BUSINESSEUROPE

SPEAKING NOTES

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COHESION POLICY AFTER 2014: ENABLING COMPANIES TO STIMULATE GROWTH?

INTRODUCTORY STATEMENT BY PHILIPPE DE BUCK, DIRECTOR GENERAL OF BUSINESSEUROPE

Ladies and Gentleman,

- Thank you very much for your presence here today. This is the fifth year that BUSINESSEUROPE has organised an event in the context of the Open Days. Experience tells me we will have another lively debate here today. I would like to thank our speakers for joining us here today.

- **A few words about BUSINESSEUROPE**. We represent more than 22 million small, medium and large companies employing some 120 million people in Europe, comprising 35 European countries through our 41 national members. Our main mission is to advocate for business-friendly and pro-competitive policies and we are also social partners at European level.

- **Europe is going through a critical period**. A number of member states are struggling to consolidate their public finances while dealing with the massive social consequences the crisis has brought. Lack of confidence in the political institutions, financial sector and the economy, are impacting strongly on the prospects of Europe.

- We urgently **need to grow out of the crisis**. Only if we grow, will we be able to create jobs. A 2.5% annual growth rate would imply 1.4 million new jobs created every year!

- But growth will greatly **come from the private sector**. We are ready to contribute the best we can. But we need national governments and EU institutions to adopt policies that support private sector-led growth.

- European companies need an effective supply-side policy supporting their development and enhancing their investments in future markets. A vibrant and confident private sector is fundamental.

- How can we restore confidence in Europe and “Grow out of the crisis”? BUSINESSEUROPE has identified five steps.

- **Step 1: safeguarding the euro**

  - A **stable Euro is key** to the success of European businesses and the future prosperity in Europe. The Euro remains a strong currency and it must be safeguarded. We need to strengthen the euro through immediate and concrete steps towards economic and political integration.
  - Europe also needs a **well functioning banking sector**. The fragile state of a part of the European banking sector poses an eminent threat to the European economy as a whole. Reliable banks underpin consumer confidence and consumption and provide companies with access to finance for investment in production.

- **Step 2: public finances must be improved.**

  - Each country must put in place **coherent and credible fiscal consolidation** plans to **reduce the deficits**. The focus should be put – in order to be credible – on reducing governments’ expenditures.
  - Structural reforms must also be taken forward. For years, many member states have delayed important reforms. We all know the result. Strong reform efforts have to be made across the board. These include overhaul of tax systems, health sector, pension system and wage-setting mechanisms.

- **Step 3: is to promote private investment in making the EU an attractive place to invest.**

  - Europe needs a **stronger investment and competitiveness agenda**. This is needed to build private sector trust and confidence.
  - Multi-national companies have a growing choice of locations across the world in which to build new plants. If Europe wants to remain an attractive location, it needs to ensure it has a supportive business environment, including world-class infrastructure and communications networks.

- **Step 4: the single market is the way forward.**

  - We are celebrating the 20th anniversary of the start of the single market. For the business community, it is a key priority to create one single European domestic market of 500 million consumers.

- But European companies are still faced with several borders and administrative burdens. To remove these obstacles, the Single Market must be further integrated. By completing the single market in key areas and reducing the administrative burden for companies through smarter regulation, we can add an estimated €800 billion to EU GDP.

- **Step 5: the external trade must be expanded**

  - Open markets are a key driver of investment and job creation, but EU companies still face many barriers in accessing foreign markets. The EU should use all its negotiating power to deliver new market access opportunities for EU companies, thus helping to strengthen EU manufacturing and service industries.

- Let me develop a bit further on Step 3: an investment policy for Europe.

- At EU level a lot can be done to unleash investment, starting with the **EU budget**. We are in a decisive moment of the discussions for the multiannual financial framework 2014-2020. These are taking place in a moment of fragility of most European economies. We see many member states asking for substantial cuts to the Commission proposal. But we cannot forget the EU budget is about investment in Europe. We must therefore safeguard the envelopes of those areas that contribute the greatest to growth and jobs.

  - The funding for **Horizon 2020** is the minimum required to translate political priorities into reality.

  - **Well functioning cross-border infrastructures** are essential for Europe's competitiveness and will directly advance the objectives of Europe 2020. The Connecting Europe Facility represents a minor share of the network investment needs, but it provides the private sector a clear commitment Europe will act on the European missing links.

  - The **Competitiveness and SME programme (COSME)** contains powerful instruments for addressing the growing constraints that hamper access to finance for dynamic SMEs.

- These areas are crucial for the future of Europe. A cut in these areas would send the wrong signal to private investors.

- In the current difficult context, **structural funds** can also be an important source for investment.

  - According to the European Commission, cohesion policy led to an increase of the GDP per capita in lagging regions from 66% of the EU-25 average in 2000 to 71% in 2006.

  - In terms of enterprise support, it has generated more than 70% of the 1.4 million jobs created during the period 2000-2006. This means that supporting companies brings clear results.

- We hope the reform of cohesion policy currently underway continues supporting **enterprise development**. This implies not only direct support. Financial instruments that allow greater leverage of funds and simplified procedures are equally important.

- In fact, what we need is a simplified cohesion policy where EU funds are better spent and do contribute to strengthening the competitiveness of European regions.

- This is important to overcome the shortcomings of this policy. We are well aware that structural funds fell short of expectations. Benefits are difficult to demonstrate, and the added value of some projects is questionable.

- This is why BUSINESSEUROPE is very **supportive of the Commission efforts** to reform the architecture of regional policy for the next programming period. Last year, in this very same event, we have presented our business principles for the future of cohesion policy. We see many of our proposals in the Commission proposal. We believe the foundations for a results-oriented policy are well underway.

- A word of concern from our side. We believe regions should continue to leverage structural funds strategically to attract investments and stimulate job creation by **SMEs and large enterprises**. SMEs are in any case the main beneficiaries of the European Regional Development Fund (ERDF) support to enterprises, receiving 83% of the funding available in 2000-2006. We believe SMEs should continue to be its primary focus. But excluding larger enterprises from the productive investment of the ERDF may represent a self-inflicted wound to Europe's near and long-term competitiveness, including for SMEs that often form important value chains with larger enterprises.

I finish by calling on the representatives from EU institutions present here to take the views from the companies with them when discussing the future of cohesion policy and I wish them all the best in the ongoing trilogue negotiations.
I wish you an interesting debate!

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