Emerging EU

Single Market Readiness

for Slovenian SMEs

Workshop on EU legislation

presented by

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Objectives

1. Systematic promotion of Entrepreneurship and crafts in order to increase the number of dynamic and innovative companies with growth potential and high value added
2. Alignment with the EU, participation of Slovenian SMEs in European support programmes
3. Promote business co-operation, europeatisation and internationalisation
4. Introduce new methods of co-ordination: benchmarking, statistical follow-up and observation, joint operations
5. Promote an information society and provide access to intranet, internet
6. Environment protection and support for enterprises carrying out environment-friendly activities
7. Support for special target groups

Definition of an SME in the EU:

Small and medium-sized enterprises, hereinafter referred to as 'SMEs', are defined as enterprises which:

- have fewer than 250 employees, and have either
- an annual turnover not exceeding ECU 40 million, or
- an annual balance-sheet total not exceeding ECU 27 million,

Where it is necessary to distinguish between small and medium-sized enterprises, the 'small enterprise' is defined as an enterprise which:
- has fewer than 50 employees and has either

- an annual turnover not exceeding ECU 7 million, or
- an annual balance-sheet total not exceeding ECU 5 million,

- Independent enterprises are those which are not owned as to 25 % or more of the capital or the voting rights by one enterprise, or jointly by several enterprises, falling outside the definition of an SME or a small enterprise, whichever may apply. This threshold may be exceeded in the following two cases:

  - if the enterprise is held by public investment corporations, venture capital companies or institutional investors, provided no control is exercised either individually or jointly,
  - if the capital is spread in such a way that it is not possible to determine by whom it is held and if the enterprise declares that it can legitimately presume that it is not owned as to 25 % or more by one enterprise, or jointly by several enterprises, falling outside the definitions of an SME or a small enterprise, whichever may apply.

- In calculating the thresholds referred to, it is therefore necessary to cumulate the relevant figures for the beneficiary enterprise and for all the enterprises which it directly or indirectly controls through possession of 25 % or more of the capital or of the voting rights.
- Where it is necessary to distinguish micro-enterprises from other SMEs, these are defined as enterprises having fewer than 10 employees.
- Where, at the final balance sheet date, an enterprise exceeds or falls below the employee thresholds or financial ceilings, this is to result in its acquiring or losing the status of 'SME', 'medium-sized enterprise', 'small enterprise' or 'micro-enterprise' only if the phenomenon is repeated over two consecutive financial years.

- The number of persons employed corresponds to the number of annual working units (AWU), that is to say, the number of full-time workers employed during one year with part-time and seasonal workers being fractions of AWU. The reference year to be considered is that of the last approved accounting period.
- The turnover and balance sheet total thresholds are those of the last approved 12-month accounting period. In the case of newly-established enterprises whose accounts have not yet been approved, the thresholds to apply shall be derived from a reliable estimate made in the course of the financial year.

ISO 9000

- The first quality management system standard was developed in Europe by the British Standards Institution (BSI) in 1979. BSI took the activity into the ISO, and the result was the ISO 9000 series of standards that are so well known and widely used throughout the world today. When the European Commission adopted these standards as part of the Global Approac, they became an integral and official part of the European conformity assessment scheme. The European designation for this set of standards is EN 29000. Two New Approach Directives (Active Implantable Medical Devices and the Radio Equipment and Telecommunications Terminal Equipment and the Mutual Recognition of their Conformity) designate a full quality management system (EN 46001 for Medical Devices and EN 29001 for RTTE) as a full route to CE marking. However, a less comprehensive form of this standard may be used, along with other methods of conformity assessment, to meet the essential requirements of this directive and other directives as well.

National Standards (Mutual Recognition)

- National standards may still govern products regulated at Member State level. The harmonization of regulation is also an ongoing process, and some products that are unregulated at European level are still regulated by Member States. This means that some national standards act as national technical regulations.
- (If products are unregulated at the European level, the European Court of Justice has decreed that Member States must recognize them in each other's territory (i.e., acceptance in one Member State means acceptance in all) unless there are proven health or safety restrictions. This acceptance principle is known as mutual recognition. To this date, however, products outside of the food sector have not enjoyed a liberal and free exchange under the mutual recognition principle).

