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Opening address at the 2006 Brussels Economic Forum

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Brussels Economic Forum

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Ladies and Gentlemen,

I would like to welcome you to the 2006 edition of the Brussels Economic Forum and to thank all the speakers and participants for being here and making this event a success. I would also like to thank Klaus Regling and the services of DG ECFIN for organising this event which is becoming more important every year.

Europe has an exceptional history, made of past but also of very recent outstanding achievements. The European Union is the world's biggest economy and since the creation of the euro has the world's second most important international currency. It has demonstrated a unique capacity to advance regional integration and to develop and renew its social model. Europe has a track-record of innovation and creativity. Europe's economy has on average performed remarkably over the years and it has been re-energised by the arrival of the new Member States.

But Europe is also facing new challenges which call for action. It is changing. It is enlarging, ageing, continuously integrating but also opening to the rest of the world. And the world is changing too, possibly at an even faster pace than we do.

Let me say from the start that I'm not afraid of these challenges. They are not bigger than those that we have tackled in the past. But we cannot stand still. Europe needs to keep renewing itself, and be fit for the changes which happen inside Europe, but also for those taking place on a global scale, and for which, I should stress, it is often one of the main players.

The title of our Forum of today and tomorrow has been chosen to remind ourselves of the necessity to keep moving. During these two days, we want to share our views and hear yours about what is necessary to do and how it is possible to act to make Europe prosper also in the 21st century.

Fortunately, the outlook – both for the EU and the euro area – is significantly brighter than it was one year ago. The Commission expects growth to accelerate this year, fuelled by a progressive increase in domestic demand, particularly investment, and thanks to the continued worldwide demand for our exports. Overall, despite the downside risks from high and volatile oil prices and recent exchange rate movements, we can remain confident at this juncture that global growth will continue to be strong and the recovery in Europe will stay on track.

However, over the medium term the renewal we need in Europe means much more. It is about our **willingness to evolve and adapt** to a fast-changing and interdependent world. If Europe is to secure its own vision of a fair, prosperous and decent society over the decades to come, it needs to become convinced that facing the challenges posed by globalisation and demographic change provides real opportunities to modernise and strengthen the foundations of our social contract.

Clearly, there is some way to go in adjusting our mindset. But if we do live up to the challenge, Europe will have nothing to fear, but everything to gain from economic globalisation. Globalisation can potentially make us all better off, while reconciling economic performance and social cohesion. This is key to ensuring sustainable development and building a better world for generations to come.

To make globalisation a win-win situation, we need to put our act together. The good news is that we know what needs to be done, and if Europe is prepared to use the full range of policies at its disposal, ageing and globalisation will be powerful drivers for a renewal in Europe. Dealing with these two challenges has the potential to spur the policy reforms needed to sustain higher growth, increase living standards and create new jobs.

There is large consensus about what action is needed in Europe:

- Macroeconomic policies pursuing a stable and sustainable economic environment,
- an open and dynamic internal market, including a genuine single market in services, notably financial services,
- responsive labour markets and a well-trained and highly skilled workforce,
- and greater access to markets outside the EU.

The first of these prerequisites, macroeconomic and financial stability, is being achieved thanks to EMU, the existence of a framework for budgetary discipline, and the coordination of economic policies – and should continue to play a crucial role in providing a sound base for the European strategy for growth and jobs.

The success of the single currency and the very existence of the European Union itself as a result of fifty years of regional integration, gives Member States and their citizens a head start in a globalised world. Indeed the fact that we already live and work in an integrated Europe gives us a huge advantage. But it is quite clear that much remains to be done in order to benefit from the gains in efficiency and productivity which are necessary to move Europe on a faster track. To do so, Europe must also move up in the emerging new international division of labour, completing the internal market while fully participating in the process of world integration.

Some fear that globalisation without restraints will affect negatively growth and job creation in the EU. Of course one side-effect of globalisation is that some European companies are starting to reconsider how they organise their production with a view to relocating all or part of their value chain abroad. The data show that this has very limited impact at the macroeconomic level. However, we are aware that globalisation and the changes which are necessary to deal with it imply adjustment costs in the short term in particular sectors and regions.

Europe must find new and better ways to create new activities and jobs on the one hand, while supporting the inevitable adjustment process on the other. This is of course what the **Lisbon strategy** sets out to do.

Two sessions of the Forum today and tomorrow will be focusing on two crucial aspects of the structural transformation process: on the one hand competition and innovation, and on the other social models that enable growth and provide the so-called "flexicurity", in other words helping and protecting *people* rather than specific *jobs*.

Let me now turn to the **enlargement** of the EU. According to the Commission analysis outlined in a Communication adopted earlier this month, the 2004 enlargement was a clear economic success, both for the 10 new Member States, which are clearly catching up with the richer old MS, but also for these, which have benefited from enriched trade and investment opportunities. And it has been a success for the EU as a whole, as it helps face better the challenges of globalisation.

Past enlargements have acted as catalysts for economic dynamism and modernisation for the EU. The key to that success has been their thorough preparation. In order to take full advantage of further enlargements it is crucial to prepare the next steps carefully in order to obtain similar results. The last session of the Forum will look at what conditions and preparations are needed in order to repeat this success.

To sum up, my message today is that Europe can look forward with hope and a clear sense of what needs to be done.

- We need to strengthen our Economic and Monetary Union by fostering an open and dynamic single market. This strategy will enable us to make the best out of globalisation and cushion the social and economic adjustment it entails.
- We need to step up the implementation of a comprehensive set of structural reforms in product, services, labour and capital markets.
- We need to invest more in our human, physical and knowledge capital, and to reorganise our economy to full benefit of our resources. This is the way to become more productive and to increase employment. This is the way to make our economies truly global and dynamic, to make them more resilient and adaptable.
- Last but not least it is important to remind ourselves that Europe is above all a political project build on sound economics. Following the one year reflection period post French and Dutch referenda, the debate on the Future of Europe is now back on the agenda.

Ladies and gentlemen

Building on its extraordinary history of achievement, Europe not only has what it takes to survive in the new global environment with an ageing society; it has also what it takes to thrive and prosper. We know what the road is for the "Renewal" of our society. Now it is time to do what we know.

Thank you for your attention