**Panel 3 - Regulatory and business environment (convergences and divergences inside enlarged EU)**
**Panel 4 - Corporate restructuring and governance in the era of globalisation**

<u>Summary report:</u>
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I would like to share with you conclusions and recommendations arising from two panel discussions dealing with regulatory and business environment, corporate restructuring and governance. Economic rules say that accession countries with low GDP per capita should benefit from relatively cheap unit labour costs and perform higher economic growth than the rest of EU. However, there are some other factors like quality of business environment, which will definitely affect the speed of catching-up process. Two comprehensive surveys were mentioned during discussion – The World bank study Doing business and Global competitiveness ranking that revealed a gap between EU15 and acceding countries in the quality of business environment. Fortunately, there are apparent signs of convergence rather than divergence of business environment.

Generally, the speed of bureaucracy is considered a major obstacle for running business. Usually, many time consuming procedures are required when setting-up a company. Fortunately, Slovakia has made a huge progress in this area and entry into Commercial Registry should take only 5 days, in extraordinary cases 15 days. Labour market rigidities seem to be problem all over the Europe. Recent legal changes of the Labour Code in Slovakia have made processes of hiring and firing more flexible. Demanded labor market flexibility responds to high capital mobility in era of globalisation. It will be inevitable to implement also commercial measures into public services to increase effectiveness and quality.

The corporate governance has a very short history in post-communist countries. State ownership in the banking sector together with low level of corporate governance resulted in high restructuring costs. In many countries privatisation of banking sector was the key milestone on the road towards introduction of corporate governance. Foreign ownership has put more weight on quality of accounting, set up hard budgetary constraints on corporate and significantly improved risk managements. We can observe very close relation between banking stability and macro stability. Between wealth banking sector and GDP growth. However, the level of financial intermediation is still far below EU level.

Some speakers from corporate sector and consulting companies appreciated progress which Slovakia has done over last 18 months. However there is still some pessimism related to progress in meeting Lisbon strategy and political will to push inevitable reforms forward. Common agriculture policy was pointed as one of the obstacle to achieve higher economic growth. Problematic area of local policies remains pending judiciary reform. However, perception of the Accession Countries has been significantly improved among investors and for many accession countries the past cannot be used as a benchmark because of speed of reforms. It will be difficult in enlarged Europe to proceed such brave reform as Slovakia has done. I believe, that capital flows and market will soon answer the question, what kind of reforms forming business environment are needed for Europe.