SPEECH/06/569

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Moving up a gear for Growth and Jobs: Progress on implementing the new Lisbon Strategy

Seminar "Excellence and Partnerships for an Innovative Europe"

Lisbon, 6 October 2006

Prime Minister,

Ministers,

Ladies and gentlemen,

Lisbon was a globalised city centuries before we started using the word. It is appropriate that it has given its name to Europe's Growth and Jobs Strategy.

Belem is a symbolic location, combining national traditions and culture, openness to the outside world and technological progress. That combination is at the core of the new Lisbon Strategy.

In March at the Spring European Council, European leaders invited the Commission to bring together national coordinators and stakeholders to tackle practical challenges in modernising Europe's economies. Today's seminar is a response to that.

Our conclusions will feed into EU leaders' discussion on innovation at the informal European Council in Lahti two weeks today.

We want to achieve three things today.

First, to share successes.

Second, to bridge the gap between those who make policy and those who drive innovation. Perhaps we don't talk often enough. I hope today will help put that right.

Third, and above all, I want today's discussions to lead to real results on the ground.

Before we tackle today's agenda, I would like to confront some myths.

The first – and worst – is that the Europe's Growth and Jobs Strategy is doomed to failure against super-competitive juggernauts elsewhere.

I disagree. Confidence is fundamental to economic success. We in Europe have many reasons to be confident. For example, recent competitiveness rankings from the World Economic Forum show six Member States in the top ten. All twenty-five Member States are in the top fifty.

Change is urgent. But we should embrace it wholeheartedly for the benefits it will bring.

We should not be paralysed by exaggerated fears of a wolf at the door.

Another myth is that we have not been able to turn good intentions into action. Our Strategy is now bringing real change.

The two clear decisions we took in reorienting the Lisbon Strategy in early 2005 are paying off. The first was to focus on growth and jobs. The second was to establish a firmer and more clearly defined partnership between the Commission and Member States.

That partnership is based on simplified governance and on a more integrated approach. Macro-economic, micro-economic and employment policy are no longer in separate compartments. This seminar is part of that partnership.

Another myth is that social issues and environmental protection are being ignored. On the contrary.

Our Lisbon Growth and Jobs Strategy aims to underpin a more prosperous, more socially inclusive and greener Europe.

Growth is a prerequisite for achieving that. But growth is a means, not an end.

Economic efficiency and social justice have always been inseparable, never more so than in the construction of Europe since World War Two. Growth and social inclusion, competitiveness and solidarity, prosperity and sustainability depend on each other.

To finance Europe's social models, we need reforms that set businesses free to create wealth. We must harness our knowledge and transform it into innovation, invest in all our people, change our working practices.

All of this in a way that helps tackle climate change, using and exporting good environmental practices and new technologies. That will benefit, not hold back, our economy.

All this is common sense. Europeans have told us that they want results, not divisive ideological battles. The Lisbon Growth and Jobs Strategy is the way we can deliver those results.

Yet another myth is that the Growth and Jobs Strategy is now largely a national issue.

You cannot win the race for competitiveness by leaving others trailing. Every Member State needs the other runners – their trading partners – to last the pace. Economic reform is by definition a European, and indeed international, issue.

That is why this Commission has made the Growth and Jobs Strategy its number one priority. It is why the the multilateral aspect of the Strategy – Europe working together – is so important.

Ladies and gentlemen,

Let me give some examples of how measures at European level can create growth and jobs.

The internal market has not only vastly increased consumer choice. It has directly created an estimated 1 000 billion euros of extra prosperity and at least 2.5 million jobs since 1993.

It can create more, if we make the step change from 25 flawed open markets to a genuine single market. I am convinced that the Services Directive, once adopted and implemented, will quickly come to be seen as a major step forward, its rather painful birth a memory.

The internal market shows that rules can open new horizons for businesses and citizens. We are not against rules. We <u>are</u> against bad rules. So any new measures we propose will be consistent with Growth and Jobs objectives and based on exhaustive impact assessments. And we will pursue our efforts to simplify European legislation. We look to Member States to be rigorous in improving their own regulation.

We will vigorously enforce European competition law. We will refuse the comforting illusion of protectionism.

Healthy competition in a functioning internal market is perhaps the biggest incentive for innovation. I am pleased that the Finnish Presidency has focused on this issue. Mauri Pekkarinen will tell us more in a few minutes.

For our part, the Commission has adopted a ten-point plan for ensuring public policies maximise encouragement to industry-led innovation, as a contribution to the discussion between European leaders at Lahti which I mentioned earlier.

We will continue our push to complete the opening of energy markets. This will help keep energy costs as low as possible, while improving energy efficiency and contributing to environmental protection.

