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ZRP¹ comments on the future EU 2020 Strategy Position on the basis of the EC consultation document COM(2009)647

The EC consultation document COM(2009)647 published as a basis for discussion was given a form of very general outlines and a declaration of intention or vision. Lack of the diagnosis of the situation and precise referrals to results of the Lisbon Strategy, which is declared to serve as a basis for the EU 2020 Strategy, determine us to think that in the current context, i.e. not fully stable economic and social situation and when the problem of the state of public finances resulting from financial crisis seems to be common for the whole Europe, - the European Commission presents a very cautious approach and does not want or is not able to propose a clear proposal, restricting oneself to politically correct but very general declarations and statements, which it is difficult to oppose to, because of their general nature.

One can not neglect the consequences of the crisis. It is true also in relation to the fact that we know several initiatives which confronted with the reality appeared to be difficult or even impossible to be accomplished. Undoubtedly, in the coming years, actions aimed at combating the crisis consequences shall be the priority. On the other hand, it is crucial to make the EU 2020 Strategy much more than just an “after-crisis strategy”. Europe is confronted with challenges, which are of system and civilization nature and all the more they should be covered by a strategic approach. The EC confirms in its consultation document that such an approach is planned for the EU 2020 Strategy. We appreciate this announcement.

Therefore, we expect that the Communication, the EC is going to prepare for the spring Summit and announce at the beginning of 2010, shall be based on objective data relating to results of the Lisbon Strategy and additionally the analysis of energy and climate challenges. We expect also verifiable and achievable short and long time concrete goals and actions for EU and national level taking into account the strategic planning methodology and prioritisation of future actions.

The Lisbon Strategy was focused on three challenges: - economic growth and competitiveness, - sustainable development and – social inclusion and employment, and was aimed at coping with global challenges. Its results can not be seen as spectacular ones and unfortunately, in practice it has not turned out a decisive reference for activities at national level. Nevertheless, the Lisbon Strategy goals are still valid.

¹ The Polish Craft Association (ZRP) is a representative social partner organisation representing 300 000 craft SMEs in Poland. As the employer organisation and, at the same time, the organisation of craft economic self-government, we are active in the Tripartite Committee for Socio-Economic Affairs, within UEAPME – the European Association for Craft and SMEs as well as in regional and local structures through our member organisations (27 craft and small business chambers and over 470 local craft guilds). www.zrp.pl

The three major groups of goals presented in the consultation document are consistent with the main goals of the Lisbon Strategy. In this context, the basis question is – what to do in order to avoid the case of the Lisbon Strategy. The first suggestion that could be formulated is that the EU 2020 Strategy should describe more precisely and explicitly the competences and responsibilities of each relevant stakeholder at all levels of decision-making process and clear division of these competences as well as that the proper financial means should be provided for realisation of respective goals. It could be also said, that future actions and instruments should be elaborated and implemented at adequate levels taking into account principles and needs of the internal market and the future EU enlargement as well as the subsidiarity principle and differences between regions in Europe. Nevertheless, such a response sounds as a routine political statement and needs operationalisation measures. The Commission has not revealed much in its consultation document how is going to tackle this dilemma and how to make use of the new institutional order resulted from the Lisbon Treaty.

The most important issues for the Polish crafts and SMEs:

- *To make the business climate in Europe better*
- *To strengthen competitiveness of micro and small enterprises and their innovative potential*
- *To strengthen the implementation of the EU cohesion policy. To make it more effective and efficient*
- *To improve the quality of governance as well as public regulations*
- *To respect the subsidiarity and proportionality principles*

In this context, the Polish Craft Association would like to recommend for consideration several issues that should not be forgotten by the European policy makers:

- 1. Improvement of the single market functioning and reinforcing the role of the European Commission in securing proper implementation and keeping of relevant regulations.** It is necessary to create conditions encouraging crafts and SMEs to be more active on the Common market.
- 2. Respect to subsidiarity and proportionality principles, especially in taxation rules**

For many years, Europe has been discussing the problem whether the corporate tax should be harmonised or not. And if yes – to what extent? Direct taxes, including the corporate tax do not influence the movement of goods and services in such substantial way as the indirect taxes do. Therefore, in our opinion, in the coming years – to be covered by the EU 2020 strategy, every community legislative initiative related to this area should be planned with particular respect to the subsidiarity and the proportionality principles, that in case of micro and small enterprises means – to guarantee the possibility to have access and to choose so-called simplified forms of taxation.

