

BUSINESSEUROPE



Combining growth and fiscal sustainability: A European action plan

EU2020 – What role for European business?

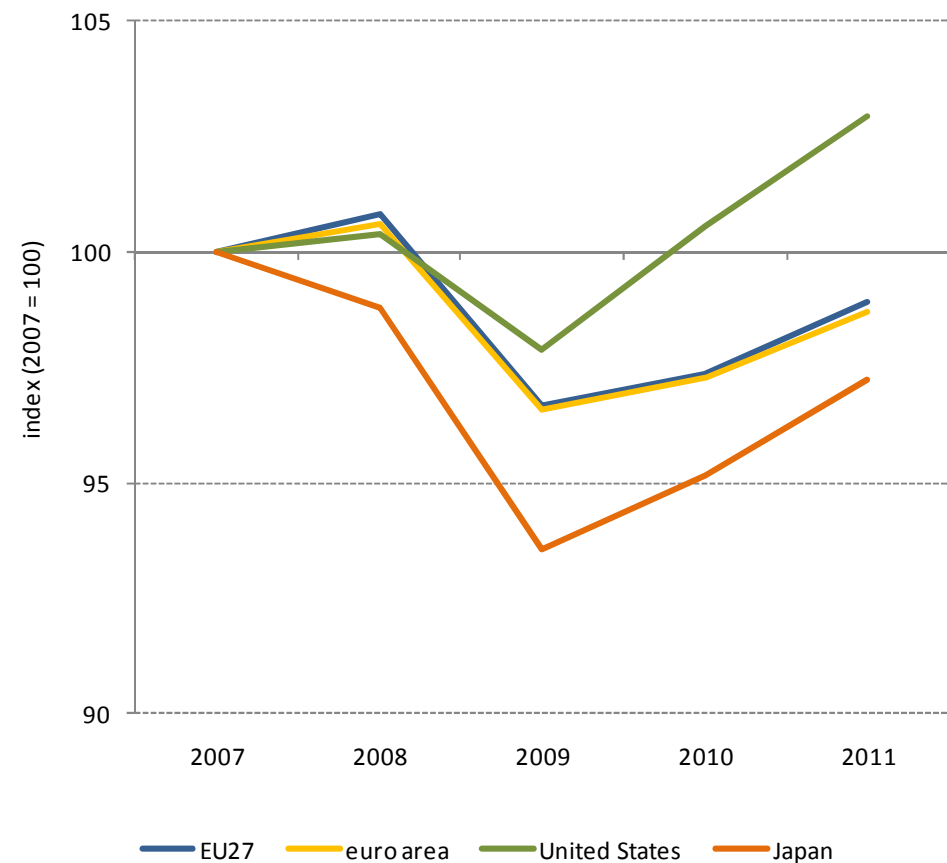
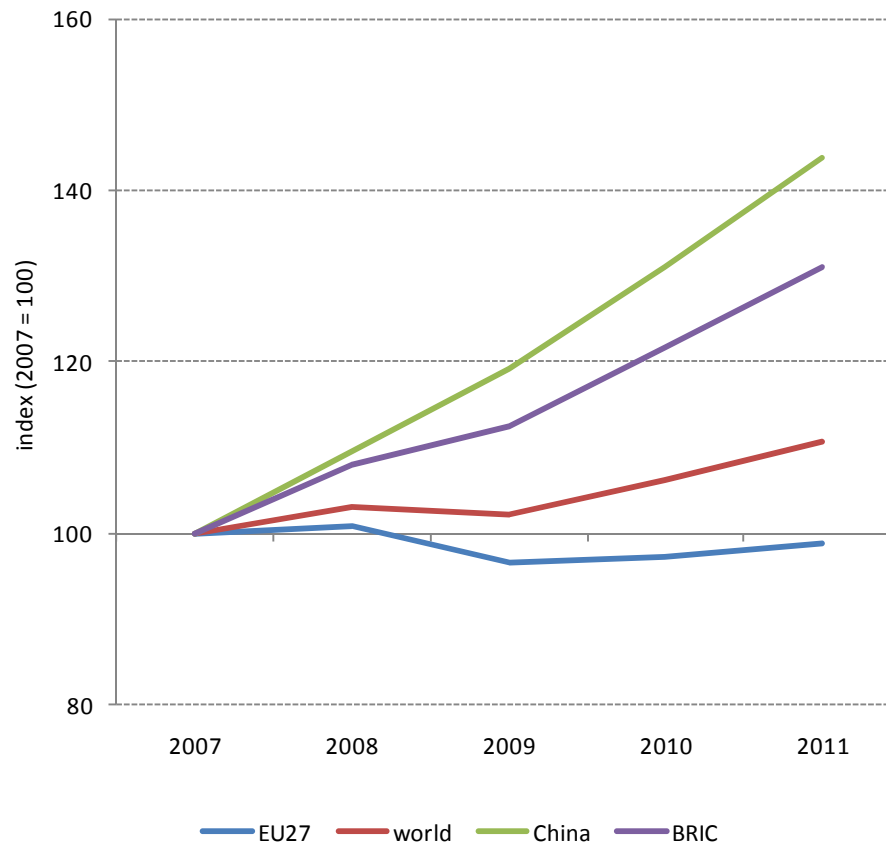
18 March 2010

