

APPEARENCE BEFORE

The Committee on Industry and Research (ITRE) 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 better 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** based on the findings of the **Annual Growth Survey** and the orientations of the European Council. 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 **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** to respond to the recent challenges as well.

2. Making businesses less costly throughout the EU

Ladies and Gentlemen

Turning to the Competitiveness Council let me set out THREE 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 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 of 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 the most important dossier, the **Small Business Act**.

- **Despite their high share in job creation and economic output in everyday life the small and medium size enterprises are struggling** with poor access to finance, high administrative burden, low internalization, and weak innovation potential.

- The reason for it lies in the **very nature of small businesses**. Namely, the crucial problem for small businesses is not being small, rather being lonely. **LONELY means that they lack the political VOICE** necessary to influence and shape their economic and political environment, above all their regulatory framework.
- That is why we need **ACTIONS** both at the level of the European Union and the Member States to overcome this loneliness. We need actions to help them in access to finance, actions to abolish high administrative burdens, action to help in access to foreign markets, and actions to strengthen their innovative capacities.
- In other words, **we need actions to help them to become bigger and stronger**. Since Ernst Fritz **SCHUMACHER**, British economic thinker, the **catchphrase became commonplace: small is beautiful**. I would like, however, to stress that we also should create policies which let them grow and we should help them to grow. **Small may be beautiful but becoming bigger and stronger is much more beautiful**.

Mid-Term Review of the Small Business Act

- In order to support access to markets and financing of SMEs, as well as the simplification of the regulatory environment, the Hungarian Presidency is dedicated to utilize the **midterm review of Small Business Act** and looking forward to the Commission's document, which is due early **February**.
- We intend **to adopt Council conclusions in May**, which will set out the main elements of future SME policy. **Besides formal sessions** we would also like to discuss with fellow ministers SME-related issues in an informal way, too, at the **April informal meeting in Hungary**
- One of our main priorities is the **reduction of administrative burden and the risk of state operation** through better/smarter regulation and institutional changes.
- Exit from the crisis and job creation can only be facilitated through strengthening the **innovative capacities of SMEs**, which requires the development of a new approach to innovation, focusing on the promotion of non-technological innovation.
- To strengthen the innovation dimension of the SBA we seek for increased **coordination between the flagship initiatives** of the Europe 2020 Strategy (especially Innovation Union) and the mid-term review of the SBA. The **April informal Council** will address the issue by focusing on the creation of adequate framework conditions for innovative SMEs.
- We put great emphasis on the issue of **internationalization** and enhancing SMEs' entry to external markets with particular regard to the identification of the main obstacles to foreign market entry and the connection between innovation and internationalization.
- **Access to finance** must remain in the focus of community-level solutions; it is necessary to simplify the access to bank and community-level financial resources and funds and improve the regulation of new financing instruments (e.g. JEREMIE, JASMINE).

- Besides the Council events, we are going to organize an **SME conference** on 24-25 May 2011, where the European Entrepreneurship Award will be handed out, and best practices will be shared among Member States. The two main points on the preliminary agenda are the future of cohesion policy and the improvement of the regulation of new financing instruments.
- Last month at its meeting, the Competitiveness Council warmly welcomed the Commission's proposal – within the new industrial policy communication – for a so-called **competitiveness test** for new legislation. This measure would be very relevant for the SMEs, as in this segment regulatory and administrative burdens are disproportionately higher than in the case of larger companies.

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

Although steps for reducing transactions costs are important to make business less costly, our companies **cannot use fully this potential 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**. Let me focus also here on the most important issue:

- **The European Research Area** proved to be an extremely fruitful idea, although **national and regional research and innovation systems are still working along separate tracks with only marginal European dimension**. This leads to costly duplication and overlap which is unacceptable at a time of tight finances.
- Consequently, in order to tackle market fragmentation **we will focus** our efforts **on the interim evaluation of the 7th Research Framework Program**. The **report of independent experts**,

chaired by Mr Rolf ANNERBERG (SE), was released on 18 November 2010 and it was presented to the Competitiveness Council on 26 November 2010.

The interim evaluation of the 7th Research Framework programme

As a **professor of economic geography** I have great emphasis for that issue, and I believe that in Europe all the **three aspects of research** are equally important:

- **Science for science** (where researchers set the agenda),
- **Science for competitiveness** (where industry sets the agenda), and
- **Science for society** (where civil society actors set the agenda in order to reflect grand societal challenges).

