

## Mr Hoon speech to CER, 20 February 2007

Thank you for the opportunity to come here this morning and discuss with you business's views of Europe's reform progress. Normally I am in the gym at this time of morning – but I am pleased that so many busy people agree with me that this is a suitable topic for discussion over breakfast.

And its always a pleasure to take part in CER events. I made my first major speech as Europe Minister with you and I am delighted to be speaking with you again today.

Many of you here this morning represent organisations that have a strong, credible business voice. You know why an effective European Union is important to our long-term prosperity. Why it's good for British business; why we need to be fully engaged, as Government and as business; why it makes a difference.

I hope that you will help put across the case – with more credibility than I can as a politician, or as a 'Euro-fanatic' as the Sun recently described me – that we are changing Europe.

You can stand up for the idea that Europe is an opportunity, not a threat. That we have a business-friendly, open Commission, which we can work with.

## **The Tory agenda**

Today I'd like to challenge the easy, lazy but dangerous myths about Europe peddled by some of my colleagues on the opposition benches of the House of Commons. They suggest that business is totally disillusioned with the EU, that we pay astronomical sums of money in and get nothing in return.

I found it profoundly depressing that in recent debates in the House of Commons many younger, perhaps up and coming Conservative MPs, some who have worked in the City, were challenging the very basis of our membership of the European Union.

They argue for a different kind of association, an alternative to the EU that they say is available. The vision might look seductive to some at first glance: a Europe where Britain has unfettered access to the Single Market, but somehow we remain free to make up our own laws, and ignore anything coming from Brussels. A Europe – and a world – where globalisation can be met with disengagement, or perhaps where it isn't really happening. Sometimes they suggest that only Britain should have this freedom to pick and choose. Sometimes – and even more bizarrely – that privilege is to be extended to everyone else. Then there can be a Europe without the Commission, where the Single Market will nevertheless work perfectly well without any rules, and with every country free to set their own laws.

It reminds me of Alan Bennett's line: we tried to set up an anarchist commune but nobody would obey the rules.

When you take a closer look, so many of those trying to disguise or distort the benefits of membership turn out to be the same people who, from the Maastricht debate, a time when I first arrived in the House of Commons, have been pushing another agenda: the agenda of withdrawal. It's often disguised, because they know it alarms people, they're happy to wait, and to try to undermine the case for British engagement slowly. They claim to be interested only in solving practical problems that come up whenever British business try to get anything done in Europe. But the problem that really obsesses them is Britain's membership of the EU, and why it seems acceptable, positive even, to so many people in this country. That's the 'problem' they want to tackle, as a step towards disengagement, and isolation.

### **Tackling the withdrawal agenda**

I want to tackle that agenda head on, and I hope you will too. But that can only be done by facing up to the real concerns which many people have about getting the business environment in Europe right. It can only be done on the facts. And by being clear where Europe needs to do better, and how we can do that. In other words, by simply using the normal, commonsense approach to any political question. Once you stop assuming that 'Europe' must be the problem, the practical way forward becomes a lot clearer.

- I know from talking regularly to business that there are real concerns about how the EU operates. But I also know that business has not given up on Europe, contrary to what you read in some newspapers.

So I want to take this chance this morning with honest friends of Europe, with practitioners to dig down into this debate – to discuss whether Europe is still a good thing for Britain? Specifically, does British business reap significant benefits from the Single Market, or is the truth that the regulatory burden is getting too heavy?

I can stand here all day and tell you what the Single Market has achieved, what the four freedoms have done for UK GDP, for exports, for pensioners and students. But there is a credibility gap with business stakeholders which we need to address. That's why I'm going to try out a few ideas on you.

### **What is the regulation problem?**

I speak to business and City audiences pretty regularly. And I often hear the complaint that Brussels red tape is now too heavy. That we risk losing our competitive edge.

It is too easy to use red tape as a catch all description of everything the Commission do. It is much harder to identify realistic and credible changes to regulation that the Government can act on in negotiations we undertake on your behalf.

