

EPP Workshop "Reality check"

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Conclusions of the Workshop

Is EU legislation fostering or impeding sustainable development?

First of all, let me say that it is inspiring to see that such a tiny group of people can produce so many good ideas. We have to continue such exchanges of views in the future, because they are extremely useful to us parliamentarians.

I will try to answer the question whether EU legislation fosters or impedes sustainable development and the wider context of EU competitiveness.

I think it is clear today that what we need in terms of legislation is legislation that goes beyond the philosophy of removing barriers. What we really need is legislation that is truly conducive to development; legislation that fosters and enhances growth and competitiveness. The philosophy of removing barriers that has grown in the European Union is definitely not enough, but it is still a fact of life.

Of course, the Union is based on law, legislation and regulations which have been accompanying the integration process from the very beginning. Our duty as Parliament, as legislators, is to see that legislation in the future works for us and not against us. The challenge is not only to have legal frameworks in place that are conducive to achieving the objectives and strategies that we have as Europe. The challenge is also to make sure that law is implemented, and if we think in these terms, the next step will be to look at the administration and judge whether it is effective. Then of course there is a need of changes to legal frameworks to adapt them to the reality. That is moving rather quickly both in Europe and the world around it. It is worth having adjustments and changes in legal frameworks rather quickly, but of course that immediately brings another problem on the table. We have to try to strike a balance between legal stability and making the legal framework effective. Especially in the current environment, where the reality changes quickly, it is important to keep this balance. Let me refer to the example of climate change. It is still unclear what new standards there will be for our industries. We should certainly be moving faster on this subject, otherwise we will be creating a lot of uncertainty and unnecessary risks for the business environment.

Many speakers raised the issue of the crisis, the economic and financial problems of the last two years and the lessons we are drawing from these developments. And of course we realise that especially small and medium-sized companies have been hit rather hard by the crisis, more so in some member states and specific sectors in the economy. I must say the

Commission moved forward rather swiftly, especially compared to normal bureaucratic procedure, with its smart regulation agenda and the Parliament is very supportive of this initiative. In this case, the crisis has clearly demonstrated where the regulatory framework is incomplete or ineffective and where it could be more flexible. We also know that from 2008 there was an urgent need in certain areas to move ahead with legislation and I would say we were relatively quick with the new financial supervision regulations and we are currently moving quickly on the economic governance regulations as well. They affect not only citizens and businesses. We need these regulations for smart and wise policy. Recent experience clearly shows that we can move quickly with legislation in response to new challenges and demands of reality.

In this context, I think it would be a rhetorical question to ask whether there is a link between regulation and competitiveness. There clearly is a strong link. The European Union itself is in effect an administrative burden-reduction mechanism. In many areas we replace the 27 national regimes by a Union-wide, "28th", regime. This makes it easier for SMEs to do business across the European Union and across many sectors of our European economy. It is a means to get rid of harmful distortions between different national economies and even within national economies. The answer is therefore obvious. The contribution of EU legislation to competitiveness is underpinned by the single market. EU regulations contribute to businesses' competitiveness by eliminating the costly fragmentation of the single market. The benefits and costs of this are well known to all of us, so I will not elaborate on these. I do want to stress, however, that it is important right now to realise that the single

market guided us through the crisis with relatively less cost than we would have had otherwise. I also think we were wise enough not to dilute the system and not to allow for too many exceptions as a result of the crisis. I think the rule of law has left the European economy in a relatively good shape.

The real challenge today is that what Europe needs is not any growth, but a very specific kind of growth that takes us not just to where we were before the crisis. We need growth that puts us back on the path towards productivity gains, we need growth that puts us back on the path towards competitiveness; this kind of growth requires a special effort on the side of legislation.

We have to do more with less in terms of funding, so we need more efficiency. Regulatory frameworks should be designed in such a way as to allow us to achieve this additional efficiency. Efficiency will matter in the future and it will make us more competitive. We should move towards public-private partnerships, to new relations between the public and the private sector. We are experiencing times where public budgets must be more effectively used as catalytic instruments and its leverage function must be strengthened with a view to attract private capital. Certain risk aversion will stay for a while. This is a void where public-private partnerships would fit in. This requires a bolder approach to regulation. We need stronger presence of industry in the discussion. We also need more ex-ante discussions on the impacts of future regulations. For example, when we were working on the new regulations for the financial sector, we must have had dozens of hearings with experts and

stakeholders in the parliament. For this reason, I believe the course that the Commission has embarked on, towards fitness checks and smart regulation will mean in practical terms that we will have more focus on better understanding the consequences of proposed regulations, of the impact of the whole set of regulations that we are introducing. We have not yet seen any comprehensive impact assessments on the interplay between different sector regulations. I think we have often understood very well the impact of individual regulations, but the total picture of the impact that the stacking of regulations has on industry has so far perhaps been somewhat of a blur. I hope that the current Commission initiatives will help us move in the right direction. A much better and much earlier dialogue with business in a continuous process is something that is absolutely necessary if we want businesses to help Europe put itself back on the path toward growth and competitiveness.

We must also understand that the single market, which is absolutely crucial, is not only about removing physical borders. It is no longer just about movement of goods and capital, but also technology and knowledge and science. There are also social consequences that the internal market generates. Pension systems, as mentioned by one of the speakers today, is certainly among them. Social rights are not mobile at all. Looking at the single market in this context, and gauging the possibilities of making us more mobile today, we have to pay attention to new borders that are emerging.

I would like to conclude by mentioning two things that inspired me today. When it comes to the reality check, you talk about sustainability and

competitiveness. These are strategic, long-term issues. Reality check is a check of what we did yesterday, and this is clearly not enough. Today, we need a check of what we will be doing in the future. Without this approach, we will always be one step behind reality. A reality check today should really be of a strategic nature.

As a very last thing, Frank Engel mentioned that many people seem to take the view that some things are just "not Europe's business". If we follow the letter of the Treaty, we have to accept that what is Europe's business is what the 27 member states decide to confer upon the Union. All the rest is none of Europe's business. This was probably true some time ago, but today we see that every decision potentially has Europe-wide impacts and on everybody in the entire European Union. We should give a new meaning to subsidiarity: it should not be about what is or is not Europe's business, but it rather indicates a division of labour between all of us. It should of course be very well orchestrated, but it is not about protecting what we could do ourselves against others. We really need to start listening more to each other, public and private sectors, in order to come up with concrete and pragmatic actions that can make the future safer, that can reduce the risk of new crises and that can combat the new crisis when it will hit us.