

***Reducing Bureaucracy – Loosening the Fetters of
Business for more Economic Growth in Europe***

Address

by

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on the Occasion of the
Discussions to be held by Wirtschaftsbeirat Bayern and
Hanns-Seidel-Foundation

at the Representation of Land Bavaria in Brussels

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Ms. Piwernetz,
Mr. Radwan,
Mr. Russ

1. Welcome

The **Hanns Seidel Foundation in Brussels** has provided a dialogue forum for important European policy discussions for almost 25 years.

By choosing the topic of **reducing bureaucracy**, you have placed a highly topical issue on the agenda of this dialogue meeting.

Reducing bureaucracy specifically means, in my view: less unproductive administrative activity to the benefit of citizens and businesses.

By consistently cutting reducing administrative burdens, we can make **prosperity gains of over 150 billion € in the medium term.** [*COM calculations*]

At the „Lisbon Council“ meeting here in Brussels, it has been my pleasure to give a lecture on Ludwig Erhard today during lunch-time.

Ludwig Erhard's statement, though made in a different context, roughly translates into English as follows:

The direction in which we must go is clear: freeing us from the grip of the state's command economy,

- *which saddles all of us with the degrading burden of bureaucratic overgrowth,*
 - *which kills not only any sense of responsibility and sense of duty, but also any willingness to perform and deliver,*
 - *and thereby turns even the most obedient citizen into a rebel.*
- End of quotation.

For this reason, the German Government will focus its activities on **cutting unnecessary administrative burdens** while holding the Council Presidency.

The spring Summit will give a clear signal of this intent.

2. Internal market

In the course of the last 50 years the **European Community** has developed into an unprecedented **success story**.

An outstanding example is the 1986 to 1992 **programme of legislation designed to complete the Single European market**.

It comprises

- eliminating technical barriers to trade,
- public procurement,
- capital markets and trade in services,
- as well as taxes.

The Community, with the Commission acting as pace-setter, has thereby impressively demonstrated that:

European legislation can promote integration and advance Europe in economic terms.

On the other hand, a legal Community such as the EU is always exposed to the **danger of excessive legalism and bureaucratic encrustation.**

Far away from those who are really affected, the guiding principle in Brussels is all too often „more regulation rather than less“.

A prominent example is the EU's anti-discrimination law, which Germany has been forced to implement by adopting the Allgemeines Gleichbehandlungsgesetz (AGG).

Another example is the FFH (fauna, flora, habitat) and Bird Protection Directive and its rigid application by the Commission.

Both examples demonstrate that European regulations may,

- have been adopted without considering their true impacts on the ground, and
- impose excessive burdens especially on small and medium-sized businesses.

This weakens the dynamism of the economy and is harmful to growth and employment.

Europe has recognised this danger itself.

In the last two or three years, we have witnessed a process of rethinking going on.

Protagonists of this process of rethinking are:

The President of the Commission, Mr. José Manuel Barroso, and its Vice-President, Mr. Günter Verheugen.

3. Better regulation for growth and employment

The key words are „better regulation“ and „reducing administrative burdens“.

The German Government has made the topic of „**better regulation**“ a **focus of its activities during its EU Presidency**. It is a priority receiving the active attention of Chancellor Merkel herself.

Since 2004, the European Commission has **launched important initiatives** to this end.

Better regulation means keeping an eye on the impact of all regulations on competitiveness, growth and employment.

The purpose is to consider how laws are made in Europe and what can be done about the large number of EU rules and regulations that have come into existence over the last 50 years.

The point is certainly not

- to introduce in Europe Chinese social and environmental standards,
- or to put into question the achievements of the European social welfare system.

On the other hand, it is also true for the EU that **not every regulation adopted at some stage has been made for all eternity**.

For this reason, better regulation also requires greater consideration of the need for including **cut-off dates or so-called sunset-clauses** in legal acts.

Impact assessments have now become a standard feature of European law-making.

Initially, the quality of such assessments left much to be desired – as was demonstrated by the Regulation on chemicals (REACH).

Even though improvements have been made in this area recently, it is important that the Commission permits its actions to be considered by an independent third party in timely fashion.

I hope that there will be an opportunity for us to discuss the results of this at the Competitiveness Council while Germany still holds the EU Presidency.

Impact assessments are expected to provide answers to **two questions**:

- What are the **concrete impacts on businesses**?
- And: **Are the impacts proportionate** in relation to Europe's international competitiveness?

