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### **DEBATE WITH PRESIDENT SEILLIÈRE, PRESIDENT BARROSO AND DEPUTY PRIME MINISTER VONDRA**

#### **EUROPEAN BUSINESS SUMMIT**

**THURSDAY 26 MARCH 2009**

President Barroso, Deputy Prime Minister Vondra, entrepreneurs, Ladies and Gentlemen!

I am pleased to be back at the European Business Summit and to share this debate with all of you. Unfortunately, the economic context has changed dramatically compared with the last time we met on this stage with President Barroso a year ago!

Millions of European companies encounter severe short-term financing problems. But we cannot allow viable businesses to disappear. Therefore my first message to policy-makers is that restoring credit flows is the number one priority.

My second message to national governments and to President Barroso is: do not burden companies with unnecessary regulatory demands! It never helps but right now it can be simply lethal for growth and jobs.

Companies themselves are the solution to get out of the crisis. As it is the case with all crises, this one will eventually end. In the meantime, we entrepreneurs are not only doing our best to survive and keep workers in employment; we are also doing all we can to prepare for the future.

Responding to the crisis public authorities have intervened, and rightly so. However, dramatically increased intervention in our economies can only be temporary. In the long run, our success depends on successful companies.

Europe has strong assets. We can make it! Our social model is playing a stabilising role. We can still improve the way in which social protection systems support companies and workers in their efforts to adapt to changing labour market circumstances.

Let me add that an important feature of our social model is social dialogue. It can be of great help under the present circumstances. Experience shows that where employers and trade unions are able to work together constructively, people tend to suffer less in times of crisis.



We are well aware that the main source of today's difficulties is not social policy. The burning priority is to fix the financial and economic side of the equation. To do that, BUSINESSEUROPE is advocating a four-pillar strategy:

1. Companies' access to finance must be improved
2. We must resist all forms of protectionism
3. Member states must support growth and jobs with stimulus measures
4. The implementation of structural reforms must be accelerated

Improving companies' access to finance is the biggest concern for a great number of European companies, SMEs and big enterprises alike. Having examined the problem with our members, we found several concrete actions that would help. They will be presented to the press in detail tomorrow but nevertheless I anticipate three:

- Central banks, including the European Central Bank, should engage in the outright purchase of short term debt instruments issued by corporations;
- Governments should reduce payment delays, reduce administrative burdens and implement targeted fiscal measures;
- European Commission and governments should strengthen a common approach to support commercial banks in distress, maintaining a level playing field and allowing the necessary restructuring of the banking sector to operate under market conditions.

Protectionism is the most important individual risk to the European economic outlook. The EU Single Market is the cornerstone of Europe's prosperity. Defending the four freedoms on which it is based – free movement of people, capital, goods and services is essential to put Europe back on track to growth and employment.

BUSINESSEUROPE expects the Commission to intervene whenever protectionist measures are introduced both within the EU and by global partners. At the international level, we need a clear signal from the G20 that effect will be given to the commitment they made in December 2008 to conclude the Doha WTO negotiations as soon as possible.

In the meantime, we also need a clear commitment from WTO members to refrain from introducing new protectionist measures. We urge the rapid conclusion of ambitious bilateral EU trade agreements under negotiation with Korea, India, ASEAN and Ukraine. At the same time Europe must avoid harmful regulatory divergence with the USA.

President Barroso, Deputy Prime Minister Vondra, entrepreneurs, Ladies and Gentlemen! European business is convinced that Member States must support growth and jobs stimulus measures. Mr Vondra, your country has the difficult task of ensuring that the commitments made by the EU Council in December 2008 representing 1.5% of GDP are actually implemented.



The exceptional circumstances we are facing justify the use of the flexibility allowed by the Stability and Growth Pact. However, we must also beware of growing public deficits and public debt. For this reason, it is important to ensure that recovery measures are targeted at investment and support cost-saving structural reforms.

Speeding up structural reforms is also key to fight the economic downturn. As I have already indicated, the crisis will eventually end and the EU must be competitive when this happens. The Member States have a collective responsibility for the decision they take in the EU Council. The Commission must speak up when national recovery plans fail to live up to their promises, go soft on structural reforms or undermine the Single Market.

Let me briefly go back to the labour market consequences of the crisis I mentioned before. The economic situation has evolved, but the flexicurity approach which both employers and trade unions support still remains valid.

To ease the way out of the crisis we must pay special attention to three aspects of flexicurity. Working time flexibility is a good way to allow companies to keep their workforce in a downturn. Keeping labour costs under control is essential to avoid even higher unemployment. Education and training also play a crucial role as the next economic upswing will be impossible if companies lack a sufficiently qualified work force.

My closing remarks are addressed to the 2 April G20 meeting in London.

The EU should take the lead by way of example and persuade our international partners to advance balanced market reforms based on principles of transparency, better oversight, risk management, internationally comparable accounting and capital requirement rules. The "de Larosière report" on banking supervision and regulation brings forward sensible proposals to move towards stronger cross-border oversight and reduce systemic risks in the financial sector.

Deputy Prime Minister Vondra, President Barroso! BUSINESSEUROPE expects the G20 to demonstrate a genuine willingness to cooperate to combat the deep global economic recession. There are three key issues for European business:

- Restore access to finance for companies which are starved of credit,
- Ensure better coordination of economic stimulus plans to invest in future growth-generating infrastructure and policies,
- fight protectionism and take concrete action to conclude the WTO Doha Round.

As for us, you can count on BUSINESSEUROPE to keep working hard to find solutions.

Thank you for your attention.

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