

10 September 2004

**Speech by Philippe de Buck, UNICE Secretary General  
to TÜSIAD High Advisory Council Meeting  
Hillside Su Hotel Antalya  
Friday 17 September 2004**

First of all, allow me to say how delighted and honoured I am to have been invited to address this meeting of TÜSIAD's High Advisory Council, at a very important time for Turkey and its relationship with the European Union. The Commission and the Council will have to decide whether or not the European Union will open accession negotiations with Turkey. I shall speak about that in a moment.

UNICE and TÜSIAD (and also TISK) go back a very long way – long before any discussions on enlargement – and the Turkish federations participate actively in our work, notably through their presence in the Council of Presidents, Executive Committee and with a representative in Brussels. In this respect, the Turkish business community has been integrated with its counterparts in Western Europe for longer than business organisations from most of the new Member States, which spent so many years behind the Iron Curtain.

UNICE, as most of you know, it is a confederation which acts as the European umbrella organisation in Brussels for 36 business organisations in 30 European countries. We calculate that it represents around 20 million companies large and small. Its *raison d'être* is to promote business interests vis-à-vis the European institutions: the Commission, the Council and the European Parliament. As and when appropriate, it also represents European interests vis-à-vis international organisations.

Our first priority is an improvement in European competitiveness. We are now four years into the Lisbon strategy to make Europe the most competitive region in the world by 2010 and the remaining period is shortening rapidly. UNICE has taken the opportunity of this year's change of guard in the European Commission and European Parliament to issue a wake-up call to policy-makers. One week ago we presented our "Business Vision for Europe – growth, jobs and prosperity" in which we call for better governance, better regulation and better communication. In this document, all Presidents of UNICE member federations – including President Sabanci – send a joint message to the European institutions: "we urge you to be the engine for change". We need to change, because Europe faces a number of challenges.

First: globalisation. Globalisation is no longer only a question of cost competition. Today, "de-industrialisation" also means moving R&D and high-technology production to countries that used to offer merely low-cost production opportunities

some years ago. Between 1990 and 2000, Europe lost about 8% of its share of world exports. China is becoming a main player also in high-tech production. 8 out of 10 DVD players are produced in China. Globalisation is perhaps an interesting subject for debate. In any event, it is a fact that we have to deal with.

Second: Europe's population is ageing. This is of course a problem for EU Member States, more than for you. Fewer working-age people have to sustain a growing number of retired citizens. Without reform, many of Europe's social security systems will become unsustainable. Turkey is fortunate in that respect. Whereas almost 15% of the EU population are currently already older than 65, Turkey will not reach that share before 2040. By 2010, only 6.2% of your population will be older than 65. Your problem is the opposite: finding appropriate jobs for your young people.

Third, we have to inject new dynamism into our economy. Whereas the USA has the potential to grow by more than 3% a year, the EU's growth potential has been shrinking since the 1990s, and is now down to 2%. Too much bureaucracy is stifling our economy. It takes an average of 34 days in Europe to start a business. In Turkey, for instance, it takes 42 days.

Lastly, the recent enlargement by 10 more Member States is a challenge as well as an opportunity for the EU. We need to integrate the new markets as quickly as possible, new Member States' governments need to implement the *acquis communautaire* of 97,000 pages as quickly as possible in order to gain full benefit from the Internal Market.

How must policy-makers respond to these challenges? The response is simple: focus on competitiveness. The Commission President-Designate Barroso spoke in July to the European Parliament: "Growth is at centre stage; it is the necessary link between social and economic goals". This is true and well expressed. However, we beg to go further: there is no job creation, no sustainable social protection, no viable environmental policy without growth, and there is no growth without competitiveness.

In our Business Vision we have summed up the way policy-makers must change towards more competitiveness in three action points: better governance, better regulation, and better communication.

All policy institutions at all levels must work together to ensure a coherent policy focused on turning Europe into an attractive place to do business. At EU level, representatives of national governments meet in the so-called Competitiveness Council, in which the European business community places a great deal of hope that it will start functioning as the catalyst for more competitiveness in Europe.

Their work must translate in better regulation. Here the task is twofold: assessing the potential impact of new legislation for the economy to ensure that adopted legislation does not go against growth and prosperity. On the contrary! Currently, EU institutions but also many national states lack the necessary means and methodology to properly assess the impact of new legislation on the economy. UNICE has to prepare to come up very soon with concrete proposals.

Second, there is a need to simplify existing red tape and reduce compliance cost. We call for action plans with ambitious targets and concrete deadlines to be put in place all over Europe to achieve a real improvement in the jungle of legal provisions and bureaucracy that is stifling entrepreneurial activity.

Finally: better communication. The modernisation of our economy can only succeed, if we manage to convince the citizens of our countries that reform of product and labour markets, that more dynamism and flexibility ultimately means more growth, jobs and prosperity. The Dutch Prime Minister stated recently: "The trick is to take account of justified criticism, not to be deaf and blind to society, but at the same time to stand firm and not allow yourself to be deflected from the right course".

What concrete policy actions need to be taken by policy-makers all across Europe to boost our competitiveness, and to achieve growth, jobs and prosperity?

First: We need to release entrepreneurial energy. European businesses are like Swift's Gulliver, prevented from reaching their full potential by myriad bureaucratic obstacles. We also need to stimulate the entrepreneurial spirit in Europe.

Second: We need the right framework conditions to boost innovation. This is perhaps the most important strategic goal to ensure sustainable growth in the long term: to retain or develop a competitive edge in marketing new and sophisticated products

Third: We need to make the Internal Market of 25 countries and more a reality. The Internal Market is still not complete and efforts must be made to remove the remaining obstacles.

