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“THE WEIGHT OF EUROPE: ECONOMIC POLICY INTERESTS IN A MULTIPOLAR GLOBAL ECONOMY”

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Meine sehr geehrte Damen und Herren,

Atemberaubende Berglandschaft, klare Luft - und saftige Wiesen, das ist doch eine inspirierende Umgebung! Zumal die Höhe der Berge die Menschen bekanntermaßen zu tiefen Gedanken bringt. Gibt es einen schöneren Ort als Alpbach um die wirtschaftliche Zukunft Europas zu reflektieren?

Ladies and gentlemen,

this wonderful village in the heart of Europe is a beautiful place to reflect what is at the heart of Europe's prosperity: Our openness to international trade and investment.

Europe's economy is vital. High value-added European goods and services are in high demand on world markets. They secure jobs in Europe. International trade is estimated to account for up to 15% of European GDP.

This economic vitality results from the exports performances of companies. And from their ability to invest and attract investment. Europe has emerged as a principal recipient of Foreign Direct Investment since 1990. At the same time, EU firms are major investors in other markets around the world. European FDI outflows all over the world amount to 150 billion Euros annually. In other words, trade is the driving force for the success of European companies – and for our growth.

But the economic scenery has changed. The times, in which Europe - together with USA and Japan - dominated the world's economy, are over. Particularly Brazil, Russia, India, and China - the BRIC countries - have tremendously increased their role in recent years. And this trend is likely to continue. The combined GDP of the BRICs is expected to outweigh that of both the US and EU economies by next year.



And is expected to increase further thereafter. That makes clear that we experience a new global, a global multi-polar economy.

I experienced this in my own company. The Heitkamp & Thumann Group supplies the automotive industry, provides aerosol cans for the pharmaceutical industry, and battery cans for consumers use. At the time that I founded my Group, 1978, we focused completely on the West-European and US markets. Then the end of the cold war enabled our expansion into the eastern European region. Mid of the nineties we opened first plants in Asia. Right now we are looking to grow our business in India and Brazil. Today we are a leading global partner for precision formed components in both metal and plastic.

This makes clear how the new economic order creates enormous opportunities for an open economy like that of the EU. For multinationals as well as for SME's.

At the same time, this global growing economy poses many challenges. How to deal with climate change, industrial competitiveness, intellectual property rights, financial stability, energy and raw material security? These themes demand our attention!

Another positive consequence of this multi-polar economy is, that more shoulders carry the responsibility for global growth. In the past this was mainly up to the EU, US and Japan. Today, the BRICs, and in a larger context the whole G20, play a stronger role. The current situation offers a good example for that, as we see that Europe's actual export recovery is largely driven by growth in Asian countries.

All of this makes crystal clear: Future European policy-orientations must fully reflect this new world economic order. We need an evolution in mindset and policy-making! Most important of all, we must make sure that domestic policies are enhancing Europe's global competitiveness and openness. Especially, because in the actual crisis Europe is affected more severely than the USA or Japan.

It is crucial to take the right decisions now to secure Europe's leading place in this multi-polar world. How Europe can play a leading role, we showed in our contribution to the G8 and G20 summits. In the discussions that shape global financial market regulation and supervision, Europe has been at the forefront.

The crisis has shown the importance for a new financial framework. A framework, that rewards responsible risk-taking and investment. It is essential that Europe has been vocal. And that we continue to make our voice heard! BUSINESSEUROPE, with the support of our members, has an important job to do! It is key to improve financial supervision globally, restore confidence in financial markets and improve financial stability management. But please, no over-regulation! No regulation that suffocates financial markets and impedes the flow of credit to companies. We need smart rules, with the right sense of proportion.



Ladies and gentlemen,

The crisis has highlighted fields for action in the purely financial domain. But we must also look beyond. Look at the medium- and longer-term challenges. To set the right priorities. I see four of them:

1. Europe must create synergies between innovation, skills and entrepreneurship.
2. Must put in place modern employment and social policies.
3. Must reconcile energy, environmental and competitiveness policies.
4. And we must keep the global markets open.

Let's take a closer look at this agenda. First, the creation of synergies between innovation, skills and entrepreneurship.

To maintain Europe's position as technological leader it is essential to have the brightest talent. Already in 1943, Winston Churchill knew: "The empires of the future will be the empires of the mind". Today the USA are still leading the so called "war for talent". About 400,000 Europeans with scientific and technical education live and work in America. Among the world's top-50-universities, 36 were located in the USA. And 10 in the EU! But USA's leadership position will not remain undisputed too. Talent is no longer the exclusive preserve of the western world. The BRICs and other developing countries are taking center stage in the global race for innovation and talent. It is estimated that there are 33 million university-educated young professionals in the developing world. Against 14 million in the developed world. A difference from 19 millions! While many Western countries face talent -shortage, China and India alone claim around two-thirds of all engineers. And we all know this is a vital talent pool! It already enabled many Chinese and Indian companies to boost their innovative and competitive power. For Europe this means, that we face a massive competition in the global race to grow, attract and retain talents. To ensure skills and competences in the workplaces of tomorrow, the EU needs to invest massively in education and training. Another worrying sign is the development of the number of patents registered. In 2007, Japan registered roughly 18% of world patents. The USA 35%. And the EU round about 16%! And then I did not mention the emerging countries yet. They are also remarkably rising in patent applications, in particular China. So: Europe has not enough patents. Has too less top-universities. And suffers from a migration of talents. Looking at these facts, I have to conclude: Europe is very bad at "turning knowledge into money". This needs to be changed. We need to achieve excellence in teaching and research by fostering highly integrated public-private networks. Networks composed of businesses, entrepreneurs, universities, research institutes and technology centres. This is key important to ensure that new ideas lead to the creation of innovation and trade.

