

MARTIN BARTENSTEIN



Opening Address

Sehr geehrter Herr Gouverneur Liebscher, sehr geehrter Herr Kommissar Monti, meine sehr verehrten Damen und Herren, auch ich darf mich herzlich bedanken für die Einladung, heute zu Ihnen zu sprechen. Ich wurde gebeten, auf Englisch zu referieren, und komme diesem Wunsch gerne nach.

Governor Liebscher, I could abbreviate my speech and just say I agree with you on everything you said and let us listen to Commissioner Monti.

At the end of your speech on the four priorities we must focus on that you said we have had enough words, let us implement them. *“Es gibt nichts Gutes, außer man tut es”* – to quote a German guiding principle. “Saying is one thing, and doing is another” holds true for most of the issues as Commissioner Monti, one of the outstanding members of the European Commission, will confirm. We received proposals from the Commission but now it is up to the Member States to transpose and to implement them. You have referred to priorities and I can certainly agree with you on that. But we cannot do everything at the same time. Trying to do everything at the same time involves the risk of committing too many mistakes because people simply cannot cope with this. And we need European citizens to

identify themselves with the reforms you mentioned, Governor Liebscher.

As regards responsibility: Sure, we need clear responsibilities, our national governments need to bear in mind that homework has to be done, the “to-dos” have to be accomplished in both the European capitals and in Brussels and one should not look to Brussels and say: “What are those guys doing out there? They are not doing enough and that’s the reason why Europe is lagging behind.” We all can always improve information and communication; there is no doubt about that. So, in addition to what you have said, what is the status of the Lisbon process? We know that next year a mid-term review is coming up and I am not at all too optimistic that the results achieved so far will be very satisfactory.

Rhetorics are there, targets have been set, but what has been implemented is not sufficient, so far. Progress has certainly been made: as a minister, also responsible for labour, I would like to draw your attention to the 6 million new jobs which have been created. A fact that was also referred to in the report of this year’s Spring Council. The employment rate has been going up during the past four years, utility markets have been opened up, also due to the very important work Commissioner Monti has been doing. We introduced the Internet in most schools in Europe. These and many other issues are proceeding in a way that one can be satisfied with. But on the other hand, when I talk about 6 million new jobs, which have been created, we also have to keep in mind in this context the 18 million unemployed in the EU-25, plus the dramatic lack of growth in

the European Union, since this is the reason for the high unemployment rate.

Klaus Liebscher mentioned the 3% growth target written down in the Lisbon agenda. It might be interesting in this context that I was asked only yesterday in parliament for the sanctions stipulated for not reaching employment rates and/or not reaching growth rates? Well, if things would be that simple we would be lucky and happy to simply reach these targets and avoid sanctions. But Europe – once again – suffers a dramatic lack of growth and according to OECD figures recently presented in Paris by the OECD’s Economics Department and also confirmed by other economic research institutes, the US’ growth rate is expected to average 3.6% this year, Japan’s 2.3% and I have heard figures above that for China. China’s GDP growth in the first quarter of 2004 was close to 10% and growth in China for 2004 might average at around 8%. In contrast to this, the euro zone will grow at 0.6% according to OECD figures. Austria may be a little bit ahead of that. Figures vary between 1.5% and 2% depending on the institute which has been doing the research. But even these figures are not satisfactory. And one has to admit that things have changed and are different now in comparison to when we wrote down the Lisbon agenda and the target of being the most competitive market in the world by 2010. We have lost ground to our competitors. In 2000 we thought of the US as our main competitor. I think we should now also think again of our Asian friends, Japan, China, and others as also being not only markets but competitors. So we have

lost ground and what was not very nice to hear in Paris – but can hardly be contradicted – is the verdict that world economy is in good shape, that Asian economy is in good shape, that US and North American economies are in good shape, but that the European economy is dragging behind. And once again it is not a pleasant experience to hear that in the presence of US and Asian economists sitting around the table together with European economists and politicians.