I deliberately mention this not least in view of those who demand that the focus of impact assessments should be shifted to considering the social impacts of EU regulations.

But one questions must always be asked: **Is there a need for adopting a new regulation at all** and, if so, must such a regulation be adopted by the EU?

This is a question **arising** at present in respect of **various initiatives** the EU Commission is currently preparing as **Green Papers**.

These papers discuss **objectives such as a smoke-free Europe and healthy child nutrition**.

No matter what one's position may be on these objectives, individually:

- The rules at stake invariably affect not only the personal freedom of individuals, but also the freedom of businesses.
- And **enforcing them ultimately gives rise to additional bureaucracy**.

In general, it would be fair to say that: especially in the perfectionist Europe we live in, we must sometimes be courageous enough to satisfy ourselves with having no regulation at all.

Assessing the impacts of new laws must invariably be complemented by **cutting legal regulations that are no longer necessary**.

This is another field in which the German Government in its capacity as Council Presidency will do its best to make rapid progress.

4. Action programme on reducing bureaucracy

In reply to an Allensbach survey about the issue most in need of being attended to by the German Presidency, 55% of the respondents said: „Reducing Bureaucracy“.

Yet at the same time, people feel that nothing much will change. We cannot allow this feeling to continue.

Our response to this is targeted **cuts in administrative burdens and red tape on the basis of the so-called standard cost model**.

Using this method, we will measure the costs of bureaucracy in euro and cent in order then to make equally clear cuts in red tape.

We were able to prepare the ground for this at the Competitiveness Council on 19 February.

The **spring Summit** on 8/9 March will build on these initial achievements.

It can thereby give a clear signal of the importance the German Council Presidency places on reducing bureaucracy in Europe.

The central objective is to **reduce administrative burdens arising from EU law by 25%** till 2012.

A **package of 10 measures with savings totalling 1.3 billion €** [COM calculations] is to provide initial relief very soon.

We wish to go as far as we can in implementing this package while the German Government still holds the Council Presidency.

Permit me to say in reply to objections raised by Brussels:

- Reducing bureaucracy is not intended to lower standards.
- We do not wish to put up new barriers to the internal market [By „renationalising“ regulations].
- Nor do we wish to alter the existing institutional balance.

This applies also to our aspirations to have burdens reductions considered by an independent body of experts, comparable to the German **Normenkontrollrat** (standards control committee).

Embedded in the existing institutional system, such a body can contribute to advancing work and giving important impulses.

After all, there is some truth in the old saying that you should not ask the frogs if you intend to dry up the pond in which they live.

Our first step has resulted in the Commission agreeing to strengthen its use of **external expertise** when assessing the impacts of legislation.

Thereafter, the 2008 spring Summit will be invited to consider again discuss our initiative for an independent body. This topic will therefore remain at the top of the European agenda.

Moreover, the **Member States** will undertake to set their own **ambitious burdens reduction targets of their own** by the autumn of 2008.

5. Cutting red tape in Germany

Of course, bureaucracy does not only come from Brussels. In Germany, we must be prepared to do exactly the same we expect the EU to do.

We are currently measuring the administrative burdens on businesses on the basis of the standard cost model

Tomorrow, the **Federal Cabinet** will decide on a concrete target for cutting red tape in Germany; it will be 25 % till 2011 – similar to the EU target.

The German Parliament is already discussing the **Second SME Relief Act** (zweites Mittelstands-Entlastungs-Gesetz).

We are thereby simplifying administrative procedures that place unnecessary burdens, in particular on SMEs.

The proposals under discussion have been directly put forward by businesses themselves.

The Act comprises a total **17 deregulation measures**.

For instance, we plan to rid business **start-ups** of all statistical reporting duties during their first three years of existence.

We will deregulate **business statistics** in the **goods haulage** sector.

We plan to end the double examination of accident and pensions insurance for businesses.

Every single measure represents only a small step for the entire economy. But such small steps bring noticeable relief for those affected.

6. Concluding remarks

Reducing bureaucracy and better regulation are permanent tasks of government.

We need to be in it for the **haul** at both at national and at EU level.

We need **a clear objective** and the firm will to win the upper hand in the face of obstacles.

This is another field in which **Ludwig Erhard serves as an example**.

His ideas about social market economy have not always been received with enthusiasm.

Nonetheless, he fought hard for his ideas and incessantly tried to win people around to his point of view.

Less bureaucracy and greater freedom for citizens and entrepreneurs are objectives worth fighting for.

For they are the basis of economic dynamism, growth and employment.