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“PUTTING EUROPE’S ECONOMY ON TRACK”

SPEECH BY JÜRGEN R. THUMANN, PRESIDENT OF BUSINESSEUROPE

Ladies and Gentlemen,

I would like to thank the European Policy Centre and Mr Martens for the invitation to participate in this series of debates on EU policies.

I am happy to be here! Especially today, on the 20th anniversary of the fall of the Berlin Wall. Looking back at Europe’s tremendous achievements since this historic turning point, I believe we really can be proud: On more democracies, a single market, a common currency and further enlargements. Let us take the challenge to look forward to another 20 years of European successes!

As you just heard from the Chair, I have spent all my life in business. I took over my father’s company at the age of 19. Running a company is a very demanding job, at all times. Not only in times of crisis. But it is also truly fulfilling. I have had the chance to see my business grow within the European market. And beyond – taking advantage of globalisation. Thanks to this success, the companies of the Heitkamp & Thumann Group have been able to contribute to the well-being of the communities in the countries in which they operate.

I know from personal experience that successful companies are the basis for a successful Europe. This is what BUSINESSEUROPE underlines so often.

My wish to contribute to the community, has also led me to engage since long in the work of business organisations. Starting at local and branch level. Afterwards, at the head of the Federation of German Industries – BDI. And since this July, as BUSINESSEUROPE President. This showed me the value of business people joining forces to shape policies in the best interest of companies and citizens.

Being the President of BUSINESSEUROPE feels as quite a responsibility. It requires leading 40 industrial and employers’ federations representing companies from 34 European countries to define their common agenda for the European Union. The challenge is all the greater in the difficult economic circumstances we are facing.



Today, the state of the economy is on everybody's mind. Yes, the situation has improved over the summer. But things are not back to normal. And even if the recession were to end today, there will be long-lasting consequences of this crisis.

Let me recap some of the consequences we face:

- The negative impact on the corporate sector, labour markets and public.
- The international economic downturn has challenged market integration.
- National protectionism has increased.
- And European companies and citizens are rightly concerned about the risk of weak growth persisting for a considerable period of time.

Everyone agrees that this is not an ordinary downturn. Public interventions have allowed avoiding a collapse of financial markets. However, in the long run, it will be the impetus of private enterprises that leads Europe successfully out of this crisis. Private enterprises will enable Europe to meet the societal and environmental challenges of our century. How can private enterprise fulfil this stimulating role?

The crisis has shown the importance of a new financial framework that rewards responsible risk-taking and investment. It is essential that Europe remains here vocal. But please, no over-regulation! No regulation that suffocates financial markets and impedes the flow of credit to companies!

Ladies and gentlemen,

It is no news that emerging markets – particularly China, India, Brazil and Russia – have gained tremendous weight in the global economy in recent years. Those countries' combined GDP is expected to overtake that of both the USA and EU economies soon! Their performance creates enormous trade, investment and growth opportunities for an open economy like that of the EU. For multinationals as well as for SMEs.

I see this in my own Group. 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 my Group was founded, in 1978, we focused on the West-European and American markets. Then the fall of the Berlin Wall 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.

Indeed, European companies are competitive. Our high value-added goods and services are in high demand on world markets. EU firms are major investors in other markets around the world. Export and investment performances of our companies are a driving force for EU growth.

At the same time the rise of the BRIC countries poses a multitude of challenges. Ranging from industrial competitiveness, energy and food security, intellectual property, climate change to global financial stability.



All of this makes one thing crystal clear: Future European policy-orientations must fully reflect this new world economic order. We need an evolution in mindset and policy-making in Europe! And we need a mindset beyond Europe!

One of the challenges of our new global economy that I just mentioned is climate change. In less than a month the world will gather in Copenhagen. Europe will be at Copenhagen with its homework done. European companies have significantly contributed to this. They reduce emissions and invest in the development of modern and innovative technologies. I would say, they are doing more than their share.

Let us have a short look at the figures. Between 1990 and 2005, the EU energy-producing sector reduced its greenhouse gas emissions by 11%. The manufacturing industry reduced its greenhouse gas emissions by 13%. Through the EU Emission Trading Scheme, ETS, these sectors will further reduce their emissions by at least 21% between 2005 and 2020. So as we see, corporate effort is significant! But companies alone cannot solve the climate problem. Society at large must contribute, including public authorities.

