

APPEARENCE BEFORE

The Committee on the Internal Market and Consumer Protection (IMCO) of the European Parliament

Dear Chairman, Right Honourable Members of the Parliament, Ladies and Gentlemen

1 LESSONS TO BE DRAWN from the global financial crisis

There are **many lessons to be drawn** from the financial crisis and the time now has arrived to respond to those lessons. Some lessons are blatantly obvious, such as the **urgent need for closer co-operation in the field of fiscal and economic policy**, because of the sovereign debt crisis, huge public debt and fiscal imbalances.

There are, however, less obvious but equally important lessons. To share my thoughts with you I only would like to draw your attention to three main points.

- **First, while concentrating heavily on fiscal stability and crisis management we should not forget to strengthen our efforts to increase competitiveness.** It is now a widespread **belief** that **without increasing competitiveness** of Europe's economy, and without higher growth, we cannot solve the fiscal imbalances and debt in the long run.
- **Second**, there are more and more signs that a **new set of sources for growth is emerging; innovation** becomes a decisive driving force, **intelligent and efficient deal with our human and natural resources** will gain more emphasis in our businesses, as well as in our everyday life, the future may be greener.
- **Third**, we must not give up the **normative requirement that recovery and growth should be sustainable** and should be resulted in job creation.

Evidently, it could be drawn many other lessons from the crisis, **they, however, can be summed up in a single statement:** Economic problems never start with economics; they mostly have deep-seated roots in politics and in human nature. And they do not finish at economics either. Hence, **they require political and policy responses** both from the Member States and the European Union.

By searching for proper responses the main challenge lies in the requirement that **we need the capacity to see both the WOOD and the TREES at the same time. We Europeans need the BIG VISION ahead from the top down, and the DETAILS from the bottom up.**

Looking at the WOOD we have the ambitious vision of Europe 2020 which is far more than a simple successor of Lisbon strategy. It is more focused and targeted; it deploys more precise measurements with the idea that what is measured can be managed, it has stronger governance, and above all it is featured by a clear reform perspective both at European and Member State level.

Looking at the TREES we see the so-called European Semester, a roadmap to provide a stronger EX-ANTE dimension to economic co-ordination and surveillance. Although, in its implementation the ECOFIN has the leading and integrating role, other council formations have their own part too. In that manner, the Competitiveness Council will also have a strategic discussion on the basis of the findings of the Annual Growth Survey and the orientations of the European Council. Our main task is to ensure coherence with the Flagship Initiatives, such as Innovation Union and Integrated Industrial Policy.

Looking more CLOSELY at the TREES we see the numerous dossiers in almost every council formation; some of them have long track records, some of them are reflections on recent developments. What European citizens and businesses are expecting from us is not less than to break the deadlock in issues that remained unfinished for a long time and to introduce new solutions in response to the recent challenges as well.

2. GUIDING PRINCIPLES for the Hungarian Presidency in the Competitiveness Council

Ladies and Gentlemen

Turning to the Competitiveness Council let me set out TWO guiding principles that I would like to pursue during our Presidency in Competitiveness Council and I believe that are crucial to pave the way for Europe's recovery.

My **FIRST GUIDING PRINCIPLE** is simple: **let us make businesses less costly throughout the EU. Getting rid of barriers** and making it possible for companies to operate less costly **on European scale** are of key importance with regard to recovery from the crisis, job creations and economic growth. What we need here is **not** more and more detailed regulation, quite the opposite: **we need to remove constraints**.

- **The very sense of business is value creation.** There are things, however, that are **out of this focus**, for instance: finding the way in regulatory labyrinths, filling formats, preventing and solving conflicts, covering administrative fees etc., – **transaction costs** as we call it in economic theory.
- **Losing focus means wasting resources and efficiency.** Thus economic policy makers always have to ask themselves: **do our actions help business to focus on value creation or not?**

There are several issues on the table where we have a good chance to respond with a definitive **YES**. Let me mention three important dossiers:

- ***Re-launching the Single Market Act*** means that European policy makers have to increase their efforts to **cut costs for businesses** on European scale.
- ***Unitary patent title –even via enhanced co-operation*** - shall make **innovation less expensive** and more promising through enlarging the market of ideas.
- ***Statute of the European Private Company*** would offer the possibility to serve directly the European market without trans-border administrative obstacles.

Although steps for reducing transactions costs are important to make business less costly, **we cannot use the full potential of the single market when markets are fragmented and mobility is hindered**. Therefore my **SECOND GUIDING PRINCIPLE** is the **need for policies to tackle market fragmentation, distortion and support mobility throughout the EU**.

Since **ADAM SMITH** we know that the **division of labour** is the source of productivity, jobs and wealth. From him we know, however, too that “**the division of labour is limited by the extent of the market**”. Conclusively, we can fully exploit the

gains resulting from single market and division of labour only in the case when we prevent fragmentation of markets.

