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“EUROPE IN A CHANGING WORLD”

**FEB-VBO BOARD MEETING
12 JANUARY 2010, BRUSSELS**

Dear ladies and gentlemen,

Thank you very much for giving me the opportunity to join the VBO-FEB board of directors and to talk to you about *‘Europe in a changing world’*.

Today is the 12th of January. Almost 400 hundred years ago, on the 12th of January 1628, in Paris Charles Perrault was born. A writer. You might call him an “innovative” writer. Perrault laid foundations for a new literary genre, the fairy tale. And one of his best known stories is *‘La Belle au Bois Dormant’*, or: *‘Sleeping Beauty’*.

Coincidence or not, I think the title of this famous fairy tale describes the actual situation of Europe rather well. Europe has potential, is young and beautiful. But: it is sleeping behind a forest of thorns!

My ambition is that we work together in 2010 to wake up our sleeping beauty! I count on our Spanish member federation, and on you, VBO-FEB, to take on the role of *‘Prince Charmant’* in 2010. And I am sure you can play that role!

As you know, BUSINESSEUROPE is the Confederation of European Business. Through our 40 member federations in 34 countries across Europe, we represent more than 20 million small, medium and larger companies. Together, we take an active part in promoting a European Union of common values and rules, offering companies a favourable and competitive environment which allows them to create growth and jobs, for the prosperity of all European citizens.

I would like to congratulate VBO-FEB’s staff – there are some 43 colleagues in daily contact with BUSINESSEUROPE. They do important work in helping to prepare our European positions, constructively seeking solutions that will correspond to the needs of Belgian business and to the general interest of European companies.

I must mention also that Thomas Leysen is a Vice-President of BUSINESSEUROPE and Rudi Thomaes recently became a member of our Executive Bureau. Holding these positions, I can tell you that they ensure that the views of Belgian businesses are taken into account!



The links between our organisations have been strong since BUSINESSEUROPE was founded, more than 50 years ago.

Philippe de Buck, our Director General, who is well-known to all of you, has been a member of this board for 14 years. VBO-FEB has also provided BUSINESSEUROPE with three presidents in the course of its history – Léon Bekaert, Pol Provost and Georges Jacobs. I can tell you that only Germany beats you in this respect.

We also co-organise the European Business Summit, a shared initiative, which is very successful. In short, your contribution to BUSINESSEUROPE is unique. It cannot be taken for granted. Therefore I want to stress our gratitude for your work!

Ladies and gentlemen,

Much work is also ahead of us. We know that 2010 will be tough. The Financial Times recently labelled it *'the year of struggle'*.

The economic crisis has affected Europe more severely than the USA or Japan, and our recovery is lagging behind. That means: First the Spanish Presidency, and later on this year your Belgian Presidency will have a tough job to find the right approach "through the thorns".

Europe's competitiveness is at stake – and later in my speech I will outline the priorities that BUSINESSEUROPE will put forward for enhancing it. These priorities must be embedded in the changing global economic scenery. Let's take a closer look at those changes.

The era, in which Europe - together with the USA and Japan - dominated the world's economy, is over. Particularly Brazil, Russia, India, and China have tremendously increased their role in recent years. And this trend is likely to continue. That makes clear that we are experiencing a new global multi-polar economy.

I have witnessed 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.

At the time when 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. In the mid-nineties we opened our 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.

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 emerging economies, and in a larger context the whole G20, play a stronger role. In fact, Europe's recovery is today largely driven by growth in exports to Asian countries.



At the same time, this globalising 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 in BUSINESSEUROPE and we will have to work on a continuous basis to address them!

What does this mean for EU policy-making? All of this makes crystal clear that 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 enhance Europe's global competitiveness and openness. It is crucial to take the right decisions now to secure Europe's leading place in this multi-polar world. I couldn't agree more with the recent statement of Thomas Leysen: "*A competitive Europe in a global economy: Its now or never*".

With the Council of Presidents in Stockholm, we have fixed our priorities for the next Commission. We will present them on 26 January. Tonight I would already like to outline the four following items:

Europe must:

1. revitalise its single market and create synergies between innovation, skills and entrepreneurship,
2. put in place modern employment and social policies,
3. reconcile energy, environmental and competitiveness policies,
4. and 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. Today the USA still leads in 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 are located in the USA. And only 10 in the EU!

