BUSINESSEUROPE

SPEECH / SPEAKING NOTE

15 May 2013

EUROPEAN BUSINESS SUMMIT
OPENING PLENARY ON 15 MAY FROM 17H30 TO 19H00

UNLOCKING EUROPE'S INDUSTRIAL OPPORTUNITIES

SPEECH BY PRESIDENT JÜRGEN R. THUMANN

Check against delivery

Your Royal Highness.
President Van Rompuy.
Vice President Tajani.
Members of the European Parliament.
Excellencies.
Dear Pierre-Alain, dear Leif, dear David.
Ladies and Gentlemen.

Welcome to the eleventh European Business Summit!

Having discussed "skills for growth" and how to "educate for employment" last year, I was personally quite keen to focus this year's edition of the EBS on the issue of industrial growth.

Everyone recognizes that re-industrialising Europe is a must if we want to get out of the crisis.

But this change of mindset is fairly recent and, in my view, still incomplete. And we really need to change mindset to ensure that what you just saw in the video does not become a picture of the past.

All in all industry stands for 16 per cent of European GDP. Industry delivers 80 per cent of Europe's exports. 80 per cent of private sector Research and Development investment comes from manufacturing. And industry accounts for 45 per cent of Europe's workforce.

Each job in the industrial sector is linked with at least two high quality jobs in the service sector. No doubt, a strong industrial base is vital for the future of Europe.

Unfortunately, ladies and gentlemen, Europe's manufacturing sector is not as vibrant as it should be.

Despite the fact that the European Union is still the largest industrial producer in the world, industrial production was is still 10 per cent lower than before the financial crisis. More than 3 million industrial jobs have been lost. No question, the decline in Europe's manufacturing represents a major problem and it is time to restore our industrial base.

The good news is we can do so. We can do so even quickly, because Europe has many assets, assets on which we can build to reverse this trend.

So, if we put our mind to it, I have no doubt that we can increase our industrial output to 20% by 2020.

Re-industrialization is the road to growth and job creation. To pick up speed on this road now, we must have the right framework conditions in place.

1. **Access to finance** is THE immediate concern for companies.

Between February last year and this year, lending to non-financial corporations fell by -4.2% and credit conditions will remain tight. This is worrying.

European financial market reforms need to balance the need to ensure financial market stability and meeting companies financing needs.

2. **Access to energy and raw materials** at competitive prices is another pre-requisite to the development of industrial activity.

Energy prices for European industry went up by 28% between 2003 and 2011, which is significantly higher than in most industrialised countries.

European leaders cannot afford to sweep coherence between EU energy and climate policy underneath the carpet. Rather than meddling with the Emissions Trading Europe should focus on finding competitiveness friendly and long term solutions for our energy and climate policies.

Industry is not the problem but the solution to our climate challenge. With industrial innovations, we can find better ways of exploiting renewable energies such as sea tides, the sun or wind. We can pave the way to clean exploitation of shale gas in Europe and further improve nuclear safety. We can increase our energy efficiency by acting on the consumption side. And we can reduce the amount of energy lost in transport or find ways to store energy sources that are currently wasted.

Like energy, only a secure supply of raw materials at competitive costs will lead to a thriving manufacturing sector. We are faced with protectionist policies in some supply countries and rising demand in emerging countries. Yes, the European Union has made progress in addressing export restrictions. But a lot still needs to be done. And there is undoubtedly also scope for improvement with regard to recycling and production of secondary raw materials.

3. The **availability of a skilled workforce** is another challenge to be met.

To reap the employment benefits of better access to finance, energy and raw materials the availability of a skilled workforce is essential.

Industry in particular relies heavily on Scientific, Engineering and Mathematics skills.

Labour productivity is another aspect of the skills dimension of Europe's industrial future. Labour productivity in manufacturing has increased annually in the US by three times as much since the early 2000, compared to the Euro Area. And the gap in productivity with developing countries is narrowing too, because productivity increases there are much faster.

Innovation is key to increase productivity. Europe has got brains but it lags behind in the commercial exploitation of its ideas. Boosting innovation requires much more than doing research. Effective policies must focus on connecting research results, experimental development, manufacturing and commercialisation.

The creation of clusters and business networks must be encouraged, in order to generate innovation spill-over effects between large enterprises and SME's.

And to boost innovation and productivity you need a favourable business environment and open markets, internally but also externally.

30 million European jobs depend on export markets outside Europe. Completing trade agreements with major partner countries could boost our output by up to 1.5%.

The Transatlantic Trade and Investment partnership represents an unmatchable opportunity in terms of growth. To give European trade negotiators the strongest possible support, BUSINESSEUROPE and other business organisations have created an alliance to bring this partnership agreement to fruition.

Ladies and gentlemen,
The video we just saw said it loud and clear: "The future of Europe depends on business and the future of business depends on Europe".

This evening, we have the privilege of having the President of the European Council with us, Mr Hermann Van Rompuy.

We are right in between the Spring and the Summer EU Council meetings and just a few days from an important EU Council meeting on energy.

Dear President van Rompuy,

We clearly need to work more and better on growth. But the answer certainly does not lie in changing track and forgetting about public finances consolidation.

Allowing Member States to use the room for manoeuvre existing in the EU fiscal framework is fine, provided the European Council does not show complacency about the course for national fiscal consolidation. And allowing member states to get away with insufficient reforms could endanger the entire European project.

National governments have to set out credible plans to pay off public debts and improve competiveness. The new system of economic governance requires the

European Council to say very clearly when it believes national reform programmes are not sufficiently ambitious.

President van Rompuy, we also count on the European Council to send a clear signal that business as usual is not an option for EU climate and energy policy.

We have to re-shape our climate policy to lower the tremendous costs impact on industries and reflect on the very limited progress in global climate talks.

Without taking energy cost into the equation you can bet that Europe will not achieve its 20 % industrial GDP target.

Ladies and Gentlemen,

We will not be able to spend or borrow out way out the crisis. But we can grow ourselves out of the crisis. This growth must be achieved … the real way. We cannot continue with cycles of bubble and burst but must build a sustainable foundation of future growth.

Re-focussing the European agenda on competitiveness and industry is the real way in achieving this!

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