BUSINESSEUROPE

SPEAKING NOTES

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12 November 2012

FRIENDS OF COHESION - HIGH-LEVEL MEETING

13 NOVEMBER 2012

INTRODUCTORY STATEMENT BY PHILIPPE DE BUCK, DIRECTOR GENERAL OF BUSINESSEUROPE

Dear Prime-Minister Tusk and Prime-Minister Passos Coelho,
Dear Heads of State and Government
Dear President Schulz,
Dear President Barroso,
Dear Ambassadors,
Ladies and Gentleman,

1. INTRODUCTORY REMARKS

- Thank you for inviting BUSINESSEUROPE to be here today. We are the leading European business organisation. We represent 41 national members in 35 countries. This means over 22 million small, medium and large companies in Europe. Our main mission is to advocate for business-friendly and pro-competitive policies. We are also social partners at European level.

- We welcome this initiative. It is important to underline the need for a swift agreement on the multiannual financial framework. The special EU Council of the 22/23 November must finalise it.

- Europe needs a **stronger investment and competitiveness agenda**. This is needed to build private-sector trust and confidence. We need an agreement. But we also need an agreement that sets a framework for the future. A framework that invests where it is needed. Private investors need to know where Europe is heading. We need predictability!
- **Europe is going through a critical period**. A number of member states are struggling to consolidate their public finances. At the same time, they must deal with the massive social consequences of the crisis.

- When there is a lack of confidence in the institutions;
  When there is a lack of confidence in the common currency;
  When there is a lack of confidence in the financial sector;
  How would you expect companies and households to invest?

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

- The growth we need will greatly **come from the private sector**. Companies are ready to contribute as best they can.

- There are some positive signs. We are net exporters. [Over the last year EU exports grew by 5%, compared to world trade growth of 1%]. This proves that **European industry remains strong**.

- But we need national governments and EU institutions to adopt policies that support private sector-led growth.

- Companies need an effective supply-side policy. It must support companies' development and enhance their investments in future markets. A vibrant and confident private sector is fundamental.

- **To restore confidence and growth** out of the crisis we need to:

    1. <u>Safeguard the Euro</u> though immediate and concrete steps towards economic and political integration

    2. At national level, put in place <u>credible fiscal consolidations plans alongside growth enhancing investments</u>. Structural reforms, long delayed, must also be taken forward.

    3. <u>Promote private investment</u> making the EU an attractive place to invest.

    4. <u>Further integrate the EU single market</u> removing obstacles and burdens that companies still face. 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.
    5. <u>Expand external trade</u> to deliver new market access opportunities for EU companies, thus helping to strengthen EU manufacturing and service industries.

2. <u>MULTIANNUAL FINANCIAL FRAMEWORK</u>

- Negotiations on the multiannual financial framework are never easy. The current context is making things worse. We are worried about the news we read.

- An agreement on the multiannual financial framework is an exercise of key political importance, not a mere accounting exercise. Europe urgently needs a budget that reflects the challenges of the future and invests in growth.

- Multinational companies have a growing choice of locations across the world in which to create new jobs. If Europe wants to remain an attractive location, it needs to ensure it has a supportive business environment. This must include world-class infrastructure and communications networks.

- We welcome the continuation of the current budget level of around 1% of GNI (gross national income).

  - However, further efforts should be placed on efficiency measures.
  - Budgetary discipline must be respected.
  - Macro-economic convergence must be promoted.
  - Structural reform must be undertaken.

- The EU budget must provide the means to increase **competitiveness, cohesion and prosperity.** All this within a framework of transparency and fairness for all Member States.

- **We are very concerned** that the final agreement on the multiannual financial framework results in substantial reductions in competitiveness-related areas. We addressed a letter to President Van Rompuy and President Barroso last week, in which we expressed these concerns.

- The EU budget must be used as an investment tool. It must focus on where it can boost growth and jobs, fully respecting the European value-added principle. In particular:

  - ➢ Research and Innovation are crucial requirements for sustained economic growth in Europe. The €80 billion proposed 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. Maintaining the **Connecting Europe Facility** budget would send a strong message to private investors: that there is a clear commitment to act on Europe's missing links.

  - ➢ Promoting entrepreneurship is crucial in the current context of limited access to credit and high unemployment. 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. Their budget must be preserved.

3. COHESION POLICY

- Let me now turn to cohesion policy. We are in a room of "Friends of Cohesion". In the current difficult context, we also believe **structural funds** can be an important source of investment.

- However, **an important reform of this policy is needed**:

  - Cohesion policy must be simplified;

  - Funds must be better spent;

  - Funds must contribute to strengthening the competitiveness of European regions;

- Funds should focus on priority areas with a clear impact on growth and jobs;
- Cohesion policy must be a real results-oriented policy, with independent evaluations.
- Each euro must be invested effectively and address structural weaknesses, aligned with National Reform Programmes.
- This policy must continue to support enterprise development. This implies not only direct support through grants. Equally important are the leverage provided by financial instruments.
- And we need to develop a real partnership. Good partnership brings good projects. That is why EU social partners have written a joint letter calling for the partnership principle to be maintained in the regulation.

• Let me say a couple of words on two specific funds:

  - First, on the European Social Fund (ESF), as we are here today with other social partners. This fund must become more clearly oriented towards active measures such as education and training that actually meet market and employers' needs. Promoting the expansion of dual learning apprenticeship systems in the EU is crucial in this regard.

  - Finally a word of concern about the European Regional Development Fund. Regions should continue to leverage structural funds strategically through SMEs and large enterprises. SMEs should continue to be the primary focus of this fund. But excluding larger enterprises from its productive investment may represent a self-inflicted wound to Europe's competitiveness. This is also true for SMEs that often form important value chains with larger enterprises.

• BUSINESSEUROPE is supportive of the ongoing efforts to reform cohesion policy. Current negotiations must advance quickly. Otherwise we risk, yet again, a late start of programmes on the ground. But also for that, we first need to finalise the multiannual financial framework!

4. Conclusion

• Let me conclude. Europe is at a crossroads. All eyes will be focusing on the November special Council hoping, not only for an agreement, but for an agreement that properly reflects the investment needs of the EU.

• The private sector will view the multiannual financial framework as the mirror image of the Union's priorities for the years ahead. We count on EU leaders to ensure that the final agreement focuses on supporting investment, growth and job creation across our continent**.**

Thank you for your attention.

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