



*** Check against delivery ***

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LAUNCH OF ICAEW REPORT “PROSPECTS FOR RECOVERY: INTERNATIONAL PERSPECTIVES ON BUSINESS CONFIDENCE AND COMPETITIVENESS” REMARKS BY EOIN O’MALLEY

Thanks very much.

I'd like to react, if I may, by highlighting some areas where work done by BUSINESSEUROPE confirms the general points outlined by the report and then make a few points about the kind of approaches that we believe need to be taken over the coming years to put us on the right track again.

I thought it might be interesting, as a starting point, to compare the survey with an Economic Outlook for the European Union that my colleagues released in September. This is prepared on the basis of input from the chief economists of BUSINESSEUROPE's member federations in the EU that we received at the end of August.

Both approaches bring out the severity of the crisis for European companies. Our federations predict, first of all, a decline in GDP of 3.9% over the course of 2009 and sluggish growth next year of only 0.7%. Growth, certainly, and indeed beginnings of recovery. But this will be a bumpy road and the damage done to employment and companies' balance sheets over the course of the last two years will take some time to repair.

I think we would also agree with the survey's findings that companies in the EU are planning to shed jobs and cut investment as response to crisis, perhaps more than our peers elsewhere. Our Member Federations estimate job losses over the course of 2009 and 2010 of somewhere in the region of 9 million, with 6 million of these coming in just this year. It might be interesting to note that the UK with 1.5 million jobs lost and Spain with 1.9 million are the biggest individual contributors to the trend. Ireland (-13%) and Lithuania (-11%) are the most affected in percentage terms. As regards investment, this is severely hit. Members estimate a drop of over 10% this year and a further 1.8% next year.

I would also highlight the results in the survey related to access to finance. This has been the major concern since the beginning of the crisis for both large firms and small firms. We have, it must be said, noted some improvements since the spring, when the last Outlook was released. This is particularly the case for loans required to fund



research and development and loans to finance productive investments. However, there are serious problems still, in what are more difficult areas perhaps, in terms of the ability to refinance debt and to secure working capital. In many cases these problems are now pushing companies, particularly SMEs, to the point of bankruptcy.

I would finally stress the points made on globalisation. The international environment obviously remains hugely important for firms. It is interesting to note that, of the components of the decline in GDP estimated by our Member Federations a big proportion of that comes from the decline in trade – with a 14% drop in EU exports and a 12% fall in imports. International trade and investment are going to be crucial for a European recovery, and perhaps even more so than for some of our partners. One positive point to remember is that the competitiveness of European exports has held up in the face of the rise of the new Asian exporters to a much greater extent than our American and Japanese counterparts. I'm referring here to a study we did last year, and the data it must be said is very much pre-crisis, from 1995-2005, but very interesting nonetheless. But it does show that, over that period, the US share of world exports fell from 17% to 13% and Japan's share from 14% to 9% but the EU's share remained much more steady, falling only from 21% to 19%. So there's still a great deal of potential for Europe to derive benefits from globalisation and that's without getting into talking about investment, which is huge. And I think the figures on business confidence in Asia and the Gulf in your study today are very clear in terms of where future markets are going to be and only further emphasize the importance of doing well internationally.

Now, this information is all very interesting, but what should we do about it? Well as it happens some of my colleagues have been looking at what a future strategy for growth and jobs might look like in the EU. The current Lisbon Agenda is coming to its close in a couple of months, we have a new Parliament, we will have a new Commission and maybe some new institutional arrangements so it's the right time to make some long term recommendations and we've focused these around five pillars.

First deepen integration and restore stability. The Single Market is one of the greatest assets EU firms have to grow, but it has also proven fragile in difficult times. Measures to promote economic integration must continue. Financial markets will be part of this but governments must take care that all measures to address our financial challenge support the goal of providing finance to companies.

Second, innovation, entrepreneurship and skills will be vital. Much greater policy coherence is needed at EU and national level to improve here. With demographic ageing and increasing global competition there is no way around the challenge. We need to address administrative and tax burdens, focus education policy, address funding for research and venture capital.

Third, employment and social policy reforms must be tackled. Employers need flexibility to adapt to changing conditions and employees need security in the form of support between jobs and retraining.



Fourth, energy, climate and competitiveness policies must be integrated if we are to take advantage of the potential of a low carbon economy. More is needed to promote green technologies in Europe; priority needs to be given to maximising energy efficiency and the EU needs to ensure that our advanced commitments to emissions reductions are balanced by similar efforts elsewhere.

And finally, we must continue our commitment to international engagement. The post crisis environment will see EU firms operating on increasingly competitive international markets, with greater dominance by BRIC countries. The EU needs to react strongly against protectionist urges, at home and abroad. It needs to conclude new trade agreements to deliver new market access for companies. And it needs to take much more seriously the whole area of regulatory cooperation with trading partners such as the US and Japan to start with, and then others.

Thanks very much.