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Strategies for Employment and Growth in Austria

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Going for Growth – Time to Move up a Gear

Panel Discussion

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Ladies and Gentlemen:

It was with great pleasure that I accepted the invitation to attend this workshop. Growth and employment are obviously an issue of utmost importance to our citizens. So the debate about appropriate strategies is highly welcomed and I appreciate the opportunity to take part in this panel discussion. The workshop also comes at a very good moment in the run-up to the Spring European council in Brussels. The Commission has suggested a number of key priorities for action:

• more investment in education, research and innovation to raise the game of industry and workers
• less regulation and more support for small and medium sized enterprises
• and, last but not least, getting more people into work

We do not start from scratch with our efforts: Since the original Lisbon Strategy was launched in 2000, we have made appreciable progress in re-engineering Europe to meet the challenges of the globalised economy. Not enough perhaps, patchy in parts maybe, and not fast enough for some, but nevertheless structural reforms are happening. Investment in R&D is rising, growth is heading upwards and we have come closer to our employment targets.

Current economic prospects for growth and jobs have indeed significantly improved and economic growth in the EU and the euro area is expected to gain further momentum in the course of this year. Fuelled by strong worldwide demand for our exports, our latest forecast projects an acceleration of economic growth to 2.3% in the EU and to around 2% in the euro area – somewhat more than ½ percentage point higher than in 2005. Investment spending is also expected to be dynamic given improved corporate profitability and competitiveness, as well as continued favourable financing conditions. With increasing consumer confidence and the expected improvements in the labour market, the outlook for disposable income and, accordingly, private consumption is also more positive.
Obviously, for the consolidation of the upswing and a continuation of sustainable faster growth we need to have the right framework conditions and policies in place. And the brighter outlook indeed provides a new window of opportunity to step up our reform efforts to increase Europe’s growth potential and to make our economies more resilient and more adaptable to weather external challenges.

It is clear that the battle for more and better jobs – and sometimes it really is a battle – cannot be fought and won in the labour market alone. To enhance the EU’s ability to create new jobs and foster productivity and innovation requires action along many dimensions. These encompass sound stability oriented macroeconomic policies, competition, further capital market integration, research and development and education. And it requires open markets, both internally - including services - and externally.

Indeed, the EU, being inextricable linked to the world economy, needs to be proactive in tackling the challenge from globalisation. Should we fail to fully participate in the newly emerging global division of labour, a fundamental engine of growth will sputter and it will become difficult, if not entirely impossible, to raise our living standards in open and fair societies.

Of course, we should not downplay the adjustment challenge. But resorting to protectionism and trying to shield jobs and industries from international competition, as contemplated by some – and Austria is here no exception – is simply not a viable option. It will only reduce economic efficiency, income and employment opportunities in the long run. Protectionism denies everyone in Europe the economic benefits of market integration, higher growth and more jobs.

Thus, the Commission stands firm to promote and defend the principles that underpin the internal market and the free flow of capital, goods, services and workers. Europe must enhance its ability to create new activities and jobs, and it needs to find new and better ways to support the inevitable adjustment process. This is what the renewed Lisbon Strategy, with its focus on employment and productivity, sets out to do.

The Commission’s Annual Progress Report sends a message of careful optimism where we stand on the road to creating a new dynamism for growth and jobs in Europe. But it also points out that we still have to go some way to turn our ambitions into action – and now is the time to do so, it is a good time to move up a gear!