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THE GROWTH IMPERATIVE – CIP BUSINESS CONGRESS 17 NOVEMBER 2011 - LISBON

ADDRESS BY PHILIPPE DE BUCK **DIRECTOR GENERAL OF BUSINESSEUROPE**

Dear President Saraiva, Dear Antonio,
Ladies and Gentlemen:

I have to apologise for the absence of Jürgen Thumann.

I am here to witness the very friendly relations between CIP and BUSINESSEUROPE, to show our solidarity with the Portuguese business community, to show our commitment to safeguard European integration.

So, good afternoon and thank you for your warm welcome. Let us reflect on the current situation. Let me share with you the views of BUSINESSEUROPE.

Never before has the EU, and the euro area in particular, been in such a dramatic situation. We face serious economic and political challenges which need to be properly and urgently addressed.

It is of utmost importance that the business community and institutional actors discuss together concrete ideas to make Europe grow. With the strong support of CIP, BUSINESSEUROPE is actively assuming this role.

We are making suggestions on all fronts to help pull Europe out of this crisis.

And we know that you, in CIP, are doing an excellent job here in Portugal at national level. Portugal is undergoing one of its deepest crises, but I am confident that your country will be able to pull out of it.

The title of this conference – *the growth imperative* – could not be more fitting.

Indeed, growth is the crucial element of the remedy. Portugal but also Europe as a whole needs growth in order to get back on track.



The economic outlook has worsened during the summer. The latest Commission forecasts foresee growth of just 0.6% in the EU for 2012 and 0.5% in the euro area.

Worrying, because our European economic and social model depends heavily on our capacity to generate growth.

Go for growth – which is BUSINESSEUROPE's slogan - must inspire every policy decision. At both national and European level, growth is the fundamental pre-condition to create jobs and to defend Europe's achievements.

And, Ladies and Gentlemen:

The Euro is one of these achievements.

Our common currency has not only saved companies up to €25 billion a year in currency exchange costs. It has prompted firms to trade higher volumes. It has established new trade channels.

Today, trade among euro-area countries is around 2 to 3% higher thanks to the euro. Also foreign direct investment has risen with this larger market.

The Euro has proved an anchor of stability, a driving force for competitiveness, for productivity, for growth. This has benefited the EU economy as a whole and not only the euro area.

Safeguarding the Euro and safeguarding the eurozone is an absolute must! We are not faced with a "Euro crisis". We are faced with a European sovereign debt and a political trust crisis.

We have been observing a vicious circle of political indecision feeding financial market instability. This has damaged consumer and business confidence. And this continuing uncertainty undermines the efforts of European companies to invest and grow.

For too many months a sense of urgency from European leaders has been missing.

Policy-makers have been responding to the course of economic and financial developments. They were not in the driving seat, anticipating events.

At the last European Council, European leaders have shown determination and managed to act in a coordinated and consistent way. But the details of the presented schemes must be swiftly announced and all the plans fully implemented. Only then we will see this vicious circle been broken.

But these decisions will not work unless they are accompanied by structural reforms. Member states must take reforms forward. These go hand in hand with a stable and strong currency. That is the responsibility of each member state. It will be the role of the Commission to monitor the effectiveness of the reforms.



If properly implemented, these new tools put in place to follow national progress can provide a real boost to policy coordination. It will deepen European integration. That is what I call “more Europe”.

So, no more lip service in Brussels. But a real commitment from all member states to review their policies.

The financial and economic crises do not explain all the difficulties that Europe is confronted with. This is a key conclusion from BUSINESSEUROPE’s last “reform barometer”, a regular analysis of the structural performance of the EU and its member states.

Why is this good? Why should this be achieved?

Countries that accumulated large debt and competitiveness imbalances before the crisis are being hit harder by the crisis.

As a result well performing countries, such as Austria, Finland, Germany, Netherlands or Poland are expected to create new jobs even throughout 2011.

For countries scoring below average in our reform barometer, a much less rosy picture of labour market trends is presented. This is the case of Ireland, Greece, Spain and also Portugal.

