



SPEECH

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DUBLIN FOUNDATION CONFERENCE ON GLOBAL COMPETITION AND EUROPEAN COMPANIES' LOCATION DECISIONS POZNAN, 5 JUNE 2008

3RD PANEL "COMPETING FOR INVESTMENT: ENSURING A WIN-WIN OUTCOME"

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Ladies and Gentlemen,

I would like to thank the Dublin Foundation for organising this conference on global competition and European companies' location decisions.

We attach great importance to the topics addressed in this conference as we hope it will help enrich and broaden the scope of our perspectives when we deal with social and economic challenges in Europe.

BUSINESSEUROPE represents over 20 million small, medium and large companies through 39 federations in 33 countries.

I would like to focus my intervention on the following points:

1. **First of all I want to emphasize that globalisation is and must be accepted as an opportunity for Europe, not a threat.** In April 2008, the European Commission issued the study "is Europe fit for globalisation?" which concluded that, on the whole, the European Union has been among the winners of globalisation. BUSINESSEUROPE shares this analysis. There are indeed also risks that we have to face, basically linked to the existence of low-skilled workers who could be in worse conditions to face the challenges of globalisation as it is reflected in the OECD's last Employment Outlook.

2. **But we should bear in mind that European companies are among the world's most competitive.** They are the world's leaders in the trade of goods and services. They have created over 20 million jobs over the last decade. With a six-fold increase in foreign direct investment from outside the EU between 1995 and 2005, the Single Market has proven its attractiveness also to foreign investors. But the world does not stand still. In order to be successful, European companies need to adapt their activities to new competitors in emerging economies or to rising energy and raw material prices.
3. **It is also important to underline that competition for company investment is not threatening the EU's overall welfare.** Contrary to what many believe, there is no such thing as a "race to the bottom". Total tax revenues from corporations have remained fairly stable across the EU over the last ten years. Consequently, the fear of social dumping is unfounded. BUSINESSEUROPE believes that competition for company investment is a positive engine for competitive tax systems, for efficient administrations and for keeping public spending low.
4. **And our strongest asset is Europe's competitiveness, which will be key to promote and attract company investments.** The Lisbon strategy on "growth and jobs" sets out the right reform priorities for member states to enhance Europe's competitive strength and to attract more foreign direct investment. In 2008-2010, EU member states need to boost their efforts to implement reforms in order to address the challenges of globalisation, technological change and the ageing of the population. The EU budget and the structural funds, including the European Regional Development Fund and the European Social Fund, need to be mobilised to increase Europe's competitiveness.
5. **Companies increasingly look at long-term sustainability when making decisions as to where to locate.** Access to markets, availability of skilled labour, flexible labour markets, unit labour costs, political stability are the kind of elements, which are considered by companies when they make location decisions.
6. **Restructuring, relocating, offshoring, is essential to the survival and development of European enterprises.** It is not a one-off action. It is a dynamic and continuous process of adjustment in the broader context of ongoing socio-economic changes in Europe and at the global level. It not only concerns sectors in difficulty but allows companies to make strategic decisions in order to move out of unprofitable activities and to develop more productive ones.
7. **Restructuring may involve the relocation of some activities.** But relocation is only one of several ways companies are using to respond to increased competition, new technology, market developments or tight labour markets. Distance matters for a vast majority of companies, which are firmly based in their home country. As indicated in the background paper, offshoring remained stable at around 10% of job losses in 2003-2006. Fears of relocation are rooted in the inability of some European countries to generate new jobs to replace those which are affected by technological change and the transition towards a more service-driven economy.

8. **The European social partners have engaged into joint action to better anticipate and manage the social consequences of restructuring.** European works councils play a role in enabling a dialogue between companies' managements and employee representatives when restructuring occurs. However, BUSINESSEUROPE believes that managing change must not mean preventing change. Companies' capacity to make decisions should not be endangered by information and consultation procedures, whose main role is to consult employees on the implementation of decisions taken.
9. **There is no ideal model for labour relations. Flexicurity is the right framework to modernise European labour markets.** Instead to focusing too much on job protection we should concentrate our efforts to promote job transitions, protecting the crucial employability of workers. Rather than imposing restrictions on possibilities to terminate individual employment contracts, or introducing restrictions on the use of flexible forms of work, flexicurity rightly focuses on supporting companies' and workers' efforts to adapt labour frameworks to a changing environment. In that sense if well-conceived and implemented, flexicurity can help overcome the trade-off between employment and productivity growth in which many countries have been trapped in the past. This explains why the employers' and trade unions' joint analysis of labour market challenges recommends action to review, if needed, the labour relations framework and, if needed, job protection schemes.
10. **Implementing effective lifelong learning and efficient active policies strategies in Member States is an essential ingredient in the flexicurity approach.** With the main objective of increasing individuals' employability, adaptability and the overall level of skills, such strategies can help provide a platform for a well functioning labour market and a broad skills base, which are both central factors in companies' location decisions.
11. **Europe urgently needs to find ways to modernise its social security systems.** Member States need to step up their efforts to achieve sound public finances and reform pension, health and long-term care systems in order to ensure the financial sustainability of social security systems and meet the demographic challenge.
12. **Realising the Single Market.** One of the most successful policies of the EU is the single market and its enlargement to new countries. It has helped them to face political and social change as well as to reinforce the structural reforms. It has not been a seamless process but results start to be visible as we can see here in Poznan. Since the foundation of the European Union, BUSINESSEUROPE has advocated the establishment of the Internal Market as it is one of our most attractive elements for foreign investment. Administrative, regulatory and tax obstacles hinder companies that wish to develop cross-border activities and represent a real challenge to a well functioning Single Market. The free movement of persons, capital, goods and services is key to attract more investments in Europe as well as to better equip citizens and companies to succeed in the age of globalisation. In this context, a high quality implementation of the services directive is particularly important.

13. **Lifting obstacles to the mobility of capital in the EU is a priority.** The free movement of capital is a key driver of companies' investment decisions as it lowers trading costs for investors, which in turn translates into lower financing costs and greater return on capital. While the description of the panel assumes full mobility of capital across the Single Market, the reality looks different. In the field of taxation, for example, member states are very inventive in finding ways to continue to tax capital even when this capital has already moved abroad or to set up tax law that restricts the free movement of capital. In addition, companies currently face 27 different systems to calculate a company's taxable earning. This makes it costly and burdensome for business to operate in several member states. Businesses want a simple tax system which enhances predictability, the rule of law, legal certainty and stability.

14. **Innovation, Research and development should also be at the top of our priorities.** The lower level of investment in I+R&D (as a percentage of the GDP), in comparison with USA, Japan or even South Korea is simply not justified. Strengthening the links between the private sector, universities and research organisations is crucial to assure a positive scenario in the coming years. Reinforcing the abilities of companies to make long-term investments in this field is also essential.

Our capacity to take advantage of the opportunities that globalisation brings about is closely related to our attitudes. Fears are sometimes based on unduly narrow and ideological approaches and should be replaced by a more positive attitude towards economic and social integration as a challenging unique opportunity to improve social welfare worldwide.

Thanks for your attention.