



### EMI BRIEFING ON THE EU 2020 STRATEGY

3 MARCH 2010

ADDRESS BY PHILIPPE DE BUCK

- The Commission will later today publish its proposal for the EU2020 strategy. Three weeks ago we presented our agenda for the European Union. Our message is as clear as simple: **“Go for Growth”**.
- On February 11<sup>th</sup>, the European Council acknowledged that Europe must double its growth potential over the next five years. There is growing agreement to put growth at the core of all policies of the European Union.
- However, what still needs to be created, is the consensus on the exact strategy to achieve this growth.
- As with any strategy, you need to be clear about the situation you are in. And here we see Europe being faced with **five key challenges**:
  - To get out of the crisis,
  - To tackle demographic ageing,
  - To fight climate change,
  - To ensure access to energy,
  - And to strengthen Europe’s role in the world.
- The question is how to turn these five challenges into opportunities. How to set the course for a coherent European growth strategy?
- BUSINESSEUROPE believes that four conditions for recovery must be fulfilled:
  - Stabilising financial markets,
  - Returning to sound public finances,
  - Speeding up structural reforms,
  - And keeping markets open.
- The current turmoil around public debt sustainability shows that public interventions in the economy are reaching their limits. It is the recovery in the **private** sector that will ensure sustainable growth and job creation.



- Moreover, governments must put **reforms** into place to improve business regulation, increase labour market flexibility and safeguard the sustainability of social security systems.
- Looking beyond the recovery, Europe must put itself in a better position to make use of Europe's three main drivers **of business opportunities**:
  - Innovation,
  - The EU Single Market,
  - Trade policy.
- The creation of the **EU Single Market** has brought many benefits to businesses and citizens alike. Despite its remarkable achievements remaining barriers still represent a loss of 275 to 350 billion Euros in GDP each year for Europe!
- Apart from the opportunity to harvest our idle internal economic potential, we must strengthen our **export** performance. Trade accounts for 15% of Europe's GDP. Exports will be even more important for our prosperity in the future. This is why European companies must be present outside Europe. Ambitious trade policies, which provide greater access for our companies and keep markets open, are crucial for a stronger Europe in the world.
- And betting on **education, research and innovation** is the only possible strategy to achieve this. With 38% of the total volume of scientific publications, Europe has good capacities for generating new ideas and inventions. However, Europe only registers 16% of world patents, Japan 18% and the U.S. 35%! These figures tell us: We must do much better in turning knowledge into business!
- Many policies to support innovation – including education and training – are within competences of Member States. But there is a lot the EU can do:
  - Focus its budget towards innovation.
  - Establish an integrated venture capital market.
  - Continue to develop programmes that promote mobility of students and researchers, like Erasmus.
  - And adopt a comprehensive intellectual property strategy, which offers IP protection in a more cost-effective manner.



- We do not advocate growth for its own sake. We want employment and productivity too. This can go hand in hand. If we use the two ingredients for boosting employment:
  - The promotion of job creation;
  - The provision of skilled workers.
- **Flexicurity** measures are undoubtedly part of the answer. Member states must stick to their commitment to modernise labour markets along these lines. More than 21% of Europeans aged 25 to 34 are unemployed. Youth unemployment is to a large extent the result of rigid labour markets with fewer job openings. Having flexible and reliable contractual arrangements **and** effective active labour market policies is the way forward.
- The tragedy of Europe's labour markets is that rising unemployment co-exists with unfilled vacancies. And **demographic ageing** will reinforce this problem. Europe will lose over 3 million workers by 2020 and over 50 million by 2060. Addressing the skills mismatch by providing better education and qualification is indispensable. Attracting qualified migrants is also part of the answer.
- This agenda will only be possible if we work together. Hence the importance of **social dialogue**:
  - European social partners are currently working on a joint recommendation on EU 2020,
  - We have just negotiated a framework agreement on inclusive labour markets with a view to increasing employment participation in Europe,
  - The 2007 Joint Labour Market Analysis is an important piece of work of the social partners on which to build in order to modernise labour markets,
- Finally, if we want companies to play their role as engine for growth, Europe must put in place **one integrated policy** to develop both services and manufacturing jobs. A year ago the Competitiveness Council defined the right parameter for this. Yet, progress in implementation is too slow.
- If we manage to implement this agenda, we can raise Europe's growth potential from 1% at present to an average of 2%. It would mean around 6.5 million additional jobs and savings of more than 450 billion euro in public debt.



- Before I finish, let me just say a few words about governance. We all know that the major failures of the Lisbon Strategy can be traced back to its weak governance. If Europe wants to succeed with the EU2020, it must generate greater political interest at the national level and to develop the necessary incentives for governments and EU institutions to deliver on agreed commitments.
- An EU growth strategy must focus on concrete actions that can be taken during the term of office of the new European Commission and European Parliament. EU institutions and member states must be collectively responsible for its success and be held accountable for their individual contributions. The Competitiveness Council has a key role to play in turning words into action.
- Europe cannot afford to fall short of expectations once again. Greater resolve of EU institutions to name good performers and shame countries falling short of their commitments will need to be a key pillar. Benchmarking is a powerful tool to pinpoint structural weaknesses at the national level, identify priority areas for reform and foster policy learning across countries.
- BUSINESSEUROPE's reform barometer, ranking EU countries' performance, will be published in mid-March, along with its main messages to the Spring Council, demonstrating our great confidence on the benefits of developing a real benchmarking culture in Europe.
- Recent experience of Greece, Hungary, Ireland or Latvia show that markets can either respond to positive policy signals or heavily sanction policy mistakes.
- In the EU 2020 strategy, a choice will have to be made: either to devise a credible growth strategy for Europe and re-establishing political leadership in Europe or to face the consequences of inaction.

\* \* \*