



HEADLINES

EU / Competitiveness Council: Ministers back Kok Report

On 25-26 November the Competitiveness Council met in Brussels. One of the main topics of discussion was the recent Kok Report and Industry Ministers came out in support for the overall focus of the report on growth, employment and productivity as a precondition for social cohesion and sustainable development. Moreover, they also agreed with the recommendation to concentrate on a limited number of key areas.

The Council expressed broad support for the report as a basis for the mid-term review of the Lisbon Strategy, due to be adopted in 2005. Ministers also back the report's recommendation for Member States to draw up national action plans to drive through structural reforms. Ministers stressed the importance of the Kok Report for the Competitiveness Council, which will play a central role in three of the five priority areas; knowledge society, internal markets and entrepreneurship.

The Dutch Presidency has now asked the High Level Group on Competitiveness and Growth to prepare a key issues paper of the Competitiveness Council, to be presented to the European Spring Council in March 2005.

More information: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf

EU /: Competitiveness Council: Better regulation & simplification of legislation

The Competitiveness Council of 25-26 November also drew up a list of EU legislation needing urgent simplification so to cut the amount of red tape for companies and create a more competitive environment for those operating in the EU.

The list of 15 priorities covers legislation in a wide range of policy areas, including the internal market, company law, environment, agriculture and health. The two most relevant to SME interests are:

- Fourth Council Directive 78/660/EEC – 25 July 1978: The Council feels that the administrative burdens for companies are too high and suggests a change in the thresholds defining medium sized enterprises, thus exempting more companies from the tight requirements of this directive
- Twelfth Council Company Law Directive 89/667/EEC – 21 December 1989: A problem is identified regarding the survival of micro-businesses. The Council suggests the incorporation in this Directive or in other legislation of the particular characteristics of micro-business.

The Council offers possible solutions but it will be up to the Commission to plan legislative proposals or take other appropriate actions in its rolling programme. The Commission is expected to report about its actions taken in this regard at the next Council session in March 2005.

More information: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf

ESBA Bulletin of 30 November 2004 – Volume 6 – Number 21

EU / REACH: “One substance, one registration”

Discussing the proposed new legislation on the registration, evaluation and authorisation of chemicals (REACH) at the recent Competitiveness Council, a majority of Member States were supportive of the British-Hungarian “one substance, one registration” proposal, whereby companies would be able to share the costs of registering chemical substances.

Many Member States see the proposal as “a good working basis”, in particular because it takes financial pressure off SMEs.

The Dutch Presidency, however, have stated that further work is needed, especially on the subject of legal clarification and on the possible extension of REACH to cover low volume substances (between 1 and 10 tonnes per year). A Council source also commented that opponents of the “one substance, one registration” proposal were raising a number of legal and practical issues. These include the mandatory sharing of confidential data between rival companies and practical ways to share the costs of joint submission with the European Chemicals Agency.

More information: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf

EU / Cross-border mergers: Commission welcomes Council agreement

The European Commission has welcomed the Council’s agreement on its political approach to the Directive on cross-border mergers, proposed by the Commission in November 2003. This key measure responds to a strong demand from business and will facilitate cross-border mergers of limited liability companies in the EU, which are currently either impossible or very difficult and expensive. The Commission claims that the Directive will be especially helpful for small and medium sized companies that want to operate in more than one member state, but not throughout Europe, and thus cannot seek incorporation under the European Company Statute.

Single Market Commissioner Charlie McCreevy said, “The difficulty or impossibility of cross-border mergers is a major practical obstacle to Europe’s competitiveness. It is high time it was put right”. He also claimed that “this is an important step towards the EU’s efforts in breathing new life into the Lisbon Strategy”.

More information:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1405&format=HTML&aged=0&language=EN&guiLanguage=en>

EU / Services Directive: Concern about affect of “country of origin” on health

While there was general agreement on the objectives of the proposed Services Directive, at the meeting of the Competitiveness Council, various Member States expressed concerns about a number of issues. In this first debate on the subject, ministers focused on three main issues: the 'country of origin' principle, co-operation between national authorities and the simplification of administrative procedures.

The most controversial of the three is the so-called 'country of origin' principle. This approach stipulates that service providers should be subject to the laws of their own country rather than of the country where the service is provided. Six member states are said to be opposed to this approach. Concerns about the affects of this principle have also been voiced in the recent meetings of the

ESBA Bulletin of 30 November 2004 – Volume 6 – Number 21

Environment, Public Health and Food Safety Committee (ENVI) and the Committee on the Internal Market and Consumer Protection (IMCO). In particular, there has been widespread concerns over the impact of the principle on health services in the EU, and there have been calls to exempt this sector from the scope of the legislation.

Overall, ministers emphasised that the directive needed to be further clarified with regard to its scope and limits. In particular, it should be clear that the directive does not undermine the European social model or clash with other legislation already in force, such as the Posting of Workers Directive.

More information: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf

EU / Innovation: Gap between EU & US still growing

The European Innovation Scoreboard (EIS), published annually by the Commission, indicates that the EU is still losing ground on the USA and Japan, however, some Member States are individually outperforming the two major global competitors.

