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**Regulatory and business environment - convergences
and divergences inside enlarged EU**

[INEKO Conference, Panel 3]

Key Note Speech

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9:30 -11:00

Dear Ladies and Gentlemen,

First of all I would like to thank you for the invitation to the International Conference „Economic Reforms for Europe“. As President of the SME UNION I highly appreciate this initiative to explore strategies aimed at identifying appropriate models, benchmarks and best practices for economic reforms in Europe.

[one example of regulatory environment: IAS]

To speak about regulatory and business environment inside the enlarged EU, let me pick one specific example, the European institutions will have to deal with in the near future:

How to apply "international Accounting Standards" to small and medium sized companies, - a topic which provokes major discussions among accountants at the moment. To think about the difficulties in finding the proper legislation we have to take into consideration many different things:

The existence of high quality standards dealing with financial instruments is of course important to the Community capital market. Such standards are essential to the efficient functioning of the economy, because investors, creditors, auditors and others rely heavily on credible, transparent and comparable financial information. These standards will also ensure a much higher level of comparability of financial statements throughout the Internal Market; I am convinced they will

improve competition and facilitate the free movement of capital; - these are essential elements of the EU capital market. It is more than one year ago - on 14 January 2003 - that we voted in the European Parliament to approve the Commission's Proposal for a Directive amending the European Union's Accounting Directives, that requires all EU companies listed on a regulated market to use IAS [International Accounting Standards] from the year 2005 onwards and that allows Member States to extend this requirement to all companies.

However we had a particular concern to ensure that the EU regulatory framework Fully respects the specific nature of the European economic structure. It is essential to take into consideration the nature of thousands of European Small and Medium sized Enterprises. Most of them consist of less than 10 employees. The average European company employs only 6 people. The success of SMEs in Europe is therefore crucial for economic and social stability. And stability we need, if we are to embark on the journey towards increased competitiveness, especially in the new economic sectors. All development must necessarily rest on a stable basis. SMEs provide such a basis, and it is fundamental to keep that basis in good order.

SMEs are indeed the most crisis-resistant branch of the economy. This is why they deserve special attention and support: Therefore it was important to us in the European Parliament that Member States have the option of granting SMEs exemptions from certain financial reporting and disclosure requirements.

Ladies and Gentlemen

This example can demonstrate the challenges and difficulties in regulating the business environment inside enlarged EU. The regulatory framework should not create artificial burdens for hard-working entrepreneurs, but it has to be designed to improve the reality of our business environment! Allowing small and medium sized businesses to spend more time on creating wealth and less on administration will also give the European economy as a whole a much needed drive.

[The Lisbon goal]

There is one issue we must not forget: The ambitious goal of creating the most competitive area of the world stated at the Lisbon summit in 2000 has only 6 years to be fulfilled. Unfortunately there is already a remarkably wide gap between vision and reality and we really have to get focused on the common goal again. I am convinced that a stronger focus on SME-friendly regulatory environment would highly contribute to an improvement of the situation given the fact that. Small and medium sized enterprises are Europe's largest employers, and the main engine of employment growth. To achieve this goal we have to close the gap and start to fulfill the promises made at the time of the British Presidency in 1998 and in Lisbon in the year 2000.

[Irish Presidency]

The Lisbon strategy seems to be a major priority for the Irish Presidency. Preparations are underway for the Spring European Council next week on 25/26 March 2004 at which the strategy will be reviewed. It is Ireland's intention to focus the agenda on a limited number of key priorities. These centre on the themes of *growth* and dynamism in an enlarged Union. I want to

mention these priorities proposed by Ireland in its pre-Presidency paper for the Spring European Council, entitled „Europeans working together for growth and dynamism in the enlarged Europe“.

These priorities are:

- Promoting growth-oriented economic policies
- Fostering competitiveness as the key to generating growth and employment
- Delivering more and better employment
- Ensuring sustainable growth

Priority will be attached to encouraging investment in physical and human capital, including research and development, while seeking to maintain macroeconomic stability and to continue the structural reform of product market, capital market and labour markets.

The Irish presidency also intends to focus on ensuring that the impact of new Community policies is assessed appropriately and that significant progress is made on the internal market for services.