European National Standards

- The harmonization, or the "Europeanization," of standards is an ongoing process. There will be instances when no European Standard (EN) exists to cover essential requirements, or no European Standard exists that is applicable to a product that is unique, or innovative, or a product whose technology is developing rapidly. In this case, a Member State may inform the manufacturer of an existing national standard it considers relevant, or the use of a national standard may be permitted as a temporary solution to the proper implementation of the essential requirements. However, a national standard, (one produced by a European National Standards Body), like all other standards worldwide, does not carry with it the presumption of conformity, and the burden of proof that the product meets all the essential requirements still rests with the manufacturer.

The Role of Standards in New Approach Directives

The European Standards (ENs) that play a role in New Approach Directives are known as Harmonized Standards. Harmonized Standards are standards that support European legislation. They (1) have been mandated by the European Commission, (2) have been developed by the European Standards Bodies above, (3) address essential requirements of New Approach Directives; and (4) notification of their development has been published in the *Official Journal of the European Communities*.

The European Standards Bodies: CEN, CENELEC, and ETSI

- The new system provides for three standards bodies to create standards on a Europe-wide level: (1) The European Committee for Standardization (CEN) in Brussels, Belgium; (2) the European Committee for Electrotechnical Standardization (CENELEC) in Brussels, Belgium; and (3) The European Telecommunications Standards Institute (ETSI), in Sophia Antipolis, France. CENELEC activities are in the electrotechnical sector, while ETSI specializes in telecommunications. All other sectors are covered by CEN.

Technical Harmonization: Standardization

- The harmonization of standards, like laws and conformity assessment procedures, has greatly simplified technical regulation in Europe. Prior to harmonization, each country developed its own standards through a national standards body. And, like differing and conflicting laws and conformity assessment procedures, fifteen sets of standards were not only costly, but also created technical barriers to trade between European countries. It became necessary to create a new, integrated, European system of standardization.

Harmonization: A New Approach to Lawmaking

- The formation of the single market in Europe, one in which there was a free flow of goods, had as one of its objectives the elimination of barriers to trade between the Member State countries. Differences between national laws, standards, and conformity assessment procedures made trade between the countries difficult, contentious, and expensive. In order to eliminate these barriers, a new legislative technique and strategy was instituted. The new approach was designed to envelop, or "harmonize," the health, safety, and environmental requirements of 15 Member States into one European-wide legislative package. The result of this new approach to lawmaking, or "harmonization," was a new set of laws that emanated from the European Commission in Brussels, Belgium, the capital of the European Union. They were called the New Approach Directives. In every case, one law replaced fifteen. Member States were required to adopt the new harmonized laws

Single Price Market

- Europe is a prize market, easier to access than ever before.
- Too many non EU exporters, especially small and medium sized enterprises, avoid it because the technical requirements for entry seem too complicated, too difficult, or too expensive.
- Non EU manufacturers who have successfully accessed the European market know that the time to understand the European system is well worth the effort.
- The European Union alone is filled with affluent consumers, approximately 370 million of them. But the European market is a large area that comprises not only the 15 countries that presently make up the European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom), but also the three countries that complete the European Economic Area (EEA) (Iceland, Liechtenstein, and Norway, i.e., EFTA countries except Switzerland.)
- In addition, there are approximately 11 other Central and Eastern European countries, such as the Czech Republic and Poland, which are candidates for future membership in the European Union. These countries are rapidly adopting European Union laws, standards, conformity assessment procedures, and the practice of CE marking.

- For the exporter, therefore, Europe as a whole has become a market whose technical requirements have been greatly simplified. Before the creation of the European Union, each country imposed its own technical requirements. Different standards and conformity assessment procedures forced exporters to target one or wo countries only, or to forego exporting to Europe altogether. The unification of 15 European countries into a European Union, and the consequent harmonization of laws, standards, and conformity assessment procedures, changed all that.

Acquis communautaire

The entire body of European laws is known as the acquis communautaire.

