BUSINESSEUROPE

SPEECH

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"EUROPEAN INDUSTRIAL COMPETITIVENESS: NO MORE BUSINESS AS USUAL!"

SPEECH BY THÉRÈSE DE LIEDEKERKE, DEPUTY DIRECTOR GENERAL OF BUSINESSEUROPE

Dear President Dargis,
Distinguished guests,

First of all I would like to convey the best wishes of President Emma Marcegaglia and Director General Markus Beyrer for the 25th anniversary of LPK.

It is a great pleasure to share some thoughts with you today on a topic you chose for the conference organised to celebrate your federation and its members: improving the competitiveness of our industry.

We discussed intensively during the Lithuanian Presidency and the progress made recently is largely due to the outstanding work done during this period.

Europe's manufacturing sector is highly productive. It generates nearly € 32 of added value per hour worked (15% higher than in services). It accounts for 57% of total EU exports and with a share of 15% of added value in the total economy, industry is responsible for almost 66% of R&D investment.

Directly and indirectly, manufacturing accounts for 52 million jobs in Europe.

However, since the start of the new millennium, emerging markets have experienced vibrant growth. And while Europe's share in worldwide manufacturing dropped by almost 5 percentage points between 2000 and 2012 (from 25.7% to 20.8%), Asian emerging countries increased their own share by almost 18 percentage points (from 9.6% to 27.5%).

To reverse this relative industrial decline, 8 policy drivers are key:

1. rebalancing energy and climate policy,
2. opening foreign markets,
3. unleashing the potential of our home market: the Single Market,
4. promoting innovation,

5. expanding infrastructure,
6. improving access to finance for companies,
7. making our labour markets more dynamic,
8. ensuring that education and training equip people with the skills needed in industry.

Ladies and gentlemen,

The need to focus all European policies on industrial competitiveness is now widely recognised. But the gap between words and real action is still huge.

There is really no time to waste.

While Europe has been engaged in crisis management, other economies have been progressing.

In the last five years we lost 6 million jobs across the EU, compared to around 1 million in both the US and Japan. The EU's share of worldwide FDI flows fell to 24% in 2012 compared to 40% in 2000. And if nothing is done to tackle high energy prices, the EU share of global exports in energy intensive products is projected to drop by 10%.

Small steps and a piecemeal approach will not be sufficient. We need a fully fledged strategy to boost industrial competitiveness throughout the EU. Otherwise we will not be able to retain our current living standards.

Business as usual is simply not an option!

In March, the European Council gave a first direction and a very clear signal about the need to mobilise all EU policies to improve competitiveness. But the goal proposed by the Commission to aim at 20% of the EU GDP generated by industry by 2020 was not adopted.

The European Union is discussing a range of different targets. We have a certain propensity to adopt targets with potentially damaging effects for the economy such as excessively high unilateral climate targets but we are shying away from an industrial target aimed at boosting growth and employment. The European Council in October must re-discuss this and endorse the 20% industry target.

The other big question on which further work is urgently needed is governance to ensure that competitiveness is really mainstreamed in all EU policies. And this means 4 things in practice:

1. The European Council must make sure that real actions are taken and evaluate the progress made at each Spring European Council in the context of the overall EU growth strategy (the so-called Europe 2020 strategy).

2. The Competitiveness Council must play a stronger role as guardian of competitiveness. It must make its voice heard on topics with an impact on industrial development.

3. The European Commission too will have to make sure that competitiveness is systematically prioritised in all its policy proposals. This could be done in different ways, through Super-Commissioners, thematic clusters or a high-level industrial coordination group within the college. In any case, an improved governance to ensure that the focus is on competitiveness is a must for the next Commission.

4. Last but not least, the better regulation programme is key to put an end to the job destructive investment leakage that we have experienced. Ensuring that impact assessments are carried out independently from policy-makers, carrying out ex-post evaluation of existing regulation to remove unnecessary administrative burden and taking into account the cumulative effect of legislation is essential to get the regulatory framework right and avoid unnecessary burdens for companies.

The **2030 EU's energy and climate policy** will be the first big test of Europe's ability to turn good competitiveness intensions into actions.

European companies are taking their responsibilities and will continue to bring to the market technological solutions to climate change. But they need a framework that addresses the challenge of high energy prices and safeguards their international competitiveness. Balance is essential.

BUSINESSEUROPE supports a binding greenhouse gas reduction target post-2020. But we urge Member States to thoroughly assess what the proposal for a minus 40% by 2030 really means for each country. Such a reduction will require enormous efforts. The low hanging fruits were already harnessed. Every additional percentage of reduction will become more cost-intensive. The EU must not put itself again in the position of lone frontrunner. The level of ambition for the greenhouse gas reduction target has to be adaptable to the outcome of the international climate negotiations in 2015 in Paris.

Energy security is key for industry. The situation in Ukraine is a wake-up call for a strong European energy security strategy. We must diversify Europe's energy sources both domestically and externally. Europe has to keep all options open, including potentially unconventional energy sources such as shale gas.

Last but not least, the EU's ability to act in the field of energy policy must to be strengthened. While decisions on the energy mix are a national competence, a stronger coordination between national policies and a duty to cooperate will ensure the proper functioning of the much needed interconnected energy market.

Ladies and gentlemen,

Another big test of Europe's ability to take a strategic approach to competitiveness is in the **international trade policy** area.

One European job out of ten depends on exports.

We are engaged in crucial negotiations with the Unites States on Transatlantic Trade and Investment Partnership.

This partnership could boost EU exports by at least 28%. It could lead to a GDP increase in the EU of 0.5% to 1% annually and generate up to 1.300.000 new jobs in the EU.

But the negotiations are not yet progressing as they should. The US offers are insufficient in a number of areas. Given the very difficult public debate on TTIP, this could endanger the process.

Let us not miss that opportunity!

I could multiply the examples of important EU policy areas in which we want to see progress. But I would largely overstep my speaking time.

To conclude let me repeat: the stakes are very high for our industries.

The European elections gave a clear signal. European citizens want a different Europe, a better Europe, a Europe with more growth and more jobs.

The European Union must focus on the real issues. It must stop regulating details and become more competitive, less bureaucratic, more-pro-active, more outward looking. The next 5 years will be crucial. The world is moving on. Others are not waiting for us. We must act now!

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