- Market fragmentation is a **root of numerous negative effects**: it facilitates the creation of **excessive market power**; it prevents business from **gaining advantages of economies of scale**, it hinders **investments and job creation**, it pushes up the costs for consumers. **In other words, market fragmentation means reducing our potential for economic growth and job creation.**
- Consequently, by shaping regulatory framework economic policy makers should always ask themselves: **do our actions help businesses by tackling market fragmentation or not?**

There are also here several issues on the table where we have a good chance to respond with a definitive **YES**.

- The mobility of goods and services across its borders is regarded as one of the principal freedoms in Europe, and further **smart policies are needed to avoid market fragmentations, in particular in SERVICES**. Correct and coherent implementation of the **Services Directive** in all Member States is a crucial step towards a well-functioning internal market as regards **the freedom to provide services across borders**.
- Europe needs today **more efficient setting of market relevant STANDARDS** that strike the **right balance between European and national dimension**, while paying a particular attention to make standards **less costly and easier to use for SMEs**.
- Improving market transparency and comparability strengthens both **CONSUMER RIGHTS** and consumer confidence in internal market throughout Europe.

3. MAKING BUSINESS LESS COSTLY THROUGHOUT EUROPE

By translating my first guiding principle into practice - making business less costly in Europe – I would like to **give you some insight into the most important dossiers**.

3.1 SINGLE MARKET ACT (20th anniversary)

Single market is the very heart and economically the **very essence** of the European Union. The advantages of producing to a large market of 500 million people are economically obvious, although in order to capitalise on these advantages **we need actions; ACTIONS to free markets, actions to widen choices, and actions to remove barriers**. Moreover, as **technology** is developing in an unprecedented speed, and it shapes our life in unprecedented scope, the single market becomes an ongoing issue. The **20th anniversary** of the Single Market in 2012 offers a unique opportunity to these actions.

- Hence, the **Hungarian Presidency intends** to give the highest priority to the Single Market Act by **monitoring closely the public consultation** launched by the Commission on its Communication and by **steering the Council of Ministers to give orientations** to the Commission in the Competitiveness Council **in March (information from the Commission) as well as in May (possibly Council Conclusions)**.
- **We look forward to work in close co-operation with the European Parliament to address the bottlenecks to the Single Market**, in particular, by advancing the legislative work on the pending and forthcoming Commission proposal falling within the Single Market Act. **We are also looking forward to the adoption of the THREE parliamentary reports on the single market package.**

3.2. Unitary PATENT title

By proposing a new strategy for single market Professor **Mario MONTI** highlighted in his report that “**failure to agree on EU patent is one of the most serious missing links in the single market**”. After nearly **three decades** we now have the **historic momentum** and we should grasp on it to break the deadlock. We should bear in mind that in life we sometimes may delay, but **time will not, and lost time is never found again**.

I would like to recall the famous statement of **ANGELA MERKEL**, German Chancellor, that “**we can only maintain our prosperity** in Europe if we belong to the **most innovative** regions in the world”. Without having a unitary patent system that provides **cost-efficiency and legal certainty**, we cannot meet that ambitious target.

Patents are, however, more than tools to capitalise on innovative capacities of Europe. In a **broad sense** a patent legally embodies a **man's right to the product of his mind**.

- Therefore, the Hungarian Presidency is **strongly committed** to the creation of the **unitary patent title** and will proceed **as quickly as possible** to reach that goal.
- As the final decision on the unitary patent system needs to be made as soon as possible and if **the enhanced co-operation seems to be the only solution to accomplish the legislative process successfully**, we will do our best to carry out this procedure.
- At the same time, we **kindly ask the Parliament to give its CONSENT** with a view to enable the Council to **approve the enhanced cooperation in the Competitiveness Council IN EARLY MARCH**.
- **We will then** be able to start working, based on the Commission's proposal, on the **Regulations implementing the unitary patent**, and do the utmost to make as much progress as possible in their respective legislative procedures, in co-operation with **the European Parliament**.
- Concerning the **translation arrangements**, the aim is to create a language regime based on the Commission's latest proposal combined with compromise elements presented during the Belgian Presidency, while assuring cost reduction and legal certainty.

3.3 Regulation for the Statute of the European Private Company (societas privata europaea or "SPE")

Similarly, an important issue looking back into a long history is the Statute of the European Private Company. This new legal entity would allow entrepreneurs to set up their companies in the same form, irrespective of whether they do business in their own Member State or in another.

- **We take the Swedish proposal** dated back to December 2009 as a basis for compromise, and our aim is - as far as possible - not to open questions other

- **The Hungarian Presidency would like to make efforts to get closer to the compromise on those issues.**

4. TACKLING MARKET FRAGMENTATION, DISTORTION AND SUPPORTING MOBILITY throughout the EU

By turning to my second guiding principle – tackling market fragmentation – let me give you some insight into the most important dossiers in which we can push forward the boat.