The majority of the **10 RECOMMENDATIONS** by the experts largely reflect the main prior findings, also by the Council, and relevant for the future FP. Only to have a **quick glance** at some important recommendations of the report:

- **Simplification needs a quantum leap**, and the Expert Group calls for all Directorates-General and agencies **rapidly to implement the short-term simplification measures** recently put forward in a Communication by the Commission and to ensure that they are applied rigorously from 2011-2013. Let me perfectly clear on that issue, I adopted to my personal motto: **innovation instead of administration**.
- **To develop and implement high quality research infrastructures.**
- **To pave the way for increased participation from Member States (EU-12) that are underrepresented (although excellence should remain the ultimate rule).**
- **To advance ERA and Innovation Union objectives, integrating the research base** by overcoming **fragmentation** in research is vital, while simultaneously achieving a sharper division of labour between what is being done at EU level and what is undertaken in national programmes.
- **End of February** we will organise an important high level conference on the findings of the interim report, and at the **March** Council Meeting **we propose exchange of views and council conclusions on this issue**.

Some of the recommendations are, however, related to the future

- **The level of funding should, at least, be maintained.** A reasonable level of funding per year could be that reached in the last year of FP7. In relative terms, this would mean that the percentage of the total EU budget that FP7 will have when it ends should be regarded as a minimum.

- (In addition the Group pleads for the Commission to **switch from its present low-risk/low-trust attitude to a more trust-based and risk-tolerant approach**).
- Hence, we intend to **launch the first exchange of views** on the future FP8 during the Informal Council Meeting in April 2011.

4. INCREASING COMPETITIVENESS OF EUROPE ON GLOBAL SCALE

Making business operations less costly and tackling market fragmentation are important **vehicles to growth and jobs**, although our companies should also be successful in the globally integrated markets. Hence **MY THIRD GUIDING PRINCIPLE is the need for community policies to increase competitiveness of our economies and enterprises on global scale**. Let me focus on two important issues:

- Despite high excellent education and research **Europe is lagging behind** in turning research findings into business ideas, in other words, **in innovation**. The ***Innovation Union flagship initiative*** of Europe 2020 can help to coordinate the innovative efforts of the continent to improve practical applicability of knowledge creation. At this point 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”.
- **Shortages in material resources** that are vital for flourishing our industries should also be addressed at European level. The ***Raw Materials Initiative*** supports coordinated efforts of our member states to prevent the shortages of crucial elements for prosperous economic activity.

Innovation Union

- Competitiveness Council adopted its conclusions on "**Innovation Union**" on 26 November 2010 that contain a number of key messages. These are also understood to serve as input for the **European Council** which is envisaged to have a thematic debate on research and innovation in **February 2011**.
- **Some of the key issues of the dossier are:** ***Innovation Partnership Programs***; speeding up ***standardisation; pre-commercial procurements***, public procurement of innovative products and services; ***cross-border matching of innovative firms with investors***; scientific co-operation with third countries (e.g. ***research visa***).

- **The Hungarian Presidency** would like to take forward the actions regarding the Innovation Union as set out by the Competitiveness Council in November, 2010, notably as regards the **European Innovation Partnerships** and we are looking forward to the rapid launching of the **pilot partnership** (active and healthy ageing).
- The role of the **European Institute of Innovation and Technology** (EIT) has also been stressed in the implementation of the Innovation Union. The Budapest based institution, EIT, is developing their **Strategic Innovation Agenda** and we shall follow the progress closely.
- We should not forget the many valuable initiatives are already underway to implement the **European Research Area**, such as those regarding human resources and mobility, research infrastructures, as well as intellectual property.
- The **Joint Programming Initiatives** are particularly relevant of the existing ERA initiatives and we must define their role in the implementation of the Europe 2020 Strategy, including a view to further streamlining research and innovation instruments, and, in relation to the European Innovation Partnerships.
- Finally, we continue to emphasize the international dimension of the European Research Area cooperation. We are looking forward to reinforced cooperation between the EU and **third countries**, considering coordinated approaches, wherever appropriate. We are also looking forward to cooperation with the European Parliament as regards the conclusion of any further international research cooperation agreements, depending on Commission proposals.

Raw Materials Initiative

- An important priority of our Presidency is to improve Europe's **security of supply and access to raw materials**.
- We are expecting a follow-up Communication from the Commission based on its highly successful 2008 Action Plan, and would be ready to **give priority to this file in our March Competitiveness Council**.
- **If this Communication cannot be submitted in time for the March Council, we would be ready to treat it in May.**
- The main pillars for our policy have been firmly established by the 2009 Council conclusions to the Commission's 2008 Communication: **fair conditions for access to raw materials** on the global market; development of sources within the European Union; and **efforts for improving resource efficiency** and recycling have to go hand in hand for achieving optimal results. **Some of the main issues of the dossier are: free access to critical resources by diplomatic and trade policy tools**; improving resource efficiency and **recycling rate** (e.g. better use of urban mines); regular criticality assessment; enhancing EU extraction.