But the USA's leadership position does not remain undisputed either. The emerging economies are taking centre stage in the global race for innovation and talent. China and India alone claim around two-thirds of all engineers and this has already enabled their companies to boost their innovative and competitive power.

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 I have not yet mentioned the emerging countries. Their patent applications are also rising at a remarkable rate, in particular in China.



So, Europe:

- has not enough patents,
- has too few topuniversities,
- and suffers from a migration of talents.

Looking at these facts, I have to conclude: Europe is not good enough at “turning knowledge into money”. This needs to be changed.

To ensure skills and competences in the workplaces of tomorrow, the EU needs to invest massively in education and training. We need to achieve excellence in teaching and research by fostering highly integrated public-private networks, composed of businesses, entrepreneurs, universities, research institutes and technology centres. This is mainly a national competence but it is essential that these conditions are put in place.

Second, 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. They have proved very useful to cushion the employment impact of the crisis. By the way, I am impressed by the efforts made by companies to maintain as much as possible their workforce.

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: combining the right degree of flexibility and security.

We have in BUSINESSEUROPE achieved a joint analysis of the labour market with the Trade Unions. We have also presented common recommendations on flexicurity. I consider this a milestone in social dialogue at EU level.

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



The EU has embarked on the most ambitious climate policy programme in the world: Generation of 20% of our energy from renewable sources, and a 20% reduction in greenhouse gases by 2020.

This does not come for free: The direct cost of mitigating emissions is estimated at € 91 billion in 2020! BUSINESSEUROPE has been a key actor in shaping EU legislation, avoiding as much as possible the risk of carbon leakage.

Of course, we were disappointed by the limited outcome of Copenhagen. This climate summit has not improved predictability to facilitate investments in low-carbon solutions. Nor has it brightened the prospect for a global level playing field for industry.

It is therefore more important than ever to implement the EU's climate and energy goals in the most cost-efficient way possible. Policies must at the same time reduce emissions globally, improve energy security and ensure economic growth and jobs.

Europe cannot afford to spoil the opportunity of a "green recovery". Worldwide some € 358 billion is 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 and Member States combined barely € 40 billion.

An integrated European policy approach reconciling environmental protection and industrial development has yet to be developed.

The fourth item 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 is a serious setback for free trade.

The European Commission has to act - also a result of our intervention - vigorously whenever protectionist measures arise. Furthermore we need:

- the conclusion of an ambitious Doha round,
- bilateral free-trade agreements to open up markets for EU companies,
- a tougher approach towards key emerging economies over the protection of intellectual property rights,
- opening-up of procurement markets,
- secure access to raw materials,
- and the elimination of unfair subsidies and restrictions.

Much work also remains to be done in the area of non-tariff barriers. In China, huge obstacles for EU firms still exist. Due to Chinese non-tariff barriers EU companies lose more than € 21.4 billion a year.

Regulatory cooperation must be further strengthened, in particular with the USA, our main trading partner. Fulfilling the agenda of the Transatlantic Economic Council would add more than € 6.5 billion to the EU-US economic relationship. As co-chairman of the Transatlantic Business Dialogue, TABD, I have said often that



regulatory cooperation should be at the forefront of EU-US action if we are to help our companies maintain their competitive edge.

Ladies and gentlemen,

I believe that Europe's social and economic system, alongside:

- a vibrant single market,
- a well-functioning monetary union
- and solid international relations,

offers a strong base for turning current challenges into opportunities for our economy to flourish.

My conviction is that putting entrepreneurship and companies at the heart of the agenda is key to ensure prosperity for all. This message will also be at the core of the BUSINESSEUROPE agenda 2010-2014, that we will present to President Barroso in two weeks, on 26 January, together with the Vice-Presidents, Thomas Leysen included.

The Commission has been criticized not to be active enough. But the European issues should be tackled by the European Commission and Member States together. Here we count on an active role by Herman Van Rompuy. He should translate commitments into actions. I have met him already and it seems promising.

Ladies and gentlemen,

We all know, we have a lot to adapt to. It will not be easy, that we know too. I invite you to play this challenging role. Let us write our own story: about *'Europe in a changing world'*. A Europe that is awake, alert, and – successful!

Thank you for your attention.

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