BUSINESSEUROPE

SPEAKING POINTS

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PANEL: THE EUROPEAN ECONOMIC CRISIS

EMMA MARCEGAGLIA, PRESIDENT

Ladies and Gentlemen,

It is a pleasure and an honour to join you here today. The St-Petersburg Economic Forum has become one of the most important annual gatherings of economists, policy makers and business leaders from both Russia and the international community, as the list of participants demonstrates and I am very happy to be visiting Russia today.

Economic situation

I am particularly pleased that the organisers have asked to hear the views of European business. While government has a crucial role to play in setting the right framework for economic activity, it is businesses that ultimately drive growth and employment creation.

And we are a meeting at a crucial time.

The European economy has the possibility of a return to moderate growth in the final months of 2013 and into 2014. Our economic prospects are certainly not rosy.

- We expect GDP growth in 2013 of 0.0% in the EU and -0.4% in the Euro Area.
- The employment situation remains an acute concern, with unemployment in the Euro Area expected to remain around 12% in 2013.
- The EU's current account balance is set to improve thorough 2013 with the surplus growing to 0.9% of GDP in the EU and 1.9% of GDP in the Euro Area.
- Fiscal consolidation also continues to progress. The public deficit in 2013 will fall to 3.3% of GDP in the EU and 2.8% of GDP in the Euro Area. However, public debt remains on an upward path, and will reach 89.3% of GDP in the EU, and 95.0% in the Euro Area in 2013.

On a more positive note, private investment and private consumption will start to contribute to growth in 2014, they are forecast to rise by 2.3% and 0.8% respectively in the EU in 2014.

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Bank lending conditions remain extremely divergent within the euro area. In a number of European countries, a credit crunch is hampering investment and economic recovery.

Clearly the situation remains fragile. Our European political leaders must demonstrate their commitment to putting in place the necessary actions to improve competitiveness, rebuild business confidence and restore private investment.

In spite of our problems, I want to reassure you that European business is committed to maintain good economic relations with our major trade and investment partners – including Russia of course.

Remaining open to globalisation

BUSINESSEUROPE, and the millions of companies our member federations represent across 35 countries, has been a huge advocate of taking forward ambitious trade deals across the globe, and has been a very strong supporter of Russia's accession to the WTO and to the OECD (*still pending*). We are also strong supporters of bilateral cooperation between the EU and Russia.

BUSINESSEUROPE believes that EU-Russia cooperation in areas such as investment promotion and protection, visa liberalisation and regulatory approximation for industry could increase business opportunities for both our business communities. It could also bring our citizens closer together (visa liberalisation) through economic and cultural exchanges. We need to push both our governments to move forward in negotiations on these issues.

We a pro-cooperation with Russia and other economic partners because our firms produce world leading product and services, drawing on highly skilled workforces to develop and make use of the most advanced technologies available. These firms want to compete and sell to more open world markets.

But it also true that we need to do much more in Europe to strengthen our fundamental competitiveness.

- For example, R&D spending as a proportion of GDP remains stuck at around 2% in the EU, compared to almost 3% in the US and 3.5% in Japan.

- That is less than we spend on meeting the administrative burden of regulation, which the Commission estimates costs 3.5% of GDP, or €470 billion.

- Educational performance in the areas of maths, reading and science in most EU countries now significantly lags behind the best performing Asian economies.

- Energy costs have increased considerably and now vast exceed those faced by our competitors in the US and Asia; and

- Labour market competitiveness in many countries that were worst hit by the crisis may have started to improve, but we need to do much more to ensure that wage levels better reflect underlying productivity performance.

I could go on. But much of this we are all aware of. It is concrete action that we need.

Why Europe must continue on the reform path

That is why we are calling upon the European leaders to fully endorse the Country Specific reforms to make our economies competitive again.

There must be no watering down or backtracking.

Establishing long-term growth and employment in the EU requires a twin track approach of fiscal consolidation combined with structural reforms.

EU Member States need to increase the pace of structural reforms, in particular to improve labour market flexibility, enhance product market competition, and reduce the regulatory burden on businesses.

As part of a broader strategy to restore long-term growth, Member States' efforts to improve the sustainability of public finances must continue. Where the room for manoeuvre in the EU fiscal framework regarding the speed of consolidation is used, it must support structural reform, whilst ensuring that the overall trajectory of public finance consolidation is maintained.

A sustained recovery will only take place if businesses across Europe have access to finance for investment on reasonable terms. This means real progress on banking union, ensuring that prudential regulation finds the right balance, and developing alternatives to bank financing.

And we need to make the best use of EU funds to increase growth, particularly by leveraging private investment. This means a rapid finalisation of the Multi-Annual Financial Framework and greater support for European Investment Bank schemes such as project bonds which work alongside, rather than try to replace, the private sector.

We are all aware of the employment crisis Europe is facing, particularly regarding youth unemployment. That is why the Youth Employment Initiative should be adopted as soon as possible, and combined with labour markets reforms and improvements in education and training.

And finally, of course, we need to do more to complete the single market, particularly in key areas such as services, energy, transport. Creating a true digital single market alone can contribute 4% to EU output by 2020.

Conclusions

Ladies and Gentlemen.

I hope I have set out a clear agenda of what policy makers must to do help restore long-term growth in Europe. The list may be quite long, but we must not forget that we have many strengths upon which we can build.

I hope that our Russian partners will see that European business is committed to much needed economic reforms and will engage strongly with us to promote cooperation.

Thank you for your attention.