These days, ladies and gentlemen, we hear a lot about industrial politics. I was and I am very much in favour of implementing industrial politics in order to safeguard growth and new jobs in Europe. There must have been a certain misunderstanding of this in France, because what has been done there is anything but new industrial politics, is very old industrial politics indeed, interventionist industrial politics. I am not sure whether Commissioner Monti will tell us something about what he has been discussing in past meetings, but what has happened was anything but productive and what is happening around Austria cannot be considered a positive development. I am sure we are going to hear something about this today or tomorrow.

Why do I believe we need new industrial politics in terms of setting the right framework for industry? I think and I share my thoughts with others, maybe not with all members of the European Commission, that we run a certain risk of de-industrialisation. Whether this is now a relative de-industrialisation or an absolute de-industrialisation I am not so sure about. But whether the commissioner is right in saying that a mere 7% of European industry runs

a risk of losing a significant amount of jobs to other parts of the world, indicating in turn that 93% of our industry does not – I am not so sure about that, and while I do not belong to those pessimists who say our jobs go to Asia and research and development go to the US, I think we have to adopt a policy which provides for industrial jobs to remain within Europe, we have to establish a framework in which new jobs are created and secured in Europe and



in which research and development is promoted. A framework in Europe that encourages the scientists to stay here, to come here and not leave the continent – permit me to speak up – due to too much regulatory obstacles in life-sciences and biophysics which they do not encounter in the US. Europe certainly does need reforms as Klaus Liebscher has said, the speed is not sufficient, we need structural reforms, I think we need more supply side politics and less demand side politics and I think Europe needs less Keynes and possibly more of the Austrian school of national economics as propagated by von Hayek. Austria has been doing the necessary homework so far. Governor Liebscher confirmed this, and added that there is more to be done. Of course, there is always more to be done. The spring report as we see assigns Austria the number three position as the third most competitive member state of the

Europe-15. Regarding employment, for instance, the Lisbon target is 70%, we are very close to that, already ways ahead of 2010, and regarding female employment we are ahead of the Lisbon target, too. And even with regard to the employment of people between 55 and 64 where Austria was dramatically lagging behind we are on the way and we have surpassed the 30% limit in 2003. I probably look relaxed when telling you this because even Germany



shows a rate of only 38%. Sweden has an employment rate of the 55 to 64 year-old of some 63%. But the pension reform of 2000 and, subsequently, that of 2003 have furnished the necessary parameters in order to stabilise retirement benefits and reset the disfigured pattern resulting from one of the most dramatic structural deficits this country has been running into during the past decades. Other parts of the homework we have been doing – and are certainly always continuing to do – refer to budgetary discipline. We belong to the Member States of the European Union who do not only think that the stability pact makes sense but also want to stick to it and to stay with it. We know that six other Member States do not stick to the stability pact and it is probably significant that most of those six Member States are big Member States. I think there is some evidence that it is easier for

the small Member States of the European Union to implement the reforms, to do the necessary work, while big Member States are faced with difficulties. You certainly know, Commissioner Monti, that in 2001 and 2002 we basically had a balanced budget, in 2003 the deficit read 1.3% and it is all but easy to maintain the level but we are on good course. This in the light of the fact that this government has just implemented – not in theory, Governor Liebscher, but in actual fact and real terms – a very competitive corporate income tax of 25% (as compared to the former rate of 34%). Furthermore, we have implemented the group taxation scheme which has proved to be an extremely competitive instrument in Europe. Regarding research and development, some of us were surprised to learn the newest statistical figures of 2.27%. We are on the right track now also as regards engagement in structural reforms, thanks also to the Oesterreichische Nationalbank. Your contributions and your co-operation, dear Governor, were most welcome. We have been able to increase our productivity throughout the past years: OECD figures indicate that from 1992 to 2002 we increased labour productivity by almost 61% while decreasing the labour unit cost by 10.8%; in this context I want to refer to a very important competitive advantage of Austria, namely our wage policy, our social partnership and the cooperation of our unions, because they did not request all productivity gains to be reflected in wages. Now, what are the most significant and important European “to dos” to conclude my opening remarks? Commissioner Likenen said during a Council Meet-

