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POLICY-MAKING AT EU LEVEL – ECONOMIC GOVERNANCE **4TH IEP/UCP SEMINAR IN ASSOCIATION WITH EUROPAEUM**

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BUSINESSEUROPE

- Let me start by saying a few words about BUSINESSEUROPE. We represent around 22 million companies out of a total of 25 million, estimated in the EU (Commission estimate).

Our membership is voluntary and wider than the EU, we represent organisations present in 34 countries including Norway, Switzerland and Turkey.

- We play an important role as the main horizontal business organisation at EU level. Our main task is to ensure that companies' interests are represented and defended vis-à-vis the European institutions.
- The overall aim is to preserve and strengthen corporate competitiveness- which clearly has benefits for consumers, workers and businesses and stakeholders alike.
- European legislation is very important for companies. A single set of comprehensive rules in the European single market makes a world of difference for us. How EU money is spent and key priorities of the EU are crucial to prepare us to meet future challenges.
- BUSINESSEUROPE is also active in the European social dialogue, acting as co-legislator together with the trade unions to promote the smooth functioning of labour markets.
- In practice, we meet up with our member federations – in Portugal is CIP – Confederacao Empresarial de Portugal – via working groups. Our experts meet up regularly to debate key issues and legislative proposals in order to agree upon a common position and strategy vis-à-vis the Commission, Parliament and Council. We also interact regularly with other business organisations and think-tanks.



ECONOMIC SITUATION

While we are discussing long-term economic reform and governance today, it is important to remind ourselves the context in which we do this.

- Firstly, headline forecasts show that the EU overall actually is starting to grow again. The recovery in 2011 has so far been stronger than anticipated. In our own economic outlook, drawn from surveys of national business organizations, BUSINESSEUROPE forecasts a real GDP growth in 2011 to reach 1.8% in the EU 27 and 1.7% in the euro area.
- The EU labour markets have also been less badly hit than we might have anticipated. Of the 11 million new jobs created in the years prior to the crisis, 5.5 million jobs have been preserved. In 2011, we predict a million jobs will be created in Europe.
- But as we are all acutely aware, progress is uneven and concerns over the fiscal situation in a number of member states continues to create uncertainty which impacts on the whole of Europe (and to a lesser extent the global economy) casting a shadow on growth prospects. While today's discussion, is not explicitly around what European and National policy makers need to do to support the Greek economy and in turn the European economy, by getting the reform of economic governance right, and in particular I would argue, learning from the mistakes of the past, we can help ensure that we are less likely to end up in the situation we read about in the papers today.

ECONOMIC GOVERNANCE

- In terms of the economic governance discussion, the first question is, how did we get here? We all acknowledge the fact that fundamental reforms have been delayed for too long and that consolidation efforts in good times were largely insufficient.

As a result, in the last decade, EU member states grew apart. It is now fundamental to change this situation.

- So far, important steps have been taken that can reinforce EU's capacity for action:
 - Europe 2020 replaces the Lisbon Strategy. Here I hope that we are learning from the failures of the previous strategy based around so called 'soft power' or peer group pressure, where it was too easy to fall into what I think has been referred to as 'a conspiracy of kindness'.



- While improving Europe's competitiveness remains a common goal, the governance part has been stepped-up with increased monitoring, transparency, and responsibility for member states to meet the targets, with a common timetable dubbed the European Semester. This refers to the first half of each year in which national governments report to the Commission and debate progress with national reforms, before implementing the policies at a national level in the second half of the year.
- Finally, under the Euro Plus Pact, members have committed to further coordinate in areas typically of national competence in order to support competitiveness and sustainability;
- New crisis management instruments have also been agreed upon, providing a backstop for countries under severe stress.
- All of these initiatives represent a break-through in European policy making.
- In the meanwhile, discussions continue on the legislative package on economic governance.
 - Firstly, we need a strong referee in this process. Room for political bargaining in the Council must be drastically reduced.

This is fundamental to ensure the necessary respect for the new rules. We have seen the lack of credibility of the Stability and Growth Pact in the past.

The introduction of reverse majority voting is a key measure. Member states must demonstrate they are seriously committed to this new framework and accept the reverse voting rule.

- Another crucial point is the need to have a much stronger preventive part so that member states consolidate their finances during good times.
- We are also asking that Stability and Growth Pact rules be translated into national laws, to create a real sea change in the management of public finances. This goes beyond the proposed directive put forward by the Commission but is aligned with the commitments made in the Euro Plus Pact.



MACROECONOMIC IMBALANCES AND EUROPEAN SEMESTER

- The increased surveillance of macroeconomic imbalances is the fully new and also fundamental piece of the package presently under discussion. The Irish example illustrates that healthy public finances are a necessary but not sufficient condition for long term sustainability. This will thus reinforce the surveillance of competitiveness imbalances, something that BUSINESSEUROPE has been calling for for a long period.
- In fact, we publish a yearly report – the Reform Barometer – where we assess the relative performance of each member state based on a selected number of indicators.

This analysis pointed to a very clear conclusion: countries that are having more difficulties facing this crisis are also those that have been repeatedly at the bottom of our ranks. These countries were unable or unwilling to close a growing gap with best performing economies. They now have to undertake these adjustments in difficult circumstances.

But we have also seen that all European countries have more work to do. Most governments have so far failed to develop comprehensive reform strategies. That is why the European Semester will be so important.

- Its first cycle is currently underway and, if properly implemented, it can provide a real boost to policy coordination in the European Union. It is therefore of fundamental importance to take the first year of this exercise seriously and ensure that concrete results are delivered from the outset.
- It must start by an explicit commitment to reform in all National Reform Programmes. On this issue, unfortunately I have to say that an initial assessment from BUSINESSEUROPE member federations suggests that a majority of the National Reform Programmes are lacking in ambition, forward-looking perspectives and implementation guidance.

That is why we are pleased with the Commission country-specific recommendations issued that are clear, direct, and stringent when necessary. This was not the case a few years back and that indulgence was dearly paid.



RECOMMENDATIONS AND CONCLUSIONS

- So let me conclude.
- In recent months we have seen a number of proposals to reform Economic Governance which can play an important role in increasing long-term stability in Europe, improving investor and consumer confidence and ultimately growth. The important thing now is that these proposals are fully implemented.

I'd pick out a couple of areas in particular:

- Firstly, it is key that an agreement between the Parliament and the Council is reached on the six-pack. Some progress has been achieved during the trilogue meetings but a final and comprehensive agreement must now be concluded.
- Secondly, in relation to reform plans countries have put forward in their national programmes. We call on the European Council to have a constructive debate in the June Council and fully endorse the country-specific recommendations put forward by the Commission.
- This will be fundamental to put Europe back on track and to preserve the common currency. We trust these changes will result make Europe more resilient in the future.
- Thank you!