Let me try to break this down a bit:

- We have regulations which harmonise rules across Europe - to create or extend a single market in, say, plugs, or a particular financial service, or electricity. Are these the unnecessary burdens? They shouldn't be. Their purpose is to clear away 27 sets of national rules to

create a genuine single market. Let me give you an example from my time in the European Parliament. We passed a Directive on lawnmower noise. It sounds like one of those typical tabloid scare stories, on a par with straight bananas. But it was actually trying to solve a very real problem. Germany had restrictions on the amount of noise a lawnmower could make which coincidentally, meant that only German-produced lawnmowers met the German standards. The directive got rid of that concealed protectionism by setting a Europe-wide standard.

Of course, the way the Directive is drafted might benefit from a bit of expert, practitioner advice, so it's as light and fit for purpose as possible. And maybe, if it's a directive, the margin left to Member States to implement it through their own legislation allows protectionism to sneak in by the back door. There are remedies for both of those problems. I'll come back to that in a moment. But in principle, these don't look like unnecessary burdens to me;

- Then there are regulations which aim to solve a social, environmental or security problem. The Emissions Trading Scheme; Parental Leave; the equal pay for men and women; freezing terrorist assets, the European arrest warrant. Different Governments will take different approaches on what the priorities should be, and where you draw the regulatory line - that's what politics is for - but these are real problems. And not just luxury problems, thrown to an electorate as a bit of pork before an election, but real, measurable threats to our future prosperity, like climate change. Again, maybe the detail could be improved, but I don't see the case that this kind of regulation is an 'unnecessary' burden;

- What about the famous obsolete rules clogging up the acquis?  
Impossible to get anything cut out of those thousands of pages, in that bureaucratic machinery - so I'm often told. Well, there are obsolete or overlapping rules, causing confusion. That's why the Barroso Commission has launched a major reform exercise to get rid of the dead wood, and set down in one place what the rules actually are. Cutting 2,000 legal acts to 500, clearing away the dead wood;
- So maybe it's the national implementation of EU rules - 'gold plating'. It has happened sometimes, and we're trying to make sure it doesn't happen if it can be avoided. The Davidson Review reported that the UK does not gold plate to any large extent, and has set out ideas for how we can prevent that happening in future. But I just want to make one point on this: gold plating to a tabloid newspaper is often legal certainty to the employment lawyer, small business or website exporter. And you all know the value of that;

Let me give you an example of a few bits of regulation that I think have been necessary, and more than that, which have worked. In the process, they've saved business millions, or allowed efficient businesses to make millions:

- **liberalisation of airlines**, where Ryanair or Easyjet, whose business model couldn't have worked in the old, separate national markets, can turn over more profit and provide more services than the former protected national flag carriers;

- **the 1990s package of telecomms liberalisation measures**, which opened telecomms across Europe, and helped make European companies world leaders in mobiles. This is working well enough that we would argue that we don't need heavy legislation to tackle a problem like companies making inflated profits on cross border roaming - the Commission points out the need to respect the Single Market rules, and the prices fall.

This probably all sounds very tedious. But how many of the millions who use cheap flights know that this is thanks to European legislation?

Probably only a handful!

So to summarise, in terms of trying to decipher when an unnecessary burden isn't unnecessary we've got:

1. Badly drafted, but liberalising rules;
2. National implementation which breaks the spirit and letter of the Directive to sneak in protectionism by the back door;
3. Gold plating, occasionally;
4. Obsolete rules.

### **What is happening about the problems that matter?**

Are we tackling these problems?

Let me assure you that we are.

Firstly, there's less legislation, with a greater recognition that in areas such as social policy, one size fits all no longer makes sense.

But there is also a greater focus on enforcing the Single Market rules in other ways, not just through new laws.

More use of competition law (the 20 plus investigations going on now on energy, with financial services to come). This means taking on some powerful vested interests. Nellie Kroes' report on retail banking, published at the end of last month, underlines how serious the Commission are.