ing on Competitiveness in Ireland – as our host while holding the presidency – that Europe in addition to this competitiveness is making progress in its efforts as regards research and development, education and productivity. And most of my colleagues and I tend to think that probably in terms of setting priorities, priority no. 1 on the European level should be to complete the internal market. Governor Liebscher, you have said there has been a liberalisation in terms of goods markets, services markets etc., etc. – yes. Goods markets are liberalised. Utility markets such as electricity and gas, too, but this is the result of national liberalisation measures, there is very little cross border liberalisation. But services as such account for some 65% to 70% of our GDP, they still are very much restricted by national regulations. Perhaps one of the most important directives tabled by the European Commission is the Services Directive. Above all Austria and Germany – and some others – will have considerable difficulties to agree on the draft. The matter is of utmost importance, though. 15 years after the European Act was elaborated with a view to creating a Single European Act to establish the internal market we should agree on accomplishing this mission. Second, Governor Liebscher has addressed the insufficient flexibility of labour markets, both a national and a European task, and it is not only a task in terms of an objective for the politicians and for governments, I think it is a common European task. We need the social partners on board, we need the unions' but also the employers' representatives on board. Maybe the Working Time Directive now under

discussion on European scale will give the social partners the chance to agree on modern working time regulations. They have that chance. If they succeed in obtaining agreement and the Directive enters into force it will have to be accepted as stipulated in the rules of the European Union. Thirdly, let me refer to research and development. I spoke about the 2.27% registered for Austria, I spoke about our structural reforms, I could go on giving details about the national foundation, about the capital stocks devoted to this task and issue. I am positively certain we have embarked on the right track with 2.5% as an intermediate task and 3% as the envisaged Lisbon target for 2010. This target is becoming ever more realistic. The European Union's average reads 1.9% and here again the US and Japan almost show twice these figures, they are almost twice as good. Thus the 7th Framework Programme on research and development has to be more ambitious than the 6th Framework Programme was. The proposals now put forward are quite impressive. Instead of EUR 17.5 billion for a six year period EUR 50 billion are earmarked in the budget. At 4% this is a rather small part of the general European research budget but nevertheless it is an important signal and if the task can be reached that the European Union instead of spending 7% of its general budget on R&D in the future and within the 7th Framework Programme we would spend 16%, that would be a good signal. Let me conclude with the fourth major task I see ahead of us: de-regulation. Let us abolish red tape. As a minister also responsible for competitiveness on the European level I see at the

moment three poisonous Cs jeopardising competitiveness and these are: first the Chemical Directive, second the Community patent – we are looking forward to the 15th anniversary of negotiating a Community patent; it's almost ridiculous and one can no longer explain why, and there are more and more people saying okay, let's go back to the start. The Germans and the Spanish will never agree on anything that might prove cheaper and topple the position of the European Patent Office in Munich. And, third: the CO₂ emission certificates to be traded, the respective actions taken by the US and Russia, and what influence this issue will have on competitiveness. You will have noticed I talked about de-regulation as a task and then came up with three Cs, representing three issues for further regulation on European scale. Our task is a twofold one: to avoid further regulation where it is not absolutely necessary and to work on de-regulation where this can be done. Let me conclude by saying: Yes, Governor Liebscher, worthwhile projects are in the pipe, analyses have been made, proposals have been put forward, we have to react, we have to implement our blueprints. Of course

we want to stick to the European model, to the triangle, which says we need the economy, we need a sound social policy and a sustainable environment protection scenario. There is no doubt about that. But one has to be aware that only a Europe which is competitive on world markets, only a Europe which can achieve growth, can provide jobs. And in Austria we say "Sozial ist, was Arbeit schafft" (to be a social activity the matter must create jobs). You can implement social politics and enjoy a social environment only if there is employment coupled with productivity. And therefore, while fully acknowledging the importance of a viable social policy and of sustainable environmental politics for Europe, let us equally turn to European competitiveness: we have set the targets, we know what we should do, and we should at the very least use the remaining six years until 2010 to implement the measures in order to have a chance of catching up with the US and other important world markets if we want to achieve the important target of becoming the most competitive market in the world. Thank you very much for your attention. 