Fourth: we need a more effective and efficient environmental policy. In the past 10 years more than 500 EU environmental legislative acts have been adopted. Often these laws miss their goal of ensuring sustainable development because they lack a long-term vision and a global approach. We need, for example, a revision of the current EU climate change policy, if the international political situation remains unfavourable to the Kyoto Protocol.

Fifth: we need to improve the functioning of the labour market. The need for Europe to reform its sclerotic labour markets is universally recognised – what are we waiting for? The World Bank's labour market regulation index which ranges from 1 (best) to 100 (worst) states that in Turkey the rigidity of employment scores 55 – which is the same score as Germany – but is miles away from Denmark (17) or the UK (20), let alone the USA (3). The evidence is clear: in some countries the labour market functions well, in others it doesn't. The countries in which it functions well have flexible labour market regulation.

Sixth: we need to foster international trade and investment. Since July there is once more hope that the DDA negotiations can be successfully concluded. However, there are a number of issues about which European industry is concerned, and UNICE is actively defending their interests at the highest level.

We have a lot of complains and the role of UNICE is to bring them at EU level. But let us also be convinced that we believe in European capabilities and in its position to achieve the Lisbon goals. It is by the way the only way to create growth, jobs and prosperity.

May I now turn to Turkey and the upcoming decision on the start of accession negotiations? Hardly any other theme is currently the subject of such debate in the European Union, at both EU and Member-State levels, in political circles, in public opinion – and of course the press - as is the prospect of Turkey' EU membership. The closer the publication of the report and recommendations from the Commission, expected around 6 October, and the 17 December European Council decision regarding the opening of Turkey's EU entry negotiations, the more lively and intense the debate we can expect.

The issue is of fundamental importance for the future of Europe, in geopolitical, economic, societal and also institutional terms. No other EU enlargement has had such potentially wide implications. I know perfectly well that Turkey's history is part of European history but, for the first time, enlargement would be cross-continental and certainly perceived as cross-cultural. It is therefore only natural that everybody has an opinion on the matter and different views are expressed. It is the way democracy works and we can only be happy that, both in Turkey and in EU Member States, public opinion is actively engaged in the debate.

At the political level, the EU's heads of state and government have clearly defined the framework, including the political and economic criteria, the famous Copenhagen criteria, the process and a road map. By way of a reminder, the Copenhagen criteria require:

- that the candidate State achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities,
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union,
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

In its October report on Turkey the Commission will assess the situation and make recommendations to the European Council for the way forward.

To substantiate the debate and to contribute to objective and rational discussions, a great deal has already been published from different sources: governments, business, think tanks, universities, research centres and, of course, the various EU institutions, Commission, European Parliament, Council, Economic and Social Committee, etc. In the past few months, to give you an indication of the acceleration of the process, reports have been published by the Turkish-EU Enlargement Council of the European Roundtable of Industrialists, the Independent Commission on Turkey, chaired by former Finnish President Martti Ahtisaari, and the Centre for European Policy Studies, to name just a few. All

these reports address, from different perspectives, the key aspects, opportunities and challenges of Turkey's EU candidacy and give recommendations on the way forward.

Business, both in Europe and in Turkey, has a key role to play in the debate with a specific focus on the economic aspects of the relationship, in particular the opportunities and challenges in terms of trade, investment and industrial cooperation. With the customs union and the subsequent developments to strengthen economic cooperation, significant results have already been achieved but there is still room for improvement.

UNICE has been active on this front for years. Turkey's accession is high on UNICE's agenda and you know that it is the subject of lively debate at the highest level, involving all UNICE's members, including of course TÜSIAD and TISK and now the new Member States.

UNICE position on Turkey's accession is clear and consistent. It does not differ from the one it took regarding the previous enlargements. UNICE, in principle, supports enlargement of the EU when the economic and political conditions, which have been defined by the European Council, are fulfilled. The opening of the negotiations with Turkey should not differ or deviate from that principle.

In June in Dublin, UNICE Council of Presidents reiterated its position which is, I quote: "UNICE welcomes Turkey's promising reform process, which it should sustain, and urges Member States to open up negotiations with this country as soon as it has completed the remaining tasks with regard to the Copenhagen political criteria stated in the Commission's report. This would offer EU and Turkish companies a more coherent and sustainable framework in which to conduct their economic activities."

It should however be clear that it is not up to UNICE to take a position on the political criteria, it has neither the expertise nor the competence for that. The decision is and should remain with the European Council.

There is no doubt that what happens in the coming weeks will be determinant for the December decision. Political leaders and heads of state and government tend to reflect public opinion. Past experience also shows that ratification of enlargement treaties requires wide and strong support in public opinion. Communication is therefore absolutely key at all levels in Turkey, at EU and Member-State levels, to explain both the tremendous opportunities and benefits for both sides but also the challenges, without underestimating the problems which have been identified or neglecting the fears or concerns which are expressed. Business should be part of these communication campaigns. However, the debate is so highly political and sensitive that it should refrain from emotional statements which would certainly be counter-productive by fuelling controversy, strengthening entrenched positions and would ultimately be detrimental to the whole process.

UNICE and its members, including its Turkish Members TÜSIAD and TISK, are committed to continuing to work together in that direction in a constructive and

forward-looking manner. I am confident that you will do the same at your level and that together we will contribute to a mutually beneficial decision in December.

Thank you for your attention.