Marc Stocker – Economics Director



EU lagging behind in the global upturn...

EU in the world - real GDP levels since 2007



Source: BUSINESSEUROPE, IMF



Greater sense of urgency needed...

At EU level:

- Revitalise the internal market
- Develop a truly integrated industrial policy
- Foster a more innovation-based economy
- Open access to international markets

At national level:

- Put a break on public debt
- Commit to far-reaching reforms

Reform priorities identified by **BUSINESSEUROPE** members

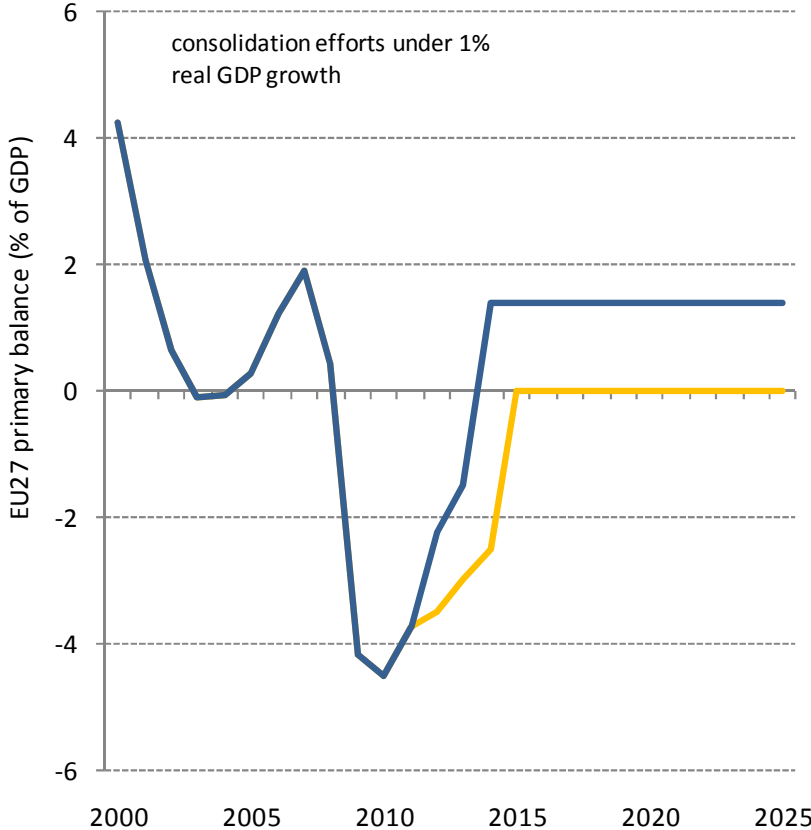
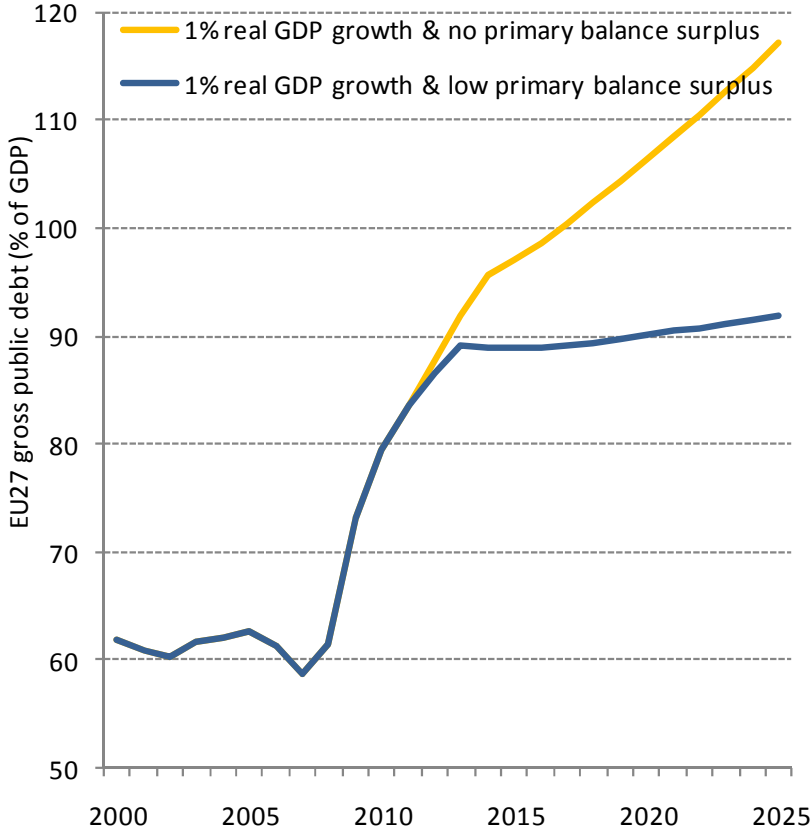
	Priorities
1	Orientation and sustainability of public finances
2	Financial markets and access to finance
3	Education and lifelong learning
4	Sector-specific regulation
5	R&D and innovation

