

9th Economist Government Roundtable

19 April 2005

“Envisaging a stronger Europe through its leaders”

by

**Ulysses Kyriacopoulos,
Chairman of the Federation of Greek Industries
and Vice President of UNICE**

Ladies and Gentlemen,

A strong Europe can only be a Europe which is competitive. Without a healthy economy, all our other ambitions – be they in the social, environmental, or political field – are bound to fail. Only a Europe which has a world-class business climate creates growth and jobs.

As a whole, Europe is unfortunately not on a path to become the world’s most competitive economy by 2010. This goal was proclaimed by European politicians at the European Council in 2000, usually referred as the Lisbon Strategy.

Some positive reform developments to improve Europe’s competitiveness took place in the last five years. European policymakers have started to react to the big economic challenges of our time – globalisation, technological change and population ageing. However, progress is not happening fast enough, and the current European economic outlook looks gloomy. Low growth and high unemployment make headlines in Europe. Confidence in European future growth prospects is waning again. In recent weeks, the growth outlook for this year was slashed. Currently it is expected to be even less than last year’s lacklustre 1.8% for the EU.

One month ago, European heads of state gathered again to carry out the mid-term review of the Lisbon Strategy. Unfortunately, five years after it was proclaimed and although they agreed that Europe’s economy is off track, short-term political considerations such as referenda on the European Constitution have prevented Member States to focus EU economic policy on what Europe really needs: growth and jobs.

So looking at Europe as a whole, it seems far from being economically strong and future prospects are not good. However, Europe is not a monolith. On the contrary: European diversity is cultural, geographical, lingual, and makes our continent so fascinating to live in. This diversity also applies to the economic Europe. We can find many outstanding performances in our continent. In many sectors, European

companies have gained a competitive edge, are playing well in world competition, and are generating growth and jobs. Some countries, too, have found their competitive edges. The Nordic countries are regularly rated among the most competitive in the world. But also some new Member States, such as Estonia, have been developing their respective competitive edges.

All economies in Europe must find their own way in succeeding in global competition. But there are some common challenges to which, sooner or later, all European countries will have to respond in order to develop or retain a competitive edge. Let me name three of them:

1) All European countries have to develop further their innovative capacity in high-quality and high-technology products and services. None of the EU Member States will be able to compete on low production cost in the long run. Therefore, it is essential to invest heavily in research. The European Union can and must be an important catalyser to stimulate research and innovation. Therefore UNICE is currently making a strong case and emphasise the need for future EU budgets to increase funding that supports European research and innovation.

But research is not a sufficient condition for gaining a competitive edge in highly sophisticated products and services. Is it symptomatic that the MP3 format was invented in Europe, but commercialised in the US? Research must be turned into innovation in order to create growth and jobs. Policy measures are urgently needed to make this happen. I believe we should start by integrating entrepreneurial education in school curricula, developing closer relations between business and science, and providing good conditions for innovative start-ups. The current historically low business investment level in Europe shows that there is work to do in this respect.

The EU level can do its share to improve conditions for innovation in Europe. The sorry tale of the Community Patent, which European policymakers have failed to agree on for 20 years, unfortunately reveals that it could do better. Furthermore, stifling innovation by threatening to impose new bureaucratic legislation such as REACH is not the way to inspire confidence in Europe's future business climate.

2) It is competition that creates competitiveness. In order to create competitive edges, economic actors need the freedom to look for them and to exploit them. Therefore we must continue, as a top priority, to liberalise markets in Europe. The EU Internal Market therefore is not "yesterday's business", as it is often perceived in public opinion.

It must be completed: Member States must transpose existing Internal Market legislation into national law, not only in letter but also in spirit.

And it must be extended: Currently, the liberalisation of services is the single most important policy measure the EU can enact to improve the business climate in Europe. Unfortunately, the debate has been hijacked by emotional arguments, many of them unfounded, such as “social dumping”.

3) Finally, a highly educated, highly motivated and flexible work force is one of the most valuable assets a country can have in global competition. The way, people work has been changing dramatically, and we urgently need to adapt our labour markets to the 21st century and make them more flexible. Many European countries are seriously lagging behind in reforming their labour markets by challenging existing laws and past practices. A study has calculated that for every Dollar that is relocated from the US to India, the US economy receives more 1.14 Dollars in return. In contrast, for every Euro that is relocated from Germany to India, Europe receives only 0.80 Euros in return. The main reason for that is that the European workforce is not flexible enough to reorient itself towards sectors that provide new work opportunities.

The primary goal of employment policy must be to promote job creation and the integration of more people in the labour markets. It should not be to try and protect activities which are no longer competitive or to enhance the rights of those already in work. The new EU social policy agenda, recently presented by the Commission seems to reveal a different intention. We do not need an additional layer of EU collective bargaining above the national, sectoral, regional or company level. But this proposal along with many others was put forward in the Social Policy Agenda. The Commission is walking a very thin line. If the EU is serious with focusing its policies on growth and jobs it should be very careful with imposing additional rules to national labour market regulation.

But it is at the national level that most economic reforms must be implemented. Therefore, maybe the most important decision taken at the European Council in March, was the commitment by all Member States’ governments to draw up “National Action Programmes” for reform. UNICE Member Federations have been very active in pushing for these National Action Programmes ahead of the European Council.

In this context, at the Federation of Greek Industries, we are promoting specific measures and activities that can contribute to a successful implementation of the Lisbon Strategy in Greece.

We have prepared a position paper, a consultation document to be used in future discussions with our social partners aiming at introducing to the government a common set of proposals and recommendations for reform.

With extensive contribution from the Federation of Greek Industries, a first joint Action Program was developed by the Economic and Social Committee of Greece (ESC), a committee in which both business and labor unions are represented.

Furthermore, following the recommendation of the Federation of Greek Industries, the Greek government has publicly declared the current year 2005 as “Competitiveness Year” for the Greek economy. We work on a plan with three objectives:

1. To implement a package of specific reforms that enhance competitiveness and have the government declare its strong commitment to support entrepreneurship.
2. To sensitize selected publics on the need to improve competitiveness by highlighting the risks associated with measures of artificial protection from competition.
3. Putting emphasis on education and professional training and by introducing courses on entrepreneurship at all levels of education.

Ladies and Gentlemen,

Each country’s situation is different and necessitates specific measures, but we all sit in the same boat. The 10 Member States that recently joined the Union and Bulgaria and Rumania that will soon be full members, for example offer a great opportunity for the whole continent to increase competition, competitiveness, and ultimately our standard of living. Contrary to popular belief, they do not pose a threat. We will be successful only by doing it together and profiting from each others’ experiences, best practices and taking full advantage of all possible opportunities that exist in Europe.