- This includes all the treaties, regulations and directives passed by the European institutions as well as judgments laid down by the Court of Justice.
- The term is most often used in connection with preparations by the 12 candidate countries to join the union.
- They must adopt, implement and enforce all the acquis to be allowed to join the EU.
- As well as changing national laws, this often means they must set up or change the necessary administrative or judicial bodies which oversee the legislation.

Acquis Communautaire: 31 Chapters

- For enlargement negotiations, the acquis have been divided into 31 chapters, each of which must be 'closed' by the candidates.

Single market

The ***single market*** came into force in January 1993, establishing the free movement of goods, people, services and capital.

The Treaty of Rome which established the EEC in 1957 had set its sights on creating a ***common market***. That came into being in 1968 with the creation of a customs union.

But it took much longer to take the leap towards a single market.

The Single European Act, signed in 1986, finally set a deadline of 1992 for the single market to be up and running.

The single market set up four freedoms:

- ***Goods***: companies can sell their products anywhere in the member states and consumers can buy where they want with no penalty.
- ***People***: citizens of the member states can live and work in any other country and their professional qualifications should be recognised.
- ***Capital***: currencies and capital can flow freely between the member states and European citizens can use financial services in any member state.
- ***Services***: professional services such as banking, insurance, architecture and advertising can be offered in any member state.

Maastricht Treaty

- Maastricht is officially known as the Treaty of the European Union and with it the EU came into existence for the first time.
- By adding two new areas - justice and home affairs and a common foreign and security policy - to the existing European Community, the so-called three pillars of the Union were established.
- The people of the 12 member states were also given European citizenship.
- They now have the right to move and live in any EU state and may vote in European and local elections in any country.

Maastricht was also the blueprint for what was to be Europe's biggest project for the next decade - economic and monetary union.

Maastricht Treaty 2

- It defined the three stages of EMU which eventually led to the single currency, and set out the convergence criteria or economic tests that member states have to pass.
- The treaty also introduced integration in employment and social issues - at least for some members.

EMU (Economic and monetary union)

- Markets began trading in euros in January 1999
- The process of bringing the economies of the EU member states into line, with the ultimate aim of introducing a single currency, is known as economic and monetary union.

In January 1999, financial markets within these 11 countries began operating in euros, as the single currency had come to be known. Two years later, Greece finally met the economic requirements for membership and joined the eurozone in January 2001.

Schengen agreement

Passport controls were replaced with turnstiles

The Schengen agreement allows countries to remove their internal borders and allow people to travel without checks from country to country.

The agreement emerged outside the framework of the European Union, and was initially signed by Belgium, France, Germany, Luxembourg and the Netherlands in 1985.

Ten other countries - not all EU member states - have since joined them.

As freedom of movement is one of the main objectives of the European Union, the Treaty of Amsterdam agreed to incorporate Schengen into EU law.

But the UK and Ireland remained outside the agreement due to fears of terrorism.

Iceland and Norway signed an agreement with the EU in 1999 to involve them with the development of Schengen.

The agreement came into force in 1995 but has been troubled by fears about illegal immigration and drugs trafficking, particularly from countries such as Italy and Spain which have vulnerable coastlines.

- **Schengen countries**
- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Iceland
- Italy
- Luxembourg
- The Netherlands
- Norway
- Portugal
- Spain
- Sweden

Harmonization of taxation

- The EC Treaty does not provide for the harmonisation of direct taxation. Member States are merely obliged to abide by the principles of Community Law in the exercise of their direct-taxing sovereignty. Thus, taxation by Member States must not:
- impede the freedom of movement of persons, businesses and capital and the freedom to provide cross-border services as guaranteed by the treaty
- distort conditions of competition through the provision of tax breaks and reliefs to national businesses in the form of state aid as opposed to general measures of taxation; or
- infringe the central principle of EC law prohibiting discrimination on the grounds of nationality in areas falling within the scope of the treaty

acquis communautaire

The codification of the Community's secondary legislation forming part of what is known as the acquis communautaire

transparent legislative framework

It will allow citizens and the business sector, in both the EU and the Candidate Countries seeking membership to benefit from a more accessible and transparent legislative framework