3. Creation of business environment and culture that would not discriminate enterprises that choose other than innovation-based model of business and competition.

Innovativeness is crucial for the European economy in 21st century. However, Europe has always been proud and strong of its diversity and should preserve it. Decision makers of all levels should understand, that the SME world (we talk about 99,8 % of all European companies) is extremely heterogeneous considering the scope, the scale and type of business activity. In the competitive conditions, the economic success of these enterprises, as well as the economic development and the competitiveness of Europe, depend on their capacity of improvement of their products, services and distributions models. However, as well as the big variety of the SMEs, their concept of innovation is also various. Innovation does not only mean high technology, it is also a innovative use of traditional technologies, new management systems, investments in skills and human resources. We cannot marginalize those, who set a goal of the process innovations, regarding organisational structure of the entrepreneurship, building relations with customers, functioning in delivery chain or improvement of provided services – they give less attention to B&R and innovations based on high technologies. Rules and instruments of the internal market, as well as the legal environment of the entrepreneurship, which includes structural funds, should consider this variety and decision-makers should care about needs and the reality of all SMEs.

It is worth reminding that all activities, which have innovative character, are not possible without an easy access to the external financial sources. In our opinion this problem is still valid, and what is more, in the age of the economic crisis has become extremely relevant. Its character is connected to the system and therefore, it needs system solutions.

As an organisation representing also entrepreneurs producing traditional products and providing labour intensive services, we strongly underline the necessity of such formulation of the EU and its Members States economic goals that will not lead to the marginalization of these needs, and as a consequence, to discrimination of this type of enterprises. The EU economic area should create friendly-competitiveness conditions not only for the innovative enterprises but also for those with the traditional attitude to their products and services. These enterprises have at their disposal the assets, that are as precious as innovation is, especially precious for the European consumers, they include: high specialization, uniqueness, unrepeatable products, high quality; and in case of food processing industry: traditional and ecologic recipes and production technologies.

4. Focus on the rule of ‘good management’

The quality of the regulation systems, the quality of the public administration’s management and public services represent alarming issues and regard all levels: European, national, regional and local. Additionally, the crisis has weakened citizens’ trust, including entrepreneurs’ trust in the public institutions.

According to the entrepreneurs, represented by the Polish Craft Association, the most important issue for them is to guarantee the realization of the rules mentioned in the Small Business Act, especially the rule ‘think first small’. However, it is equally

important to consider that all legal instruments should be used only when they are really necessary, according to the rule 'less and better legislation'. All new legislation causes bureaucratic problems and financial burdens.

5. Modernisation of the social models of the European Union towards:

- their better flexibility
- the development of the human resources' skills regarding professional and geographical mobility
- the assurance of the suitable legal environment
- the achievement of better coherence between the labour market needs and labour market policy, as well as educational system, aiming at the assurance of bigger employability and capacity to adaptability.

6. Taking into consideration the variety of the economic structure and the level of the development of the Member States and regions, as well as the course and the results of the economic crisis in every Member State.

The strategy should take into the consideration and support the European Cohesion Policy in all its aspects, it means, all those goals, which regard social, economic and territorial cohesion. All planned activities, in the framework of the 2020 Strategy, should reflect the variety of the EU in the area of the social-economic development and, linked to this, different needs.

In case of the EU new Member States, the support for enterprise development in the framework of the structural funds, should equally take into consideration two aspects – the support of the pro-innovative activities and the improvement of the productivity of micro and small enterprises

In the context of the territorial cohesion, from the point of view of the Polish entrepreneurs, the meaning for Europe's competitiveness' of continuing of the activities for creation of the modern and efficient infrastructure – telecommunications, transports, energetic - in all Europe, should be particularly underlined.

The assurance for the EU economy of the energetic safety and realization of the ambitious communitarian policy for the low-emission ecology with the consideration of the reality of all Member States and without damaging SMEs, is also very important.

7. The necessity of the strengthening of the involvement of the social-economic partners in the process of the creation and implementation of the economic policy at the European, national and regional level.

The European institutions should fully recognise the role of the representative organisations of the in the realization of the common policy for the development of the entrepreneurship and support them in this activity. Instead of the creation of the parallel networks, the European institutions should recognise SMEs as natural partners and be concentrated on the collaboration with them during consultation, information and promotion activity.