Furthermore, Europe alone cannot offset the rise in emissions generated in the USA and rapidly growing economies like China, India or Brazil. European industry and energy sectors account for 6.5% of global emissions! Not more, not less.

Ladies and gentlemen,

The EU has embarked on the most ambitious climate policy programme in the world. This does not come for free. Renewable energy is much more expensive than coal or nuclear power. Therefore electricity supply costs for companies will substantially increase. The direct cost of mitigating emissions in 2020 is estimated over € 90 billion!

Businesses in Europe have engaged in the climate debate with a constructive attitude. But at the same time we send out a serious warning: If the EU energy and climate package is not cautiously implemented, it puts industrial activity and jobs in Europe at risk. But we absolutely need a strong industrial base! Who else develops, provides and applies green technology? Europe needs industry to tackle the climate challenge!

And we, industry, need sound regulatory frameworks that encourage companies to invest in green technologies. 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. China as much as € 152 billion. The EU Community and Member States combined barely € 40 billion. Europe cannot afford to spoil the opportunity of a “green recovery”.

Now, back to Brussels. A new European Parliament and soon a new European Commission will be in place. A unique opportunity to inspire a fresh vision for Europe and to set the course for a coherent growth strategy for the next five years!



We have asked President Barroso for an unwavering commitment to open market principles. The Commission he will lead must push forward the necessary reforms. Reforms to strengthen Europe's capacity for growth and job creation.

And with changes introduced by the Lisbon Treaty, such as increased co-decision and new EU representatives, new ways of effectively governing the EU and its institutions will need to be found.

What are the issues that deserve priority attention in the future?

I have touched already on action:

- in finances,
- in the fight against climate change,
- and I anticipated some trade issues.

But I see three more priorities:

1. First, creating synergies between innovation, skills and entrepreneurship.

To maintain Europe's position as technological leader it is essential to have the brightest talent. 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 only in the EU!

But USA's leadership position will not remain undisputed too. Talent is no longer the exclusive preserve of the Western world. China, India, Brazil, Russia, and other countries are taking centre stage in the global race for innovation and talent. Business in Europe will face fierce competition in growing, attracting and retaining talents.

Another worrying signal is the repartition of patents registered. In 2007, the USA registered 35% of world patents. Japan accounted for roughly 18%. The EU round about 16%! And I did not mention the emerging countries yet.

So, Europe has not enough patents, less top-universities, and suffers from a migration of talents. Looking at these facts, I have to conclude: Europe scores very bad at "turning knowledge into business". This needs to be changed urgently.

2. Second priority for Europe: Putting in place modern employment and social policies.

Europe has the world's highest standards of labour protection. Member States' welfare systems 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 will we be able to maintain them.



Our competitiveness is also directly influenced by labour-costs. Member States that have been able to contain wage pressures effectively have a stronger export performance. The crisis has demonstrated that the priority should be given to promoting mobility and training, and increasing labour market- inclusion.

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!

3. My last point is, that we have to keep global markets open for EU companies.

The introduction of “*Buy American*” and “*Buy Chinese*” are a serious setback for free trade. But also we Europeans are not “holy” – we sin too.

And so, what the economy needs now, are strong signals for free trade:

- A rapid conclusion of the Doha round, complemented by bilateral free trade agreements.
- Intensified regulatory cooperation with key trading partners. First and foremost with the US. 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. We need a renewed political impetus by the new Commission to support this important initiative. I have just returned from participating at the 4th TEC meeting in Washington. For both new governments it is important to buy into this initiative and to push for more concrete result.

Ladies and gentlemen,

I believe that Europe has a strong base for turning current challenges into opportunities for our economy to flourish. Our social and economic system, alongside a vibrant single market, a well-functioning monetary union and solid international relations, are good fundamentals.

I am convinced, that putting entrepreneurship and companies at the heart of the agenda is key to ensure prosperity for all.

Yes, we have a lot on our plate. A lot to adapt to, for companies, for countries, for people. It is not easy and it demands significant effort. We know that.

Yet, in every crisis, there is a chance to take the reins and influence our destiny. BUSINESSEUROPE and all its members are working hard to achieve a good future for Europe.

Thank you very much for your attention!

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