These countries will now have to undertake the necessary adjustments in difficult circumstances.

We should not forget that such measures come at a very hard cost for citizens and companies. But it is important to remember that not all measures need to be conducive to recession. The right approach tackles inefficiencies but also makes a strong bet on growth-enhancing reforms!

It is therefore not only about reducing public indebtedness, but about shifting resources to productive uses like investing in innovation, skills, technology and modern infrastructure.

Growth-enhancing structural reforms should be targeted at improving competitiveness. They should address rigidities in product and service markets. This will provide new opportunities for entrepreneurship. And when there are opportunities, there will be investment and job creation.

Ladies and gentlemen, we see that today, a number of important reforms are being taken forward in your country.

Your country’s ambition has already been praised by European counterparts and in particular the troika.

Important steps to reduce the size of the state and implement fiscal consolidation are under way. This is not only fundamental for the future of Portugal but also for the future of the euro area.



I am convinced that Portugal is on the right path and hope that efforts will pay off.

I encourage you, the representatives of the Portuguese business community, to make your voice heard. The McKinsey study and the comments of Mr Castello Branco are very welcome.

Keep on reminding your political leaders that a vibrant and dynamic business environment is needed. In this context, restoring access to finance to companies is particularly important.

I can assure you, that the European business community stands right behind you.

Together we need to get the message across to Europe: business is part of the solution and not the problem!

The European Commission must give due consideration to boosting growth in all of its proposals.

Take the financial sector reform for instance. We need a balanced approach. Effective financial supervision is crucial to ensure confidence in financial markets. At the same time it is necessary to ensure that companies have sufficient access to credit. Investment and job creation in the years to come will be driven by the private sector.

To achieve the Europe 2020 target of 75% employment rate we need to create 17.6 million new jobs. This is a daunting challenge. And it will only be achieved if governments help companies to thrive by not making it harder for them to operate.

At EU level much can be done.

First, we need to complete the European single market.

The single market is our greatest asset to foster growth. 70% of Member States' exports are destined for other EU countries. The benefits from closer integration are therefore undeniable. But remaining barriers represent an untapped economic potential of between 275 and 350 billion Euros. This is particularly true in the case of services.

Just take the digital single market as an example. It is estimated that Europe could gain 4% of GDP or € 500 billion by fully developing the digital single market by 2020.

Second, we need to improve our access to international markets.

Negotiations on free-trade agreements with high-growth partners need to be accelerated. I am thinking in particular to Brazil. Global rules need to be improved. But we should strengthen existing partnerships. First and foremost I am thinking here about the transatlantic market.

The United States and Europe are still the heart of the world economy. We are each other's most important market for goods, services, capital and ideas. And I think the time



has come that we should think about a comprehensive Transatlantic Economic and Trade Pact.

Third, we need to refocus the European research and innovation programme. The upcoming multiannual financial framework foresees an increase of funding for research and innovation. This is good. But it must come together with a simplification of rules and procedures.

Last but not least, European labour markets must be reformed. Not only to address unemployment but to successfully tackle long-term challenges such as the ageing of our society.

The answer to this challenge is flexicurity: moving away from job security to employment security.

And a crucial element of the flexicurity approach is education. More investment is needed in education and training. Despite high unemployment there is a growing lack of highly-skilled workers. We can expect this trend to continue. Flexicurity is and remains the right framework for any member state to tailor their employment strategies to their specific labour market characteristics.

Ladies and Gentlemen, we are facing serious difficulties.

But we should not forget the wealth, prosperity and peace that European integration has brought us.

We count on you, Portuguese entrepreneurs, to reiterate the importance of Europe and the single market for businesses!

The European Union is still an inspiration for many other parts of the world. We can be proud of this and we should defend it.

Europe's continued prosperity is deeply dependent on businesses having the conditions in which they can thrive.

If we want Europe – still back in the driving seat of the global economy we must see the current crisis as an opportunity to modernise and find new dynamism.

Once again, thank you to CIP, for the strong support to raising awareness and to calling on European leaders to do what it takes to go for growth!

Obrigado – and thank you for your attention!

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