

European Policy Centre and European Confederation of Junior Enterprises (JADE)

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Residence Palace (Polak room)
155 Rue de la Loi, 1040 Brussels

Entrepreneurship and the Lisbon Agenda

Philippe de Buck, UNICE's Secretary General's intervention in Panel debate on ***barriers for entrepreneurship, including red tape, bankruptcy legislation and access to capital***

UNICE launched on 9 September 2004 the European business vision of how to achieve *growth, jobs and prosperity for Europe in the new political cycle 2004-2009*.

European entrepreneurs, 20 million companies across Europe, 99% of them SMEs, are demanding the indispensable emphasis on fostering more competitiveness, the only path to sustainable economic growth and therefore to growth, jobs and prosperity.

Europe has great potential to be competitive. But this potential is not a self-fulfilling prophecy! Europe must change to make it happen.

Therefore, we focus on the opportunities offered by the changes in the European institutions in the period 2004-2009, which is also the second half of the Lisbon timeframe. What has to be done to achieve our objective to be the "most competitive, dynamic, knowledge-based economy in the world by 2010"? And what are the challenges we are currently facing?

Out of the six priority areas policy makers need to focus on, the UNICE business vision defines the first priority area as:

- *The need to release entrepreneurial energy*

According to World Bank data, the number of days to start a business has decreased in Europe over the last year by more than 10 days on average (34 days in 2004, compared to 45 days in 2003) thanks to some positive legislative initiatives in several Member States (e.g France).

This is a positive sign, but does not conceal that it still takes almost 7 times as long as in the US, and that the situation differs strongly from Member State to Member State.

A good entrepreneurial climate depends on many different conditions:

I would like to highlight the following:

- Develop entrepreneurial education
- Reduce taxation and improve access to finance

- Better Regulation or absence of red tape

1. Entrepreneurial education:

- Integrating entrepreneurship education in all school curricula is an essential action needed to foster entrepreneurial mindsets among young people, the entrepreneurs of tomorrow.
- In particular it is necessary to heighten teachers' awareness of how an enterprise is run and the benefits to society.

2. Reduce taxation and make better access to finance:

- Reducing the overall tax burden on companies is of direct relevance to boosting entrepreneurship;
- We regret that the Commission's Entrepreneurship action plan lacks more concrete steps suggestions to reduce the overall tax burden. Member States have a fundamental role to play in this area;
- Nevertheless we appreciate efforts to reduce the complexity of complying with tax laws. The need to adjust to up to 25 different sets of rules leads to high compliance costs and legal uncertainty. In this context, we support the Commission's plans for home state taxation for SMEs and for creating a one-stop-shop system for EU-wide VAT obligations.
- In the long-term, the appropriate solution for removing tax obstacles to cross-border business in the EU, to encourage investment and economic risk-taking consists in a common consolidated tax base together with healthy tax competition as far as tax rates are concerned. Unice therefore broadly supports the recent Commission initiative in this field and welcomes the favourable reception it received from member governments. It is now important to involve the business community as closely as possible in the drafting of detailed proposals concerning the common tax base.
- UNICE has persistently pointed out the need for improved access to capital through further integration of Europe's financial markets and through the development of alternative means of financing. We need
 - To create deeper and more liquid capital markets, which will lead to lower cost of raising capital for entrepreneurs and to lower trading costs for investors. In this context, the speedy and consistent implementation of the Financial Services Action Plan measures in member states is key;
 - To strengthen alternative means of financing, which will reduce the high dependency of SMEs on bank loans and strengthen their equity base. In addition, member states' tax policies will have to put greater emphasis on fiscal neutrality between debt and equity finance.

3. Better and simplified legislation for SMEs

- The high administrative burden on business diverts resources from productive investments and discourages entrepreneurship.
- Cumbersome regulation is clearly linked with lower productivity.
- In general SMEs have less capacity to handle all the legislation due to limited resources. The proportionate cost for a small company to comply with regulation is, as a consequence, nearly six times higher than for a medium-sized or large company.
- Reducing administrative burdens and ridding Europe's Entrepreneurs of unnecessary red tape is a prime concern to be addressed for Europe's competitiveness;
- According to a document released by the late Irish Presidency, it is estimated that in a firm employing 8 people, 50% of one persons time is spent filling out forms;
- According to the same document, it is estimated that the cost of unnecessary regulation to the EU as a whole is somewhere in the region of 0.45% of European GDP or nearly 40 billion Euro!;
- One of the prime aspects of better regulation should be impact assessment: Business impact assessments should be undertaken on all existing and new legislation, both at national and European level;
- Independent advisory bodies should be created, composed of experts who advise decision-makers on the basis of an objective assessment of the cost/benefit impact to avoid policy-makers acting as judge and jury and ensure high quality assessments.
- Actions taken with a particular impact on SMEs should be "SME-proofed" through impact assessments and consultation with business organisations.

Conclusion:

Economic freedom is the basis for the wealth of our future generations. Empirical analysis, such as the "Economic Freedom of the World Index", proves clearly that countries with more economic freedom – such as the United States but also Denmark, Sweden - are much richer than highly regulated countries. The examples of Denmark and Sweden show that economic freedom and sound social welfare are not in any way contradictory. People become entrepreneurs if and when they have the freedom and possibilities to create profitable businesses.

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