In energy and many other sectors, if we act as one, Europe can help mould globalisation, at the same time as we respond to it with reform. We must open markets in third countries to European companies.

The policy document that the Commission published this week, "Global Europe: Competing in the World", is a contribution to that.

We also need to deal with the fall out from rapid changes in trade patterns.

The Globalisation Adjustment Fund will help Member States to give those who lose out at first a better chance of becoming winners in the long-term.

Ladies and gentlemen,

I have deliberately left until last the Commission's role in the partnership with Member States to draw up and implement National Reform Programmes.

As well as being a driver of European policymaking, the Commission has always been a facilitator.

A catalyst for sharing best practices. For building consensus that feeds into national as well as European policies. We are playing this role with conviction, in the Growth and Jobs Strategy.

We must be a credible partner for Member States. Telling it straight can be uncomfortable. But the alternative is inaction and decline. Citizens are tough on politicians who preside over that.

What are the next steps in putting the Lisbon growth and Jobs Strategy into practice?

First, Member States' implementation reports, due by 15 October will explain what has been done, what is being done and what will be done at national level.

The Commission's own Annual Progress Report in mid-December will answer, without fear or favour, two very simple questions. To what extent have we met the goals we set ourselves last year? What has been done to improve National Reform Programmes?

If we judge necessary, the Commission will make constructive recommendations to the Member States. Recommendations are not reprimands. They will be aimed at helping with the implementation of National Reform Programmes.

Let me now give a few examples of reform in progress.

Sharing successes is beginning to work.

For example, the Netherlands has adopted elements of the French model of "poles de competitivité".

In turn, the Dutch scheme for innovation vouchers is being taken up in other Member States.

The importance of improving the business environment is being recognised. Here in Portugal, the "Empresa na hora" project (a company in one hour) had by mid-2006 led to eight thousand companies being set up in an average time of 55 minutes.

Ireland, for example, has adopted a detailed Science, Technology and Innovation Strategy for 2006-13.

Germany has started to reduce its government deficit and has opened an online one-stop shop for creating new businesses.

France also seems to be on course to reduce its deficit and government debt and is making progress with programmes targeted at integrating young people.

The UK is reinforcing efforts to improve its skills base.

Italy is taking initial steps geared towards structural improvements in competition, notably in services, and towards strengthening environmental safeguards.

Some examples from the new Member States.

Poland is developing initiatives to improve SME's access to finance.

Estonia is making good progress in increasing investments in R&D.

In the Czech Republic, an amended act on energy management came into effect in 2006, to maximise energy efficiency.

I could list many more examples of action in all 25 Member States. But there are also examples of measures being taken too slowly or not at all. The Commission will highlight those, too, in our forthcoming Annual Report.

Ladies and gentlemen,

More important than any individual example is that political will is holding firm. More Member States – now 15 – have nominated national coordinators at Ministerial level. Many are here today. This political ownership sends a strong signal. We hope others will follow.

Short and medium-term economic prospects are improved. The Commission forecasts the net creation of jobs in Europe over the 2005 to 2006 period at over 3.7 million. This is particularly positive at a time of high energy prices.

Part of the upturn can fairly be attributed to Lisbon reforms already implemented.

But the key point is this. We must speed up reforms to take advantage of the current recovery to create long-term sustainable growth. The earlier reforms are implemented, the less the pain, the more the gain.

In periods of healthy growth, it is easier to establish consensus behind reform. Ownership by stakeholders is indeed increasing.

Social partners are involved in implementation in many Member States – the Commission wants to see that everywhere. But we must do more to raise awareness among the general public or we cannot succeed in our overall vision of a better Europe. So leaders now need to lead. By telling it straight. And by listening, adapting and responding.

Member States' implementation reports will give us a clearer picture.

But we have enough information to conclude that Europe, taken as a whole, is indeed beginning to move up a gear.

There are some positive signs with regard to R&D and innovation, better regulation and an improved business environment. More people are being attracted to the labour market.

However, the slow pace of change in some crucial policy areas is still holding back the whole European economy. Those areas include, in several Member States, fiscal sustainability and competition. If we do not do better in those areas, progress in other areas will be hindered. It will be like running with a crushing weight on our backs.

Not enough progress is yet being made to boost human capital and to reform labour markets based on the principle of flexicurity. The Commission's annual report will elaborate on this issue.

There is still far too big a gap between those leading the race and those at the back. As I have said, it is in everybody's interest to close that gap.

But I am confident that Member States which are enjoying striking economic successes do understand that good performance in the future will depend on further reform now.

This is a team event and Europe needs a whole team of winners.

Today's seminar and others like it can make an important contribution to building that team.

I wish everybody a stimulating and fruitful day.

Thank you