



9 June 2010

COUNCIL FOR THE UNITED STATES AND ITALY WORKSHOP, VENICE

STATE OF EUROPE AND TRANSATLANTIC RELATIONS

SPEAKING NOTES FOR ERNEST-ANTOINE SEILLIÈRE 11-12 JUNE 2010

1. About the economic crisis

- The **financial crisis started in the US** at the end of 2008 and led to a rapid deterioration of the EU economy due to our close economic relations and due to the **structural weaknesses in our economy**.
- In less than two years, **the wealth and jobs created over the past decade in the European Union were destroyed**. The path to pre-crisis growth and employment level will be long and difficult.
- Just as the recover got underway early this year, the EU had to face a **debt crisis of unprecedented proportions**.
- While EU governments played an important role in stabilising the financial sector and averting a full blown recession through stimulus plans last year, the **limits of state intervention have now been reached**.
- **Massive public debts are now a major cause of financial instability** across Europe and a major concern for many businesses. The public debt crisis has a direct effect on companies' ability to borrow money to invest so the problem is very real.
- The EU governments now need to **show their resolve to overcome the debt crisis** with serious policy responses.
- I was President of BUSINESSEUROPE for four years from 2005-2009 and I relentlessly met with national leaders calling on them to implement the EU reform agenda – known as **the Lisbon Agenda for Competitiveness** at the time. Not all of the Prime Ministers I met appreciated what I had to say. I think they may be regretting that they did not react then.
- But I don't want to be a pessimist: The EU can tackle this problem!



2. Looking more positively at the Economy

- Let's start with the positive news. BUSINESSEUROPE's economic forecasts are not as bleak as the news reports might state. **EU companies are taking advantage of the global export rebound and the return of industrial growth.** And it's not just Germany – the export *Weltmeister* – but also countries hard hit by the crisis like Portugal, Ireland or Spain that are witnessing an export revival.
- **Unemployment levels are also stabilising** across the EU even if the rates are very different across the Union.
- Consequently, **our GDP figures for 2010 remain positive.** But this will not be enough to restore the confidence that business needs to start investing heavily in new growth and jobs. We also need governments to take action!

3. How to solve the crisis?

- Ladies and Gentlemen, we are facing a crisis of confidence – in the Euro, in the financial sector and even in the EU's ability to solve internal problems. So we **need a plan to restore that confidence in Europe.**
- As a European business leader, I can tell you that business expects **the EU to get its act together and fast.** By that I mean, devise a plan to overcome the problems that we are facing and here is how BUSINESSEUROPE sees it – and I fully agree with them and will support my successor Jurgen Thumann in achieving it.
- There are **two sides to the EU debt crisis: government over-spending and lacklustre economic growth.** If we don't tackle both problems at the same time, we won't be able to get out of this mess.
- Government over-spending: Let's face it, **our governments have spent too much during the good years.** Now they have to face mounting interest payments, increasing social liabilities due to our aging population (pensions, health care) and a deteriorating tax base due to the economic crisis. There is no choice now but to face the painful issue of cutting government spending and reforming social entitlements.
- This is inevitable because if we do not, BUSINESSEUROPE estimates that **by 2017 our governments will be spending more on interest payments on the debt than they will be spending on growth generating policies like education and research.** Do we really want our governments to spend less on education and research than on interest payments? What future is that for younger generations?



- But a deficit cutting strategy alone will not solve our problem. **We also need a new growth strategy across the EU** to convince business to invest and to create jobs.
- If the **European economy grows at 2% instead of 1% per year, the EU will create an additional 6.5 million additional jobs**. This would also cut the total EU public debt by a further 450 billion Euros or 7% of GDP by 2015. Imagine what we could do by getting the growth up even higher.
- Now, I recognise that a growth strategy is hard to devise but here is how BUSINESSSEUROPE sees it. First, **governments need to encourage “flexicurity”** in the labour market to provide workers with financial security and companies with flexibility to adjust to ups and downs.
- Second, action needs to be undertaken to boost **public and private investment in research and development**.
- Third, **public-private-partnerships need to be launched to build the modern infrastructure we need to generate growth** – including investments in cleaner energy and in broadband for the Digital Economy.
- Fourth, national governments need to engage in **serious tax reform measures to favour growth and investment**.

4. What is the Transatlantic Dimension?

- There is an important Transatlantic dimension to getting out of this crisis. I realise that **many government and business people in America are questioning or even mocking Europe’s (in)ability to solve its own problems**. But don’t be mistaken: a deep European crisis would be a huge drain on the global and especially on the US economy. On the flip side, if the EU economy grows faster, the US economy – especially exports will benefit greatly. Transatlantic cooperation can help in many ways.
- First, **let’s use the Transatlantic Economic Council to step up EU-US cooperation on financial market reform and macro-economic stability**. We need better coordination of our positions on issues like financial regulation ahead of important global meetings like the G8 or G20. We also need to make sure that our own financial regulations are complementary rather than contradictory.
- Second, let’s start engaging in **cooperation on the development of green and innovative technologies** that will create the jobs and perhaps even companies of the future. Why don’t we create common standards for electric and plug-in hybrid cars? We can also work together to deal with the challenge of data privacy in an open internet or digital economy.



- Third, let's get going on ***removing some of the long-standing trade barriers that are blocking "natural" growth between our two economies.*** We have been asking the US to abandon the 100% scanning of cargo rule for years with no action. The US has been asking the EU to reduce non-tariff barriers on food products for years. Are these problems really insurmountable?

If done right, the ***Transatlantic Economic Council can become a major economic driver for our economies.***
