

# Europe: a business case

by Richard Corbett MEP

## **Good European legislation is good for business, and bad European legislation is bad for business: it's as simple as that!**

Having common rules for the common market, when it's done right, helps create a level playing field where firms can compete on their merits, not on whether they have special privileges or state protection.

As a rule, when it comes to the single market, the EU does not create new rules of its own. Instead, it 'harmonises' national legislation in those areas where divergences in national rules could fragment the single market or distort competition artificially. So having a single set of rules for a single market, rather than 25 different national rules, is actually an exercise in cutting red tape and bureaucracy. Firms can produce to an agreed set of technical standards, have a single certification procedure rather than 25 national ones, register a single trademark (and potentially a single patent) valid across the EU, and trade freely without quotas or tariffs across what is effectively the UK's home market – the largest single market in the world.

It's worth remembering that no EU laws can be adopted without the approval of a very large majority of Member States (71% of the votes in the Council of Ministers) or, for sensitive matters such as tax, unanimity. For good measure, the approval of the European Parliament is almost always required as well. Businesses have long since discovered that their MEPs are a useful way of ensuring that their interests are also heard.

Of course, like any level of governance, the EU can make mistakes and get its policies wrong. There is also ample scope for discussion as to what is the right *direction* for policy. Do we want better environmental standards, but at greater cost? Should labelling requirements be tightened or simplified? At what level do mergers create a dominant position undermining competition?

All such issues are legitimate subjects of debate, and the same discussions apply whether we take the decision at national level or European level. But there are two key differences. Firstly, an EU-wide agreement avoids having different rules for companies in different parts of the same market. Secondly, there must always be a high level of consensus in support of any European legislation, given the large majority needed to agree anything.

Of course, if you don't like a piece of EU legislation, it's tempting to attack the EU rather than the law itself. You don't say that you are opposed to better consumer protection – you complain about EU red tape instead! But this is too easy, and it does nothing to help anyone, apart from earning effortless newspaper coverage. It's far better to get stuck in and shape, or re-shape, the legislation itself.

And let there be no doubt about it: come what may, we'll always have to adapt to EU legislation. Even if Britain were to leave the EU, our businesses would have to accept the rules of their main export market to such an extent that they would virtually be our own rules anyway.

This, after all, is the situation facing Norway. Although it's outside the EU, it incorporates the bulk of EU legislation into its own national law (and, incidentally, pays a large amount into the EU budget), but with the crucial difference that it has played no part in shaping that legislation. The Norwegians call it "fax democracy": the laws arrive by fax from Brussels and they then vote it into their own law, unchanged. No wonder Norway is now thinking again about applying to join the EU! There is simply no substitute for being at the heart of decision taking, fighting your corner, and ensuring that any legislation takes account of your needs.

## The case for the new constitution

The EU is currently engaged in an ambitious project: making the single European market, over a ten-year period, the *most competitive and dynamic knowledge-based economy in the world*. This involves, among other things, modernising much existing EU legislation, simplifying it, sometimes repealing it; and certainly improving it to help achieve the overall objective.

Some aspects of this are fiercely resisted by economic sectors that have long hidden behind closeted and protectionist barriers. But the will to reform is strong, not least in those parts of Europe that are already leading the way in terms of their economic performance, such as the UK, Ireland, Netherlands, Finland, Sweden and Denmark, plus many of the new Member States. The recently enlarged EU is quite a different animal from its smaller predecessor!

But there's the rub. With 25 countries around the table, there is a real danger that decision-taking will become gridlocked or, at the very least, slow and cumbersome. Frankly, that is the last thing businesses want. Business needs clear and timely decisions. Markets don't wait.

This is especially true when the agenda is one of modernisation and reform of existing EU policies. Nowadays, most EU legislation is not new, but simply updates to existing laws. The numerous directives adopted in the 1980s and early 90s to create a single European market are dated; they need to be reviewed and modernised. Gridlock would mean sclerosis for the European economy.

That is why a new rulebook is needed for the EU. The 25 governments have agreed on a new constitution for the EU, replacing the current constitutional basis of the EU which consist of a dozen different treaties. It would improve the EU in a number of ways.

- First, it **streamlines** the institutions, notably through a two-and-a-half-year chair instead of a six-month rotating one for the European Council (the "summit" of heads of national governments that sets the EU's agenda and takes the key strategic decisions), a reduction in the number of members of the Commission, and a limit to the size of the European Parliament. It also increases the areas in which the governments meeting in Council will decide by qualified majority voting rather than by unanimity (a vital factor if the enlarged Union is to be able to function without being blocked by vetoes), although not for sensitive matters such as tax and social security questions which would continue to require unanimity. The voting system in the Council is changed to one in which votes tally with population size (thereby giving Britain greater voting power).
- This greater effectiveness of the Union's institutions should give it greater capacity to deliver effective policies in those areas where we need it. But it is balanced by **greater safeguards**. The adoption of all EU legislation will be subject to the prior scrutiny of national parliaments and, with a few exceptions, the dual approval of both national governments (in the Council) and the directly elected European Parliament - a level of parliamentary scrutiny that exists in no other supranational or international structure. The exercise of delegated legislative powers by the Commission will be brought under a new system of supervision by the European Parliament and the Council, enabling each of them to call back Commission decisions to which they object. The Council will meet in public when debating and adopting Union legislation. An "emergency break" is introduced enabling national governments to block majority decisions in certain sensitive areas if they consider it to be of national importance. There will also be more room for flexible arrangements when not all Member States are willing or able to go ahead with certain policies at the same time.
- Finally, the new constitution provides **greater clarity** about the Union's nature and objectives. It replaces the complex set of European treaties by a single document spelling out the objectives of the Union, its powers and their limits, its policy instruments and its institutions. It simplifies and clarifies legal acts: 'European laws' and 'European framework laws' replace the existing multiple types of act (regulations, directives, framework decisions, etc), using more

understandable vocabulary. It guarantees that the Union will never be a centralised all-powerful 'superstate' by requiring the Union to respect the national identities of Member States and by entrenching the principles of conferred powers (whereby the Union's only competences are those conferred on it by the Member States), subsidiarity and proportionality. It spells out the Union is based on a set of values shared by all EU countries, namely respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities, along with pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men.

Essentially, the EU is upgrading from a minibus capable of taking fifteen passengers to a full-size coach, capable of taking twenty-five, with spare seats to allow others to join. We need the larger bus to have a more powerful motor than the previous minibus but we also want it to have more safety features, such as an emergency brake, and more comfortable seats so that all the passengers feel at ease. And a geo-satellite positioning system with a clear roadmap will help passengers make better choices about their destinations in journeys together.

That is what the new constitution provides. It deserves our support.