Source: **BUSINESSEUROPE**

The targets for the new EU strategy

- Double Europe's growth potential (at least 2% by 2014);
- Employment rate: 70% by 2014, 75% by 2020;
- R&D spending: 3% of GDP;
- Clear timeframe to bring public debt back to pre-crisis levels;
- Greater link between fiscal consolidation and structural reforms;
- Develop a true benchmarking culture and avoid complacency

Public debt scenarios: I. weak growth, insufficient consolidation

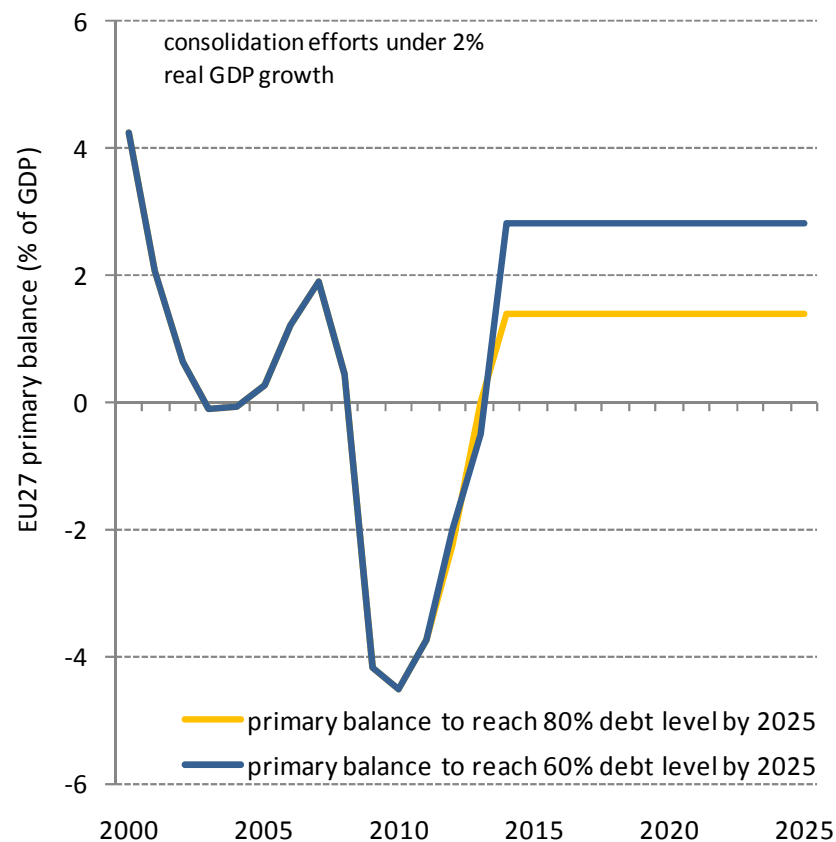
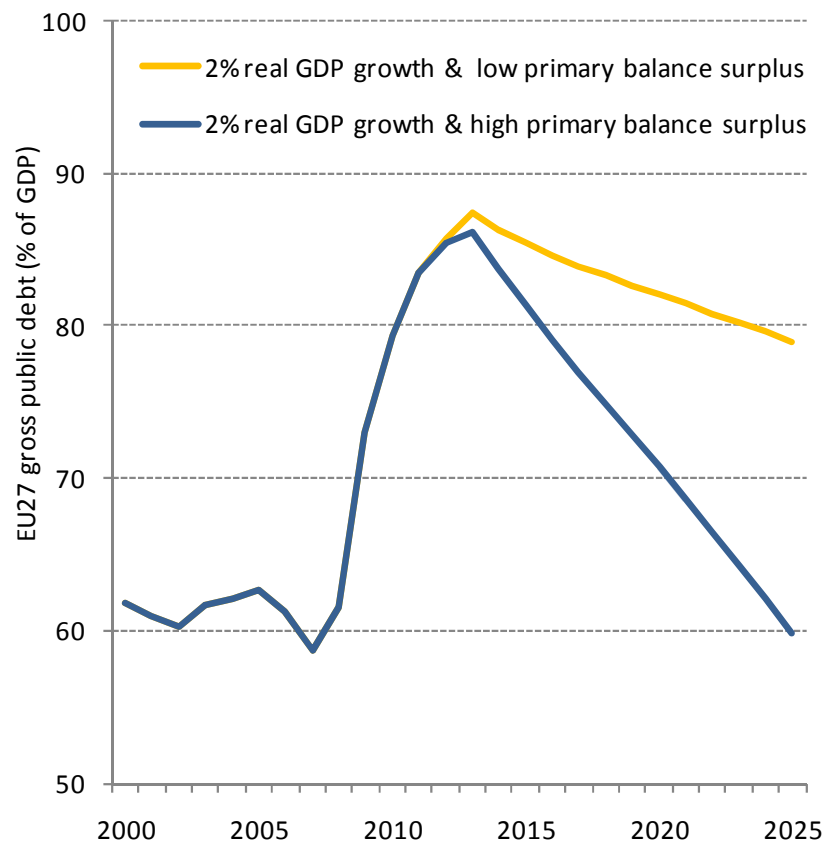


Source: BUSINESSEUROPE based on European Commission (AMECO) and calculations of Federation of Austrian Industries (IV)



Debt consolidation scenarios:

II. sustained growth, sufficient consolidation



Source: BUSINESSEUROPE based on European Commission (AMECO) and calculations of Federation of Austrian Industries (IV)



The way forward – a two-pillar strategy

1. Exit strategy: credible targets, expenditures cuts and social system reforms

- Tighter fiscal rules and institutions
- Greater efficiency of public administrations and credible cost-cutting measures
- Increased scope for public-private partnership
- Reforms of pension and healthcare systems