80 000 pages

- ***Since the foundation of the European Communities, the acquis communautaire has never been the subject of a comprehensive review of its organisation, structure or presentation. As a rule, new or amending legislation was added to existing texts.According to Commission estimates, the total acquis communautaire (secondary legislation) currently comprises about 80 000 pages, with about 2 500 new pieces of legislation generated each year***

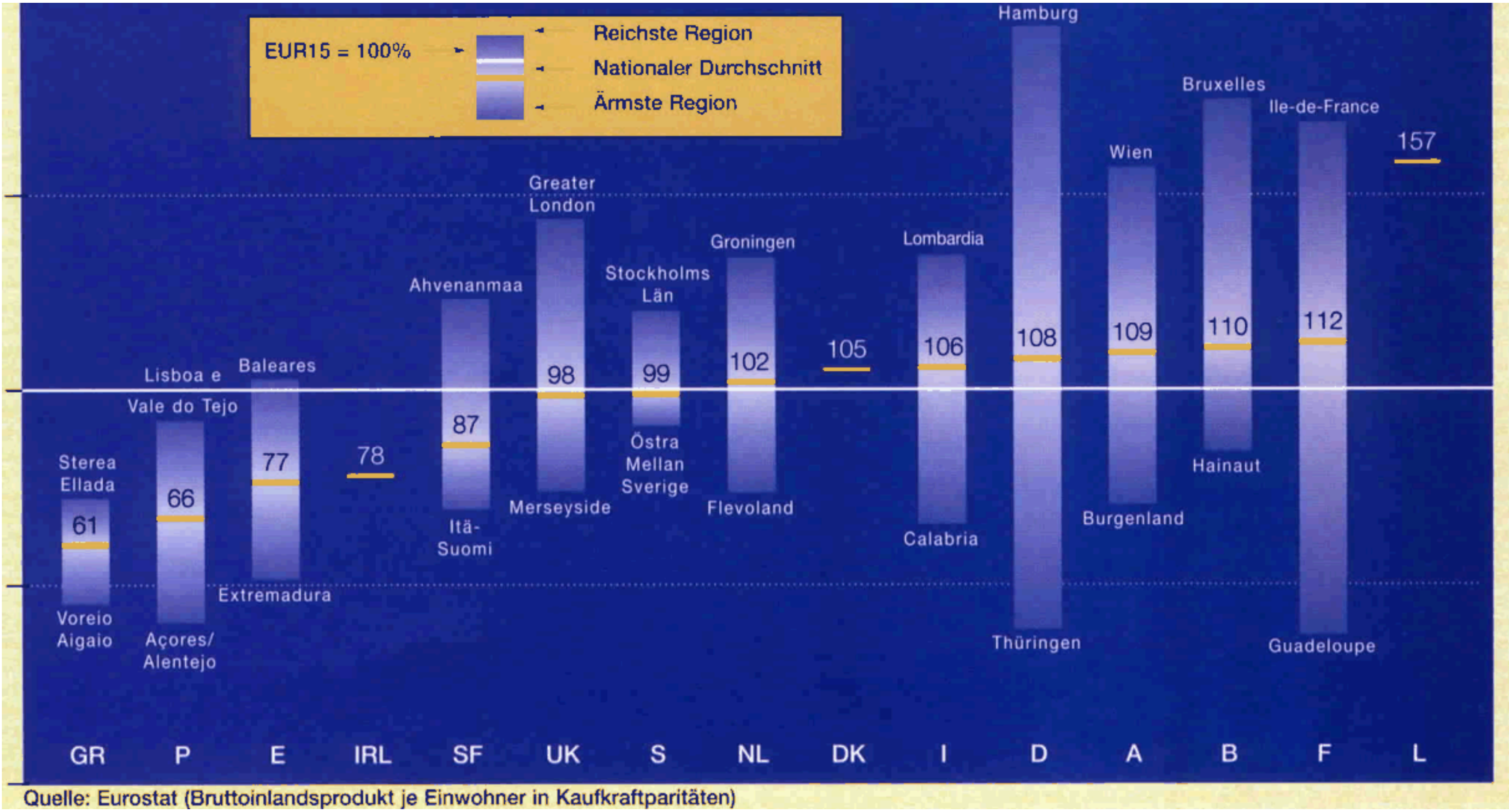
Codification

The codification of existing legislation would reducet he acquis by about 30 000 to 35 000 pages.The conclusions of the Edinburgh European Council of 1992 provide the political mandate for codifying the acquis