The 2004 report shows that on average EU Member States are less innovative than the US and Japan and the gap is expanding further, especially in the areas of patenting, working population with tertiary education and public R&D expenditure. However, the Nordic countries are outperforming the US and Japan on several indicators, and Germany is also a high performer amongst the EU-25. Portugal, Cyprus, Ireland, Latvia and Slovakia are the countries with the best recent progress – but they began from low starting points.

The non-technical dimension of innovation (e.g. changes in management or work organisation) plays an essential role in explaining the advance of the US over Europe on productivity growth. The report claims that this area may well be the “missing link” that prevents Europe from taking full advantage of new technological opportunities. There are also large differences in the innovativeness of specific sectors, the electrical and optical equipment sector is the EU’s most innovative one, whereas textiles is the least innovative sector in the EU.

See the EIS in full: <http://register.consilium.eu.int/pdf/en/04/st15/st15189.en04.pdf>

IN BRIEF

EU / Commission: Barroso calls for strong growth & better productivity

Upon taking office on 22 November, new EU Commission President, José Manuel Barroso, called for “stronger growth and better productivity”, warning that otherwise European countries would be unable to maintain their high standards of social protection and meet environmental demands.

Barroso claimed that the priorities of his mandate were “everything that is linked to growth, everything to do with freedom and justice and which enables the strengthening of Europe’s role in the world”.

More information: <http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/04/489&format=HTML&aged=0&language=EN&guiLanguage=en>

ESBA Bulletin of 30 November 2004 – Volume 6 – Number 21

EU / Lisbon Strategy: European Parliament to present a strong & coherent position

The Conference of European Parliament's Presidents wants to present a strong and coherent position on the Lisbon mid-term review and has therefore decided to involve national parliaments in an ad-hoc body to co-ordinate the work on the Lisbon process.

The interim body will prepare a recommendation for Parliament's resolution preceding the Spring Summit, where the mid-term review is due to be adopted. It will also carry out brain-storming on the future of the Lisbon process together with national parliaments and set up a joint programming exercise between the Commission, the Parliament and the Council.

More information: <http://www.euractiv.com/Article?tcmuri=tcm:29-132446-16&type=News>

EU / CSR: Importance for SMEs emphasised

A stakeholder conference on 18 November, organised by the European Saving Bank Group, has emphasised the importance of SME activities in the field of Corporate Social Responsibility (CSR) at the local and regional level.

Chairman of the Management Committee, Chris De Noose, claimed that "CSR is not only a game for the big guys, small undertakings, have also acted responsibility at local and regional levels". CSR researcher at the Ecology and Development Foundation, Ramón Pueyo, also argued that it is a mistake to see CSR as "macroeconomic", as "in the end, all CSR activities have to descend to a local level. CSR is by definition, microeconomic".

More information: <http://www.savings-banks.com/content/default.asp?PageID=132>

EU / Aid to businesses: Higher in new EU States

The new EU-10 provide more state help for business as a percentage of their GDP, than the older Member States, according to a recent EU survey. However, this is expected to change as they overcome problems specific to their economies prior to their accession in May 2004.

The EU's outgoing Competition Commissioner Mario Monti, claimed that the new Member States have done a remarkable job in adapting to a market economy and in keeping business subsidies under control, but he also added that "more must be done by all 25 countries to further reduce the overall levels of aid and to shift the emphasis from supporting individual companies towards increasing Europe's competitiveness through aid to research and development, environment, cohesion and other horizontal policy objectives".

State Aid Scoreboard:

http://europa.eu.int/comm/competition/state_aid/scoreboard/2004/autumn_en.pdf

CONSULTATIONS

DG Trade
November 2004

Strengthening the EU-US Economic Partnership

Closing Date 30

This consultation is aimed at bringing forward new ideas on how to further transatlantic economic integration, to enhance the flow of investment as well as trade, and to identify and overcome obstacles to the realisation of the competitive potential of our economies. In this consultation, the

ESBA Bulletin of 30 November 2004 – Volume 6 – Number 21

Commission services want to go beyond the annual review of trade barriers on which the Commission and US Government publish reports and to consider more far-reaching ideas.

http://europa.eu.int/comm/external_relations/us/consultation/index.htm

DG Taxation

Home State Taxation

Closing Date: 31 December 2004

The European Commission announced in its Company Taxation Communication (COM(2003) 726) of November 2003 that it would in 2004 make a recommendation to Member States for a pilot tax scheme which would allow SMEs to use the tax rules of their home state for calculating their EU-wide taxable profits on an experimental basis for five years. The objective is to address the business tax problems that SMEs experience when expanding across borders and that often prevent them from benefiting fully from the Internal Market's potential.

http://europa.eu.int/comm/taxation_customs/taxation/article_1455_en.htm

COMING UP

EU Institutions: Important Dates

6-7 December	Employment, Social Policy, Health and Consumers Council, Brussels
7 December	Economic and Financial Affairs Council (Ecofin), Brussels
13-16 December	European Parliament Plenary, Strasbourg
17 December	European Council, Brussels
1 January	Luxembourg takes over EU presidency

Other SME related Events

5-7 December 4th European Forum for Innovative Enterprises, Stuttgart. (More info: www.fourthforum.org)