The way forward – a two-pillar strategy

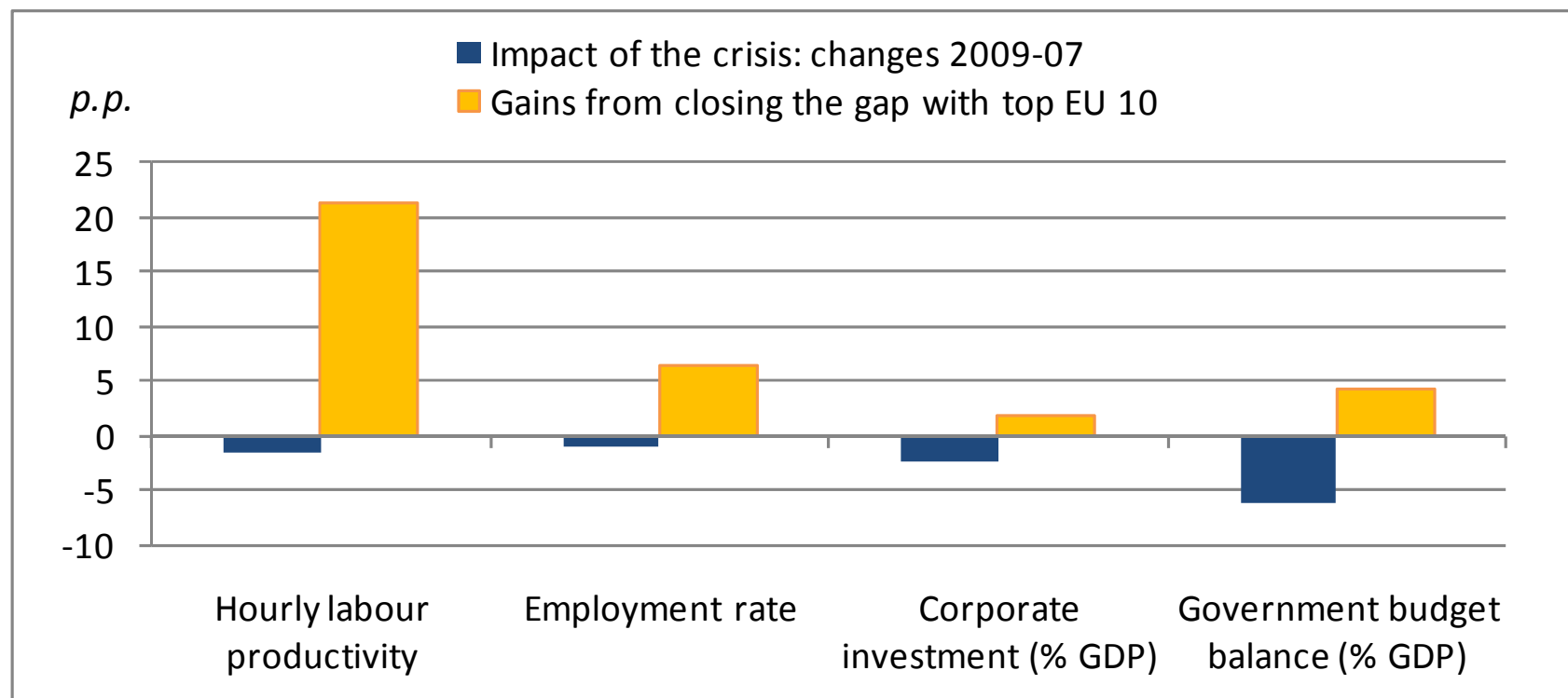
2. Entry strategy: growth-enhancing investment and tax reforms

- Higher return on education and training
- More and better targeted efforts in R&D and innovation
- Need to prioritise infrastructure investments
- Growth-enhancing tax reforms

Complementary reforms of product and labour markets...

“Benchmarking our way out of the crisis”

Impact of the crisis vs. gains of reforms in the EU



Source: BUSINESSEUROPE based on European Commission, AMECO database

The indicators

The benchmark covers 20 indicators from 3 main areas:

1. Productivity, Investment and Competitiveness

- Productivity levels, corporate investment (as % GDP); gain in export market share, cost competitiveness, current account position

2. Employment, Labour Participation and Hours Worked

- Labour utilisation; unemployment rate; annual hours worked; labour participation, share of working age population

3. Public Finances and Fiscal Sustainability

- Public Debt and Deficit (% GDP); public investment, tax burden, cost of ageing and dependency ratio