4.1 Services Directive

One of the most fragmented markets is related to services, in particular, the new technology driven services. Although services sector accounts for **70 per cent of GDP** in Europe, services markets are strongly fragmented and, according to **MONTI REPORT**, only **20** per cent of the services provided have cross-border dimension. As a result **productivity gap** between the United States and the European Union has been widened in last decade. **More striking is the loss in economic growth**, since according to estimates the full implementation of services directive constitutes a potential of boosting EU-wide economy by **0.6-1.5%** of GDP. **In a time of public budget constraints** and strict austerity measures **we simply cannot afford** this loss at that scale.

- Hence, we highly **welcome IMCO's report** on the implementation of the Services Directive, the **vote** on that will take place immediately after my presentation.
- We would like to cooperate closely with the Commission and the Member States, to **FOLLOW UP the results of mutual evaluation process of the implementation of the Directive** and examine possible further initiatives with the aim of the better functioning of the Single Market for services.
- Our aim is to **propose Council conclusions on the Communication from the Commission** in order to keep the implementation of the Directive high on the agenda of Member States and of European competitiveness.

4.2. Standardisation

- **Depending on the date of transmission** of the Communication and legislative proposal by the Commission, the Hungarian Presidency will start negotiations at **Working Party level on the Standardisation dossier**.
- The Presidency will also engage in contacts with the co-legislators from the **European Parliament** and work closely together with the incoming Presidencies.
- **The Proposal is awaited for spring 2011** and will be accompanied by a Communication by the Commission on the same subject. It will thoroughly modify the framework of standardisation policy from a **legal point of view** but also **give political signals** on the importance of effective standardisation as a tool for harmonisation and facilitating the marketing of products in Europe. Standards also fulfil **societal roles**, e.g. environmental standards or accessibility standards for disabled persons.
- **Among the most important issues** that will be touched by the proposal are the question of **whether to strengthen or lessen the power of European standardisation bodies**, on how to organise efficient **SME representation** in European Standardisation bodies, the acceptance of De-facto Standards (as "common technical specifications") and the role of standards in services. The procedures for the adoption of standards in European standardisation bodies could be streamlined. Finally, also the financing of European standardisation will probably be included in the proposal.

4.3. Consumer rights directive

HERBERT HOOVER, US President at the time of the Great Depression once stated that **"competition is not only the basis of protection to the consumer**, but is the incentive to progress". While agreeing that free competition is an **indispensible requirement** to widen consumers' choice and consequently to strengthen their rights, one should point out here the distinction between US and EU. **I am utterly convinced that our goals of deepening the single market and maintaining the**

high level of consumer protection without unnecessary administrative burden on companies **can be aimed at the same time**, and this belongs to one of the greatest achievements of the European Union.

- **Therefore the Hungarian Presidency is of the view that after almost two and a half year of negotiations the time has arrived to reach agreement on the Consumer Right Directive.** In particular, the Presidency's ambition is to reach **first reading agreement between the Council and the EP.** In this respect, the Presidency will **closely follow the discussions in the EP IMCO and JURI Committees** and will be in contacts with the rapporteur **Mr Schwab** (EPP-DE) to agree on a mutually acceptable timetable for first reading negotiations.
- With respect to the **level of harmonization the Presidency aims at finding pragmatic solutions based on a combination of maximum harmonisation and minimum harmonisation**, with a view to reaching an agreement with the EP and in the respect of the Directive's objectives.

5. Closing Remarks

Ladies and Gentlemen

Today Europe is facing severe challenges that require tremendous efforts **FROM ALL OF US.** We can have **no humbler ambition** than to **make Europe stronger**, as the motto of the Hungarian Presidency runs.

"The **European Community** belongs to **ALL ITS MEMBERS.** It must reflect the traditions and aspirations of **ALL** its members", - stated **MARGARET THATCHER** in one of the most significant speeches in the whole History of the European Union, in her famous **Bruges** speech, in 1988. **ALTHOUGH, we should widen the HORIZON: The European Union belongs to ALL ITS CITIZENS AS WELL,** and it must reflect the traditions and aspirations of **all** its citizens, as well.

- In this manner I am thoroughly convinced that **the Competitiveness Council and European Parliament should work closely together.**
- **If we stay together we have the best chances to overcome the barriers. If we can achieve some major steps that make businesses less costly and**

_____, we will do our share in the recovery of Europe.

Ladies and Gentlemen

- Let me **express our gratitude to our Spanish and Belgian predecessors** and earlier Presidencies for the **excellent work they have done together with you** in the areas of competitiveness policy, such as free movement of goods and services, and consumer rights.
- Let me **underline the commitment of the Hungarian Presidency to continue in that spirit** and to work in close cooperation with you, main actors in the European decision-making process whose competences have again be strengthened by the Lisbon Treaty which entered into force in December 2009.
- **We shall also do** our utmost to put into practice the “Trio” **approach with our Polish and Danish colleagues, to complement the work of our Spanish and Belgian colleagues.**

Thank you very much for your kind attention and it gives me great pleasure to respond to your questions, remarks and suggestions.

Thank you very much for your kind attention and I always remain open to respond to your questions, remarks and suggestions.