



SPEECH

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ZDS – BUSINESSEUROPE CONFERENCE ON “ADVANTAGES AND ACHIEVEMENTS OF AN ENLARGED EUROPE”

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SPEAKING NOTES

Dear Presidents, Ladies and Gentlemen,

I am very pleased to also have the opportunity to address this special business gathering, which has been organised by ZDS and BUSINESSEUROPE for the President of the European Commission, José Manuel Barroso, with a view to foster an exchange with the Slovenian business community and business representatives from neighbouring countries. We have put the event under the motto “Advantages and achievements of an enlarged Europe”.

On the benefits of enlargement: growth and job creation

Geographies in Europe have changed considerably since the 1990s and opened up totally different prospects for the EU. EU enlargement has proven to be the right and only way forward and brought considerable benefits:

- an enlarged Internal Market with a population that rose from 390 million to 500 million
- trade between the “old” and the “newer” Member States has doubled since 2000
- structural reforms, investments and new export opportunities have strengthened the central and eastern European economies and fostered GDP growth
- 23 million new jobs have been created in the EU15 since 1997 (despite some concerns that enlargement could lead to growth slow-down)
- since 2004, job creation is developing also positively in the central and eastern European economies

The remaining challenges for central and eastern Europe: pushing structural reforms and achieving higher social cohesion

Having said this, the huge remaining challenges should not be overlooked: pushing structural reforms and increasing social cohesion, plus increasing legal certainty and fighting corruption in some countries.

Let me just mention a few figures to illustrate this:

- GDP per capita in the “newer” Member States is on average at the level of 33% of GDP per capita in the EU 15 – this figure hides big discrepancies: Bulgaria reaches only 13%, whereas Slovenia reaches 57%.
- Current account deficits in a number of central and eastern European countries (e.g. largely above 10% of GDP in Baltic states) create vulnerabilities.
- Public deficits play a role in Hungary, Slovakia, Czech Republic and Poland.
- Despite still positive fundamentals for foreign direct investment in the “newer” Member States, profitability and the return on capital is levelling off.
- Central and eastern European countries are now facing cost pressures and see their relative competitiveness decline due to the following factors:
 - inflation is running above 5% annually in most countries
 - wage pressures can be noted after a decade of high growth, structural shifts in employment and a general tendency towards skill shortages
 - rising unit labour costs lead to a loss of cost competitiveness (above 20% in Lithuania, Bulgaria, Slovakia, Czech Republic, Estonia, Poland, Latvia and Romania since 2004)

Slovenia itself has done well, reaching the highest per capita GDP in Central Europe. According to our Economic outlook, for 2008 and 2009, GDP growth is expected to remain above 4% and unemployment levels will remain low. But you also face a number of important challenges such as containing inflation, reducing the public deficit, further privatisation and labour market reforms.

Challenges facing the EU as a whole and BUSINESSEUROPE’s priorities for 2008/2009

Europe faces many challenges: increased global competition, an uncertain global economic environment, rising commodity prices and demographic pressures. This requires the right answers and policy mix to ensure sustainable economic growth and sustained job creation.

In the light of our 50th anniversary this year and the appointment of a new European Commission and the election of the European Parliament in 2009, we have already reflected on what we believe to be the “winning priorities”.

1. **We need to make real progress in the implementation of the Lisbon strategy for Growth and Jobs.** The strategy is right. The goals will only be achieved if there is stronger commitment to reforms at Member State level. It

is important already to look now at how the strategy will be pursued beyond 2010.

2. **The EU single market** remains a key project and achievement of the EU. However it is far from being completed. **Remaining barriers to the free movement of workers, goods, services, capital and knowledge have no place in today's Europe. They must be removed.** Ensuring effective enforcement of existing rules is also a must. The implementation of the services directive will be a real test case.
3. Hand in hand with these policies **we must modernise our social systems and reform labour markets.** The flexicurity approach should be at the centre of labour market reforms. Social dialogue solutions to labour market challenges will also remain important.

It is also of high importance to foster **mobility and economic immigration** and I would like to share a few more thoughts on this:

- BUSINESSEUROPE strongly supports free movement of workers. Improving labour mobility is one means to achieve a better match of labour demand and supply in the EU, to tackle labour shortages and fill skills gaps.
- But the mobility of workers within the EU is limited. Currently, only 2.2% of the EU-27's working-age population lives abroad. For the countries that joined the EU in 2004, this figures stands at 4%.
- One of several reasons for relatively low mobility is that some Member States still have restrictions in place regarding inflow from the "newer" Member States¹. However, also in the countries currently still practising restrictions, the tendency goes towards a gradual opening of markets, which we welcome.
- The impact of migration on receiving countries is predominantly positive. The impact on sending countries is however much more mixed. Youth and brain drain are a reality and a problem for central and eastern European countries. The outflow of workers creates labour and skills shortages, which in turn leads to increased wage pressure and inflation. Improving education, training and qualifications are then necessary in order to keep up with the rapid transformation of the labour market.

¹ Ten of the "old" Member States (UK, Ireland, Sweden, Spain, Finland, Greece, Portugal, Italy, the Netherlands and Luxembourg) have opened their labour markets completely to citizens from countries that joined the EU in 2004. But only ten out of the 25 Member States (Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Poland, Slovenia, Slovakia, Finland and Sweden) have liberalised access to their labour markets for Bulgarian and Romanian workers, for example.

- In addition to a need for increased mobility within Europe, we also need to attract more workers, in particular highly-skilled ones, from outside the EU. European labour markets need the talent and dynamism that immigrants bring. We are therefore pleased to see that progress is being made at EU level in the area of legal migration, for example through the blue card proposal.
4. **We must fight all kinds of protectionism in the European Union and in the world.** In a globalised world a strong multilateral trading system is needed. Therefore we urgently want to see the negotiations of the Doha Round finalised but not at any cost. European companies want and need real market openness and new export opportunities, particularly in highly competitive emerging countries like China, India and Brazil.
 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. 14 countries have ratified the Treaty so far. This is an encouraging result. I look forward to the opinion of the EESC on the new Treaty and its implementation. Clearly, the EESC has a key role to play in the broader debate about the future of Europe.
 6. **Finally, 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 as we will not be able to evolve towards a low-carbon energy system if the competitiveness of European industry is sacrificed. Moreover, 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 carbon-emitters as well as emerging economies in Copenhagen next year.

Conclusion

If fully implemented by policy-makers at European and national levels, these priorities will enable companies to be successful and be a cornerstone for a successful Europe. Europe needs successful companies and companies and citizens need a successful and well-functioning EU. And only a well-functioning EU can contemplate and lead the project of further enlargement.

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