A stronger role for the European Court of Justice. You all know that giving the ECJ power to fine Member States has resolved flagrant breaches of the rules overnight. The threat of a fine of €1m per day, or so, concentrates the mind wonderfully. We've seen that in cleaning up pollution in the Aegean, revoking the French ban on British beef, giving equal treatment to teachers from all member states in Italian schools. ;

And crucially, the Spring European Council in a couple of weeks will send the clearest signal yet of the real legislative culture change we have seen across the EU. We hope that Heads will endorse a 25% target for the reduction of EU administrative burdens. This is a huge step in the right direction.

- It's not just about getting rid of obsolete or obscure rules – it goes much deeper. The Commission's action plan sets out a credible methodology for measuring progress. It's pretty rigorous – well, I would say that: the UK use it. As well as the Dutch and the Danes.

- It also identifies some fast track measures – areas with substantial administrative burdens which call for immediate action.

This kind of new approach has not been easy for the Commission and we should not fool ourselves that the problem lies with them alone. Member States need to act as well – as you know the UK already has a commitment to a 25% cut in admin burdens by 2010, as have the Dutch and Danes. An increasing number of member states recognise that competitive advantage in a truly single market lies in making life easier for business and enabling wealth creation. But it is the Commission's commitment to tackling these burdens at EU level which will accelerate the drive for a more business-friendly and competitive Europe.

Progress depends on member states passing on the benefits directly of any reduction in burdens at EU level-the UK is certainly committed to this.

And I am encouraged by the appetite amongst new member states in particular for this agenda

### **Is this all old news – has the kick gone out of liberalisation?**

I sometimes hear the view that the steam has run out of Europe's liberalising push, that the zeal to open markets, the optimism that characterised the 1990s drive to extend the Single Market is a thing of the past. The opposite is true. Not only is the Commission pushing hard against the remaining areas of protection, it's shifting the way it thinks about the Single Market. We're not 'completing' the single Market – the Commission knows that keeping the rules enforced, the playing field

level will be an ongoing job. And it will sometimes mean taking on some powerful interests.

There are some big steps on the horizon. We'll see crucial negotiations this year on:

- moving towards a genuinely open European energy market; this won't happen overnight. But we should see the detailed proposals from the Commission early in the Portuguese Presidency
- the liberalisation of postal services again, we expect the Portuguese to make this an integral part of their Presidency programme
- the fundamental review of the Single Market and the new, smarter approach – on which the Chancellor published our ideas in ECOFIN at the end of January;
- improving the EU Emissions Trading Scheme so that after 2012 we can have an effective, predictable, market-friendly mechanism to tackle climate change.

And as many of you will know, to achieve all this we need to improve the decision making in the European Union.

We need institutional reform to deliver on Britain's agenda.

On jobs.

On liberalisation.

On tackling climate change.

There is a debate going on currently about how best to reform our institutions. There is not likely to be any significant progress until the French people have elected a new President.

But this debate is not just for politicians.

### **The business role?**

Everyone in this room can also play a crucial role in delivering the Europe we want.

You can give us and the Commission the evidence about where Single Market barriers still exist, whether the sector is in theory liberalised or not.

The Commission have listed priority areas for burden reductions, we need business advice of where we look next

You can lobby directly yourselves, as cross border businesses, in all EU countries, as well as in Brussels. And encourage your partners to speak up to support the case for reform, and help demolish some of the myths about liberalisation making people poorer.

You can use your expertise to help get EU legislation right. We are pushing at an open door. This Commission wants business credibility. It wants to get legislation right. And it wants to tackle real barriers to the Single Market.

We have a model: the Lamfalussy committees which help set the detailed rules which will govern financial services liberalisation.

And at the other end of the chain, you can help Commission tackle implementation and enforcement. What works for you when you want to raise a specific complaint about a Single Market problem? Are the UK advice networks useful? Can we turn them into a Citizen's Advice Bureau for business?

Would it help to create directly enforceable rights for non-privileged litigants -so not just the Commission and Member States, but a business or an individual could take their complaint about the rules being broken anywhere to the Courts? That's already possible nationally, of course, where a measure has direct effect. Could it work on a wider scale?

The Commission is looking for ideas. It is looking for support. You are the people at the sharp end. You are essential to achieving the vision for Europe that we all want.