[methods how to achieve this]

How can we now achieve a friendly business regulatory environment inside enlarged Europe?

We are all aware of how rapidly the economy is changing the world in which we live. Attitudes and motivation, economic processes and structures, public perceptions and policy orientations are all constantly being redefined. This poses certain challenges to these of us who have to respond with new policy measures and practical assistance especially to SMEs.

An essential part of this work has been done by the SME Circle in the European Parliament, which is the guardian of SME interests in the legislative process. We are 30 Parliament Members, driven by the understanding that SMEs are the key for sustainable jobs, growth and prosperity in Europe. In the SME-Circle we support new business fields, enable the establishment of new services in the Common Market and watch to prevent unnecessary bureaucracy by creating directives by numerous parliamentary initiatives.

Also the European Commission has recently set some useful initiatives:

Following the debate launched by the Green Paper on Entrepreneurship last spring, the Commission has now published an Action Plan based on the extensive feedback received. The Action Plan establishes a framework of five strategic priority areas setting out Europe's agenda for entrepreneurship in the years to come. The Action Plan outlines a series of key actions related to five strategic areas. High on the agenda are:

- fostering entrepreneurial mindsets among young people,
- reducing the stigma of failure,

- providing support for women and ethnic minorities,
- reducing the complexity of complying with tax laws and
- facilitating business transfers.

These Commission initiatives, the Lisbon Agenda, the Agenda of the Irish Presidency and of course the results of the parliamentary work in various committees will very soon not only be applied to the old Member States but to the entire enlarged Europe.

[Enlargement]

With the enlargement by 10 new members states, which is at the same time the reunification of Central Europe, that was artificially divided since the end of the 2nd World War, we are facing one of the greatest historical challenges for the

European Union. Realizing the magnitude and complexity of this process, we must be prepared not only for the appearance of new benefits, but also for the transformation and competitiveness of our market.

The optimism, the power and the consequence of the people in the new member states to tackle the necessary and sometimes painful reforms created hope for themselves and may serve as a model also for the entire European Union.

We, the Members of the European Parliament, the European Commission, and all national governments of enlarged Europe - have to admit our responsibility for the targets we have set ourselves at the European Council in Lisbon 4 years ago. And it is definitely a high aim to become the most competitive and dynamic knowledge-based economy in the world.

In order to achieve this it is indispensable to promote entrepreneurial activity and to create an economic and legal environment for small- and medium-sized enterprises which encourages the creation of jobs and increases economic growth and competitive capacities.

- It is therefore essential to stress entrepreneurship's fundamental role for the entire European society
- It is essential to improve the quality of training and vocational training
 - to enforce the principle that everybody has the right to a sound basic qualification
 - to stimulate the member states to maintain or create an infrastructure of higher qualification which is sufficient to meet the challenges of the 21st century
 - to strengthen the idea of lifelong learning
- It is also essential to encourage the discussion and the steps to reform the structures of social security which leads to sustainable and socially acceptable systems taking into account the demographic changes and in particular the ageing population.

- It is essential to enhance competitiveness by reducing regulation implemented costs and by cutting red tape. First priority of job creation and sustainable growth must not be endangered by secondary issues causing additional barriers. High social and environmental standards can only be preserved by a healthy, prosperous and flexible economy.
- Last but not least it is also essential to reduce the tax burden for European citizens and enterprises and to lower the percentage of public spending as it was already demonstrated by the Slovak Republic and some other countries.

[Conclusion]

Ladies and Gentlemen,

The next few months will be a period of crucial importance to us. The Enlargement of the European Union on 1st of May, the Spring Summit next week with the priorities of the Irish Presidency and the Elections to the European Parliament on 13 June will lay the foundation to achieve our goal to create and maintain a healthy, prosperous and flexible economy for the next few years and to provide a basis for the further development of the European Union.

Now we need to work on these challenges and I am confident that making an effort makes a difference.

In this respect I would like to thank you for organizing Conferences like this to create awareness on the necessity for Economic Reforms in Europe - in the new, but especially in old Member States of the European Union.

Thank you.