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, in particular for SMEs, steps that prevent markets from fragmentation, in particular in field of research, and steps that increase the global competitiveness of our companies and research institutions, 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 industry and research policy.
- 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.

COMPETITIVENESS COUNCIL

DRAFT AGENDA

INTERNAL MARKET AND INDUSTRY

10-11 March 2011

- **Proposal for a Council Decision AUTHORISING ENHANCED COOPERATION IN THE AREA OF EU PATENT** - *Adoption*
- **Contribution to the EU Semester, ANNUAL GROWTH SURVEY;** *Presentation by the Commission, Exchange of views (industrial part)*
- **RAW MATERIALS INITIATIVE** - *Exchange of views/(poss.)adoption of Council Conclusion*
- **SERVICES DIRECTIVE - Communication from the Commission on the mutual evaluation process** - *Presentation by the Commission Adoption of Council conclusions*
- **Strategy paper on the Internal Market Information System (IMI)** *Presentation by the Commission*
- **SINGLE MARKET ACT** - *Information from the Commission on the results of public consultation*
- **Mid-term review of the SMALL BUSINESS ACT** - *presentation by the Commission*
- **4th Consumer Market Scoreboard** - *Information from the Commission*

30-31 MAY 2011

- **Proposal for a Regulation of the Council and the European Parliament on the creation of UNITARY PATENT protection within the framework of ENHANCED CO-OPERATION authorised by Council Decision No./2011** - *Presentation by the Commission/(poss.) - Political agreement*
- **Proposal for a Regulation of the Council on the translation arrangements applicable to UNITARY PATENT PROTECTION within the framework of enhanced cooperation authorised by Council Decision No./2011** - *Presentation by the Commission/(poss.)- Political agreement*
- **(poss.) Proposal for a Council Regulation on the STATUTE OF EUROPEAN PRIVATE COMPANY (Inter-institutional file 2008/0130 (CNS))** - *(poss.) Political agreement*
- **Proposal for a Directive amending the first, tenth and eleventh Company Law Directives (interconnection of business registers)** *Progress report/political agreement*
- **Directive on mutual recognition of ORPHAN WORKS** - *Progress report/Exchange of views*

- **8. Proposal for a Directive of the European Parliament and of the Council on CONSUMER RIGHTS (Inter-institutional File: 2008/0196 (COD)) - Adoption (possible 'A' item)**
- **SINGLE MARKET ACT - ADOPTION OF COUNCIL CONCLUSIONS**
- **Mid-term review of the SMALL BUSINESS ACT - Adoption of Council conclusions**
- **(poss.) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on SMART REGULATION - Adoption of Council conclusions / Progress report**

RESEARCH

10-11 March 2011

- **Contribution to the EU Semester, ANNUAL GROWTH SURVEY; Presentation by the Commission, Exchange of views (research and innovation part)**
- **INTERIM EVALUATION OF THE 7TH RESEARCH FRAMEWORK PROGRAMME - Exchange of views (poss.) Adoption of Council conclusions**
- **European Union Strategy for the DANUBE REGION (research context) Exchange of views (poss.) Adoption of Council conclusions**
- **7th Euratom Research Framework Programme on nuclear research and training (2007-2011) extension to 2012 and 2013 + 2 Specific Programmes Presentation by the Commission/Progress report**

30-31 MAY 2011

- **(poss.) Launching of Joint Programming Initiatives (JPIs) Adoption of Council Conclusions**
- **Interim evaluation of the European Research Council (ERC) -Information from the Commission**
- **Mid-term review of EUROSTARS program - Information from the Commission**
- **Mid-term review of the Joint Technological Initiatives (JTIs) - Information from the Commission**
- **European Roadmap for innovating with Nanotechnology 2010-2015
Exchange of views**
- **Ambient Assisted Living
Adoption of Council conclusions**
- **Creating synergy between ERA Vision 2020 and the Europe 2020 Strategy
Adoption of Council conclusions**
- **7th Euratom Research Framework Programme on nuclear research and training (2007-2011) extension to 2012 and 2013 + 2 Specific Programmes
General approach/Political Agreement**