Country positions in our Spring 2010 Reform Barometer

Table 2: Overall assessment based on selected indicators in 2009

<p>Above average</p>	<p>AUSTRIA CYPRUS CZECH REPUBLIC DENMARK FINLAND GERMANY LUXEMBOURG NETHERLANDS NORWAY POLAND SLOVAKIA SWEDEN SWITZERLAND</p> <p>BUT LOSING GROUND: IRELAND, SLOVENIA</p>
<p>Below average</p>	<p>BUT SHOWING GREATER RESILIENCE: BULGARIA, HUNGARY, FRANCE</p> <p>BELGIUM ESTONIA GREECE ITALY LATVIA LITHUANIA MALTA PORTUGAL ROMANIA SPAIN UNITED KINGDOM</p>

Source: BUSINESSEUROPE based on European Commission, AMECO database

Conclusions...

EU2020:

good diagnostic but new means of delivery?

More needed:

- Intermediary targets (2014), greater sense of urgency
- National accountability (scoreboards, benchmarking)
- Link between growth, fiscal and financial stability
- Governance of the euro area
- Role of the Commission and the Council

More information on
www.businessseurope.eu

**“Combining Fiscal Sustainability and Growth:
a European Action Plan”**

**“Benchmarking Our Way Out of the Crisis”
European Reform Barometer - Spring 2010**