

A. Address

Ladies and Gentlemen,

Introduction

It is a great pleasure for me to be here today to open this conference on "*Corporate social responsibility in the New Europe: challenges and solutions*", which has been organised by the United Nations Development Programme.

I believe that today you are doing pioneering work by presenting a comprehensive study on corporate social responsibility practices in the countries of central and eastern Europe.

To my knowledge, no comprehensive study has ever been carried out on this particular topic. And yet we realise that corporate social responsibility is an area which western and eastern Europe still approach differently.

Moreover, ways of thinking are changing throughout our continent as a result of various events.

Like the rest of the world, Europe is currently experiencing fundamental social and economic change. New tools and new forms of governance are needed to give concrete shape to a social model for the future.

For this reason the Commission encourages corporate social responsibility throughout the European Union and in all businesses, whatever their size.

I propose to discuss three points in my address: first, the challenges of the enlarged Europe; second, new forms of governance; and third, corporate social responsibility as an instrument of social reform in the countries of central and eastern Europe.

Challenges currently facing the enlarged Europe

The year two thousand and four (2004) is a milestone in the history of the European Union, as it underwent a historic enlargement by increasing in number from fifteen (15) to twenty-five (25) Member States and by finally bringing together the European family which had been divided for forty years by the iron curtain.

Having personally lived through those dark years in the Czech Republic, the transition from darkness to light and then experienced the pre-accession negotiations as prime minister, I fully appreciated the significance of the event.

The circumstances at the time of this historic enlargement are quite different from those surrounding the signature of the Treaty of Rome, the fiftieth anniversary of which we are celebrating this year.

Since January, the European Union has almost five hundred million inhabitants and twenty-seven Member States. But rather than passively endure the changes arising from the globalised economy, our richly diverse Europe should show that it is proactive and demonstrate the relevance of its choices and its values.

In the course of successive enlargements, Europe has managed to strengthen its cohesion on the basis of common values and, in particular, the protection of individuals at work. The European Union has also played an important role in consolidating Member States' social and environmental performances.

The Community's *acquis*, together with the legislation of each of the Member States, continues to distinguish it from all other parts of the world.

Nevertheless, in terms of social cohesion, the challenges for a Union of twenty-seven (27) are considerable. I would like to illustrate this with a few figures.

In the enlarged EU, the average salary varies by a ratio of one to ten. Even adjusted for cost of living, poverty thresholds vary by a ratio of one to five. The percentage of people living in what are considered to be poor households is twice as high in some countries as in others.

In addition, mobility within the Union is increasing and changing in nature; the demographic stability of European countries is undergoing dramatic changes. The public, while regarding it as unavoidable, is in two minds about this mobility.

We must change this perception. We must show that enlargement is an opportunity to improve living and working conditions not only in the new Member States but also throughout Europe. Initial assessments of enlargement show the strong economic potential of the Europe of twenty-seven (27).

Therefore, to exploit this new potential and strengthen social cohesion, we needed a strategy for sustainable growth and more and better jobs. Since the year two thousand (2000), we have had what is known as the Lisbon Strategy. We also need to develop new forms of governance, and this is the subject of the second part of my address.

New forms of governance

We need new tools and new forms of governance to adapt our social model to the developments I have just discussed.

The European Union's strategy on Corporate Social Responsibility is therefore a win-win strategy which seeks to combine the benefits of better public and private governance. This European approach to Corporate Social Responsibility is based on the Lisbon Strategy and on the European strategy on sustainable development.

The European reference text is a communication of March two thousand and six (2006), with the unambiguous title *"Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility"*. In this document the Commission called on companies to use their potential to contribute to sustainable growth.

It is a win-win strategy for two reasons.

First, companies are called on to develop CSR practices which, on the basis of the European definition, are voluntary and go beyond minimum legal requirements. The Commission asks companies to make a greater contribution to European public policy objectives, such as a higher level of inclusion in the labour market, lifelong learning, environmental technologies and all aspects of innovation.

Second, the European Union wishes to make the macroeconomic environment more supportive of business activity. To encourage sustainable growth, it is necessary to promote investment and innovation and to encourage socially responsible consumption and production.

The Commission is also seeking to promote flexicurity, which combines flexibility and security for employers and workers.

This European pact on Corporate Social Responsibility has two main pillars.

The first pillar is a European Alliance for Corporate Social Responsibility, set up in two thousand and six (2006). This open Alliance includes many European companies. It promotes the growth of corporate social responsibility in Europe by developing networks and exchanges of good practice and setting up think-tanks on the main issues related to responsible businesses.

The second pillar is a dialogue with all stakeholders involved in CSR at European level for a joint review of progress in CSR in Europe and the world. The Commission convened a multi-party forum on this subject in December two thousand and six (2006).

I would add that the European Commission is also working specifically on corporate social responsibility in small and medium-sized enterprises, which are the driving force behind economic growth in Europe.

In order to preserve our European model and give substance to a social model for the future, we need to mobilise all stakeholders, and governance is one of the keys to success.

In light of this, corporate social responsibility is an instrument for social reform in the countries of central and eastern Europe, contributing to sustainable development, which is the subject of my third point.

CSR as an instrument of social reform

Just as eastern and western Europe have different social situations and systems, so too do their approaches to corporate social responsibility vary.

While the countries of western Europe have made progress in mainstreaming corporate social responsibility, knowledge of this subject is still limited in central and eastern Europe, as evidenced by a study conducted in three of these countries by the World Bank in two thousand and five (2005).

The accession process, transposal of the Community *acquis* and the increased presence of multinationals with their own practices are all factors which are beginning to substantiate the notion that companies must adopt better standards in order to establish themselves successfully in the long term.

Conclusion

In conclusion, I believe that today corporate social responsibility is an effective instrument to consolidate a common culture in an enlarged Europe facing up to globalisation.

Companies with a wealth of global experience and information must, in both east and west, become responsible stakeholders and protect Europe's public interest.

Today's findings will help us to understand the legacy of the past and the effects of the transition. They will offer avenues to explore for the future, and the European Commission, which has supported this project, will pay close attention to these.

Ladies and gentlemen, I wish you every success in your work today. Thank you.