position of your Chairman in this debate. He is a great specialist. He knows the impact of those policies very well. He always orients our debates, be it in the Council of Presidents or in the Executive Bureau.

Europe must keep its industry in Europe as the basis for growth and jobs and for continued investment and innovation in environment-friendly and energy-saving technologies. However, companies are concerned about a number of elements in the energy and climate package put on the table by the European Commission in January. The additional costs – 80 billions euros a year – deriving from the revision of the Emission Trading Scheme and from the EU renewables policy will seriously hurt in particular energy-intensive industries. Clearly, mitigation measures will be needed to alleviate the competitiveness pressures.

So far, the European Commission has been partly receptive to our concerns but we cannot afford to slacken our vigilance.

Further, BUSINESSEUROPE is firmly convinced that there will be only one way to meet the climate change challenge successfully, from an environmental as well as an economic point of view: by finding a global agreement which also includes all major emerging economies in Copenhagen next year.

I know it can be sensitive in Central Europe to touch on relations with Russia. But I want to recall here that on the issue of energy security, it is important for the EU to strengthen relations with Russia over the next few years. BUSINESSEUROPE advocates for a common EU position in this field. In addition we would favour Russia's future WTO membership as it would provide stability for both Russian and EU companies involved in trade and cross-border investment. On the issue of investment, we would like to see more openness and therefore BUSINESSEUROPE is closely examining new Russian laws on strategic sectors. We also expect Russia to move



away, within a reasonable timeframe, from government intervention in the economy toward more market based regulation.

As you have noticed we have a lot to deal with in BUSINESSEUROPE. It is essential for me as President to know that our messages are backed by strong business organisations. This is particularly true for SP. The upcoming Czech EU Presidency in the first semester of 2009 constitutes a great opportunity to strengthen the position of your organisation. But it will also come with numerous challenges. Expectations from the European business community are high. We will count on your involvement to make our voice heard. Be assured that you can count on our full support in this task.

Thank you for your attention.

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