to reduce the acquis

- ***Since the foundation of the European Communities, the acquis communautaire has never been the subject of a comprehensive review of its organisation, structure or presentation. As a rule, new or amending legislation was added to existing texts. According to Commission estimates, the total acquis communautaire (secondary legislation) currently comprises about 80.000 Official Journal pages (all acts regardless of the institution adopting them). With about 2.500 new pieces of legislation (representing some 5.000 Official Journal pages) generated each year, this figure will increase to some 90.000 pages in 2003, if the existing legislative procedures are maintained. According to Commission estimates, it would be possible to reduce the acquis by about 30.000 to 35.000 pages***

Rich and poor in the EU



31 Chapters: 1 - 8

CHAPTERS:	BG	CY	CZ	EE	H	LT	LV	M	PL	RO	SL	SK
01 Free movement of goods	o	x	x	x	x	x	x	x	x		x	x
02 Free movement of persons	o	x	x	o	x	x	x	x	o		x	x
03 Free movement of services	o	x	x	x	x	x	x	x	x		x	x
04 Free movement of capital	x	x	x	x	x	x	x	o	o		x	x
05 Company law	x	x	x	x	x	x	x	x	o	o	x	x
06 Competition	o	o	o	x	o	x	x	o	o	o	x	o
07 Agriculture		o	o	o	o				o		o	
08 Fisheries	x	x	x	x	x	x	x	o	o	x	x	x

31 Chapters: 09 - 20

CHAPTERS:	BG	CY	CZ	EE	H	LT	LV	M	PL	RO	SL	SK
09 Transport	o	x	o	o	o	o	o	x	o	▪	o	o
10 Taxation	o	o	x	o	x	o	o	▪	o	o	x	▪
11 Economic and Monetary Union	▪	x	x	x	x	x	x	x	x	▪	x	x
12 Statistics	x	x	x	x	x	x	x	x	x	x	x	x
13 Social policy	o	x	x	x	x	x	x	x	x	o	x	x
14 Energy	o	x	x	o	x	▪	x	x	x	▪	x	x
15 Industrial policy	▪	x	x	x	x	x	x	x	x	▪	x	x
16 SMEs	x	x	x	x	x	x	x	x	x	x	x	x
17 Science and research	x	x	x	x	x	x	x	x	x	x	x	x
18 Education and training	x	x	x	x	x	x	x	x	x	x	x	x
19 Telecommunication	x	x	x	x	x	x	o	x	x	o	x	x
20 Culture and audio-visual	x	x	x	x	o	x	x	x	x	o	x	x

31 Chapters: 21 - 31

CHAPTERS:	BG	CY	CZ	EE	H	LT	LV	M	PL	RO	SL	SK
21 Regional policy, structural funds	o	o	o	o	o	o	o	o	o		o	o
22 Environment	o	x	x	x	x	x	x		x		x	x
23 Consumers and health protection	x	x	x	x	x	x	x	x	x	x	x	x
24 Justice and home affairs	o	o	o	o	o	o	o	o	o		o	o
25 Customs union	o	x	x	o	x	x	x		x	o	x	x
26 External relations	x	x	x	x	x	x	x	x	x	x	x	x
27 CFSP	x	x	x	x	x	x	x	x	x	x	x	x
28 Financial control	o	x	x	x	x	x	o	x	x		x	
29 Financial, budgetary provisions		o	o	o	o	o	o	o	o		o	o
30 Institutions												
31 Others												
CHAPTERS:	BG	CY	CZ	EE	H	LT	LV	M	PL	RO	SL	SK

Funding is available

Funding is available from the European Union in the framework of nearly 150 programmes

2000 – 2006: 195 billion €

- Following the geographic and thematic focus of work, the funds available for spending on structural assistance in 2000-06 will decrease. The Structural Funds have **195 billion** € for the period 2000-06. In preparation for the next enlargement, and to ensure that the candidate countries are better prepared as regards structural development, two specific pre-accession instruments have been created: the pre-accession structural instrument (**ISPA**) and the pre-accession agricultural instrument (**Sapard**). These two instruments play an essential role in what is a political and economic opportunity for the Union. Enlargement to include central and eastern European countries will see an expansion of the single market with a considerable increase in the number of consumers (currently 370 million to 500 million €), and the strengthening of the position of the Union in world markets.