Second priority in Europe is: We must put in place modern employment and social policies.

Europe has the world's highest standards of labour protection. Member States have welfare systems that protect workers in difficult times. Lately, they have proved very useful to cushion the employment impact of the crisis. We should safeguard the core



of those systems. But we also need to modernise them. Only then we will be able to maintain them. Delayed reforms have already amplified the pressure on Europe's competitiveness. Our competitiveness is also directly influenced by labour-costs. Countries that have been able to contain wage pressures effectively, like Germany, have a stronger export performance. Responsible wage-policies must be in line with productivity improvements. The crisis has demonstrated that the priority should be given to promoting mobility and training, and increasing labour market- inclusion. Non-wage labour costs must also be contained, to encourage job creation. There is a way to modernise European social and employment policies: It is the principle of flexicurity. Or in other words: combining the right degree of flexibility and security. Each Member State must implement it now!

Our third point of action is: To reconcile energy, environmental and competitiveness policies.

The EU has embarked on the most ambitious climate policy programme in the world: Generation of 20% of our energy by renewable sources, and a reduction of 20% of greenhouse gases by 2020. This does not come for free: Renewable energy is much more expensive than coal or nuclear energy. Therefore electricity supply costs for companies will substantially increase. The direct cost of mitigating emissions is estimated 91 billion Euros in 2020! And looking at all these efforts we have to keep in mind: European industry and energy sectors account for only 6.5% of global emissions! Therefore it is absolutely crucial, that an international climate agreement is forged in Copenhagen this December. It must ensure that all developed countries make equivalent efforts to that of the EU. And that advanced developing countries commit themselves to setting their own reduction targets. As BUSINESSEUROPE, we have engaged in the climate debate with a constructive attitude. But at the same time we send out a serious warning: If this EU energy and climate package will not be cautiously implemented, it will practically expel European industries into other countries. How can industry survive in Europe, when in other regions climate regulations are less tight? A rigid implementation of climate goals represents the most serious threat to the competitiveness and existence of European industry. We absolutely need industry! First and foremost because it develops, provides and applies energy-efficient technology. Europe needs industry to tackle the climate challenge! And so the EU must develop sound regulatory frameworks that will encourage companies to invest in green technologies, in order to maintain their leadership on global markets. Worldwide some € 358 billion are being spent on green measures as part of national stimulus packages. But there are big differences. The USA has allocated 82 billion Euros. China as much as 152 billion Euros. The EU Community and Member States combined barely 40 billion Euros. Europe cannot afford to spoil the opportunity of a "green recovery". The EU has taken the lead on the fight against climate change. It can only consolidate this position with a globally competitive industrial base in Europe. To this end, an integrated European policy approach reconciling environmental protection and industrial development has yet to be developed.



Our fourth priority should be: To keep global markets open.

Europe needs to shape globalisation and fight protectionism. The introduction of “*buy American*” and “*Buy Chinese*” in these countries’ economic-stimulus-plans, are a serious setback for free trade. The EU commission has to act vigorously whenever protectionist measures arise. This applies to external trading partners as well as to our internal European market. Furthermore we need:

- The conclusion of an ambitious Doha-round
- Bilateral free trade agreements to open up markets for EU companies.
- We need a tougher approach towards key emerging economies over the protection of intellectual property rights.
- Opening-up of procurement markets.
- Securing access to raw materials.
- And eliminating unfair subsidies and restrictions.

Regulatory cooperation with key trading partners must be developed. Lifting non-tariff barriers retrieves tremendous growth potential. For example, if the agenda of the Transatlantic Economic Council would be resolved, that would add more than € 6.5 billion to the EU-US economic relationship. Looking at market access barriers in China, the situation has somehow improved over the last years. However huge obstacles for EU firms still exist. A 2006 study, financed by the European Commission, showed that due to Chinese non-tariff barriers EU companies lose more than 21.4 billion Euros a year.

Ladies and Gentlemen,

These challenges and priorities show: When the EU wants to maintain its strong position in the global economy, there is work to do! We still have to improve. But we also can be optimistic. Europe has the strengths and capacities to do so!

As BUSINESSEUROPE, we will continue to engage with EU leaders to make sure that Europe develops into the right direction! I know that our member strive for that each day. Together we will be strong.

In Vienna und Berlin, people say: *Einigkeit macht stark.*

In Amsterdam they say: *Eendracht maakt macht.*

And in Paris: *L’union fait la force.*

Together we can strive for the European power!

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