

Charlie McCreevy

European Commissioner for Internal Market and Services

**Speech by Commissioner McCreevy at
the European Parliament's Legal
Affairs Committee (JURI)**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

European Parliament's Legal Affairs Committee (JURI)

Brussels, 20 March 2007

Chairman, Honourable Members,

I welcome this opportunity to meet you again and to discuss issues on our agenda. Today, I want to outline the implications of the Annual Policy Strategy for 2008 for the internal market area and in particular, in the area of patents, company law, accounting and auditing.

The Annual Policy Strategy sets out the Commission's vision on key political priorities for 2008. It highlights a number of new proposals as well as the Commission's "core business" activities. We already have a good regulatory framework, but it needs to be implemented and where possible simplified, especially in an enlarged European Union of 27 Member States. Implementation and enforcement are in the biggest room in the world, namely the room for improvement. We can always do better. And where we can do better, we *must* do so. In Brussels *and* in the Member States. Member States have achieved important progress towards the 1,5% transposition deficit target. The Spring European Council agreed to further reduce this deficit progressively to 1% by 2009 at the latest. I count on Member States to deliver on this.

We face the challenge to equip Europe for globalisation *and* create a single market serving almost 500 million consumers. The Single Market is only credible if consumers feel its benefits. The rights and opportunities deriving from Community Law must materialise on the ground. So we need to take implementation and enforcement seriously. But this is a shared responsibility and therefore I very much welcome your Committee's initiative to organise a meeting with Members of the national Parliaments on the implementation of Community law.

Surveys show that EU citizens are in general satisfied with the possibilities the internal market offers. But few are well informed about their internal market rights. But 2008 is not just about more of the same. In the **Single Market Review** in October, we intend to come with concrete proposals. We are looking at what more needs to be done for small firms, retail financial services, modern Intellectual Property Rights. Together with Commissioner Kuneva, I will look at how to give consumers better choice and better quality, lower prices and more opportunities in a Single Market of 27 Member States.

One of the Lisbon priorities is to improve the way intellectual property rights are handled in Europe. The Spring European Council invited the Commission to put forward a strategy for patents. We intend to do so. I think we must strike now while the iron is hot.

And yet, as you well know, experience shows that there is still a sizeable gap between ambition and reality in this area. There has been frustrating deadlock. Europe cannot afford such deadlock much longer. We must do more to support the process of change that helps transform Europe from a production-based economy to a knowledge and service-based economy. Patents are essential to foster clever solutions in key technologies. Without patents, there is no dynamic knowledge transfer from research to markets.

Does Europe have the best patent system in the world? I doubt it. The single market for patents is far from complete. Fragmentation has serious consequences for the competitiveness of Europe in relation to the challenges of the US, Japan and emerging economic powers such as China and India.

And there is more: a fragmented litigation system leads to a lack of certainty for users of the patent system. For one and the same invention, the tribunals of several Member States might come to different conclusions.

And yet, our patent policy has been held back by protracted debate and argument. We have failed to deliver the results that Europe's innovators and inventors need. They are left out in the cold. This cannot go on. We can not sustain such a competitive disadvantage.

We have to show that Europe is prepared to respond to the challenge of globalisation. If we want to be at the forefront of innovation, a sound patent strategy is indispensable. Concrete progress is needed.

This requires creativity. And it requires compromise. We need a realistic approach that takes the best elements from the different proposals that have been made. Without readiness of all parties to really try and resolve this issue in the interest of our companies and inventors, we simply will not make progress.

With my services, we have prepared a Patent Strategy that addresses the open issues on both to the Community Patent and the creation of a European patent Litigation System. It also sets out "flanking measures", such as support for SMEs, technology transfer, and enforcement issues including alternative dispute resolution, patent litigation insurance, and international aspects of enforcement. This is currently being discussed in the Commission.

But let us be clear about one thing: No progress will be made without a constructive attitude by all players. Agreement is not a foregone conclusion.

Yet patent policy alone cannot be enough. We also must ensure that the rules and regulations for doing business do not impose disproportionate burdens on Europe's companies. Innovative firms and start-ups do not come with a huge back-office. The last thing they can afford to spend money on is too much administration. If we want them to succeed, we have to ensure that the costs and the complexity of administrative rules are really pushed down to the minimum.

Reducing costs is at the heart of our **Better Regulation and Simplification** initiative. On 24 January this year, the Commission adopted a Programme for reducing administrative burdens in the EU. The objective of this programme is to reduce administrative burdens, together with the Member States, by 25% by 2012. This shows that the Commission is capable of modernising and streamlining EU legislation without lowering its level of ambition.

The internal market has a key role to play. It should not come as a surprise that we need to reduce the administrative burdens in the areas of **company law, accounting and auditing**. The basic features of the market have changed: new technologies, the introduction of the euro, enlargement, globalisation and demographic developments have dramatically affected the overall context of European integration and brought about considerable pressure to adapt. The legal environment has also evolved with the adoption of international standards in the field of accounting and auditing and the development of the jurisprudence of the Court of Justice.

In addition to the general approach of the Commission to reduce red tape, I intend to submit the existing rules to a detailed scrutiny. They must satisfy the principles of subsidiarity and proportionality. I will ask whether the advantages of harmonisation justify the related costs.

Let me provide you with a few examples. In my view, one could question the need for rules at EU level such as the Third and the Sixth Company Law Directives on domestic mergers and divisions. We might rather prefer to focus on pure cross-border situations or at least reduce to some extent the level of detail of such rules.

This is the approach that we have followed in the last years, for example in the context of the draft Directive on the exercise of shareholders' voting rights which final adoption should take place by this summer. A similar thinking could also apply to the Second Company Law Directive. Already last year, we commissioned a study to examine the feasibility of an alternative system to the capital requirement regime. On the basis of the outcome, we may put forward concrete proposals.

Do not get me wrong: we have by no means decided yet to scrap whole parts of the EU acquis. And we are fully aware that harmonisation can facilitate the operation of companies by providing for legal certainty in a cross-border context. It also can bring benefits to the other stakeholders in the market. The only point I want to make here is that we need to address simplification with an open mind. We should not hesitate to ask ourselves over and over again: is our market regulation still the best one? Where can we do better? Can the same results be achieved through simpler means? We must not exclude further improvements right from the beginning. We cannot afford taboos that keep us from thinking ahead.

In the field of accounting and auditing, we are focusing on the possibilities of reducing costs for SMEs. Of course, we need to keep improving the quality of accounting and auditing in the EU. However, the existing rules demand administrative work which companies, and particularly small and medium-sized ones, find sometimes unnecessarily burdensome. Our job is to reconcile these different interests in the best possible way.

We have started our work before Christmas by consulting our expert committees. As soon as this consultation process is concluded, I intend to submit to my colleagues a paper setting out the possible measures. This communication would be the basis for a broader public consultation and at the same time a platform for finding an agreement with the European Parliament and the Council on the scope for possible simplification.

Conclusion

Dear Chairman, honourable Members,

We cannot afford having segmented markets, we need a real and effective Single Market. This Commission is determined to act for the benefit of consumers *and* business. That means that where we have legislation on the statute books, it must be implemented properly. It means that when we conduct the review of the Single Market, we recognise the achievements and benefits it has brought, but we make our Single Market fit for the 21st century. Preserving the fundamental freedoms it has achieved. Not just on paper, but applied on the ground.

A single Market that delivers welfare for consumers and firms. More choice, but also protection of those who need it. And a Single Market that is Europe's best asset to stay ahead in the global competition.

I count on your support for making this vision a reality.