BACKGROUND

The European Economic Community's primary objectives have always included the reduction of inequalities and the harmonious development of the Member States. However, the concept of economic and social cohesion was not introduced until the 1986 Single European Act. As a result, the Treaty on the European Union (1992) made economic and social cohesion one of the key concerns of the Communities.

The Structural Funds

- European Regional Development Fund (ERDF)
- European Agricultural Guidance and Guarantee Fund (EAGGF)
- European Social Fund (ESF)
- Financial Instrument for Fisheries Guidance (FIFG)
- The Cohesion Fund

Cohesion fund: Eligible Member States

Eligibility is restricted to Member States whose per capita gross national product (GNP) is less than 90% of the Community average and which have a programme designed to achieve the conditions of economic convergence as set out in Article 104 of the Treaty establishing the European Community. At the moment Greece, Spain, Ireland and Portugal are eligible to benefit from the Cohesion Fund.

STRUCTURAL FUNDS, THE COHESION FUND AND THE STRUCTURAL INSTRUMENT FOR PRE-ACCESSION

At present, four Structural Funds allow the European Union to grant financial assistance to resolve structural economic and social problems :

- the **European Regional Development Funds (ERDF**), whose principal objective is to promote economic and social cohesion within the European Union through the reduction of imbalances between regions or social groups;
- the **European Social Fund (ESF**), the main financial instrument allowing the Union to realise the strategic objectives of its employment policy;
- the **European Agricultural Guidance and Guarantee Fund (EAGGF - Guidance Section**), which contributes to the structural reform of the agriculture sector and to the development of rural areas;
- the **Financial Instrument for Fisheries Guidance (FIFG**), the specific Fund for the structural reform of the fisheries sector.
- In addition a **Cohesion Fund** , which finances projects linked to the environment and trans-european transport systems of Member States whose GDP is less than 90% of the European average, and a pre-accession structural instrument **(ISPA**), one of three instruments to aid candidate countries in preparation for accession to the European Union, also support expenditure on development of infrastructure in certain Member States and candidate countries

SAPARD: Eligible measures

Support for agriculture and rural development is focused on the priorities in this sector, and in particular on:

- investment in agricultural holdings;
- improving the processing and marketing of agricultural and fishery products;
- improving structures for quality, veterinary and plant-health controls in the interests of food quality and consumer protection;
- agricultural production methods designed to protect the environment and maintain the countryside;
- development and diversification of economic activities;
- setting up relief and management services for farmers;
- setting up producer groups;
- renovation and development of villages and the protection and conservation of the rural heritage;
- land improvement and reparcelling;
- establishment and updating of land registers ;
- improvement of vocational training;
- development and improvement of rural infrastructure;
- water resources management;
- forestry, including afforestation, investments in forest holdings owned by private forest owners and processing and marketing of forestry products;
- technical assistance for the measures covered by this Regulation, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns.
- Complementarity and technical assistance

Rate of contribution

- The Community will not normally contribute more than 75% of the total eligible public expenditure. In certain specific cases, it may, however, cover 100% of the total eligible. For revenue-generating investments, public aid may cover up to 50% of the total eligible cost, with the Commission contributing a maximum of 75%. The Community contribution will not exceed the ceilings on rates of aid and cumulation laid down for State aid.

European Company Law

- EC company law Article 54(3)(g) of the Treaty provides for the coordination of safeguards to protect the interest of members and others in companies and other profit-making firms. It therefore provides a basis for EC company law directives such as the Proposed Tenth Council Directive, the Council Regulation on the European Economic Interest Grouping (EEIG) and the Proposal for a Council Regulation on the Statute for a European company (Societas Europea), which measures are relevant to the adoption of EC direct taxation measures