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Ladies and gentlemen,

As of May 1, 2004, some 450 million people within the European Union theoretically have the freedom to choose where they live and work. I say theoretically, because the European Union agreed upon a transition regulation with the new Eastern European members restricting the freedom of movement of workers and other groups. Yet by 2011 at the latest, citizens of the countries that joined the EU on May 1, 2004, will also enjoy full freedom of movement.

In view of the transition regulation as well as the longer-term substantial income gap between the old and new EU Member States, it is difficult to predict the future volume of migration. The per capita gross domestic product in the new Member States – calculated at purchasing power parity – is only 45 percent of the EU level. As a result, the prosperity gap is substantially bigger than in past EU enlargements.

This gap can be clearly illustrated with the cost of labour per hour of actual work. Software engineers in our company cost €40 an hour in Germany, €14 in Portugal, €13 in Poland, and only about €8 in the Czech Republic. And, let me stress, this is for the same quality of work. In this way, the new Member States are helping us compensate for the problematic lack of software engineers in Western Europe. Obviously, this is increasing the pressure on Western Europe. The currently plugged channels between the individual labour markets are straining to be opened up.

How can this pressure be controlled or at least reduced?

The first, purely administrative step was certainly the EU agreement reached on the transition regulation. This, of course, will help only in the short-to-medium term. The transition regulation changes nothing in the basic structural differences between the individual countries.

The transition period should at any rate help prevent a flood of migration into the welfare states of Western Europe. I believe we should carefully monitor developments here. Should problems actually arise, then one must act – and act quickly. Otherwise, the welfare state model would rapidly erode.

Greater flexibility in the labour markets – particularly in the biggest countries of continental Europe – is another possibility for improving the situation. High unemployment rates in the older EU countries are largely due to the generous negotiated wage agreements during past decades. In the future we have to be far more moderate regarding labour costs. In the end, the yardstick for determining wages must be productivity gains.

And longer working times – I am thinking here of the 40-hour week at the same pay – can no longer be taboo. If we want to secure our jobs, such measures are unavoidable. In this manner, companies can improve their competitive positions while net wages remain the same. Time accounts, elimination of wage supplements, work on Saturdays, etc. – there are no limits to the possibilities of changing the system.

I believe companies can make a key contribution toward reducing the migration pressure.

Long before May 1, companies focused on finding attractive locations, hiring new employees and expanding into new markets in the countries joining the EU. Let me illustrate this with some numbers from our own company: From 1990 to 2003, our company's sales in Eastern Europe climbed from €200 million to €3 billion. In the same period, the number of our employees in the region soared from 50 to over 21,000. In addition, our suppliers employ another 15,000 people. In 1990, we neither manufactured nor conducted research and development in Eastern Europe. By 2003, however, we were operating 20 production facilities and 16 local R&D centres.

Over the years, we have thus invested capital locally, provided substantial know-how transfers, helped establish supplier companies and, in the end, given many East Europeans attractive jobs. This is the positive side of Germany's often-cited "bazaar economy." Siemens has thus, if you will, brought work and value-added to people in the region. This is basically what companies can do to help solve the migration problem.

Let me sum up the most important points:

First: The older EU15 countries have to work on making their labour markets more functional. In the end, this means boosting productivity, but also lowering wages for less-qualified workers. And in any way this is possible, I should add. One must make this quite clear.

And second: West European companies have to continue using their market opportunities in the new EU Member States in order to help improve the lives of people. Our internal studies indicate that the new Member States have good potential for market growth and as attractive business locations.

In closing, I would like to note that we should also try to find the right sense of proportion in our discussions on the theme. After all, we have gathered valuable experience during earlier enlargements of the European Union.

And, by the way, I can well imagine that many East Europeans have close ties to their homes, would be content with significant increases in their income, and would not consider migrating due to language barriers.

Thank you.