

The ENTREPRENEUR



Mr. Flat Tax

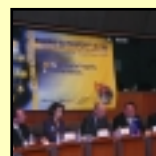
Slovak Republic

Tax Reform Concept 2004-2005



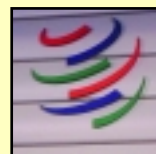
Ivan Miklos,
Ministry of Finance of the Slovak Republic

Ministry of Finance of the Slovak Republic, Mr. Ivan Miklos, prepared a comprehensive tax reform proposal, which includes the changes in all taxes valid in the Slovak Republic. Tax reform proposal was approved by the Government of the Slovak Republic June 5, 2003...



Global SMEs demand Transparency, Flexibility, Access

The needs of SMEs before Cancun. It is with the small and medium-sized enterprises where commerce starts...



Cancun Conference: WTO & SMEs

On 8 September 2003, the first meeting within the SME-Global visit to Mexico took place, when Mr. Dorn and Mr. Fehlinger met the heads of the international department and...



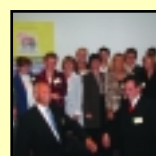
SME visit to Washington

The 2nd visit of the SME-Union to Washington had the aim of structuring the cooperation projects, which have been discussed during the high level visit of last July...



SME-Union Congress: Cologne

It was a great honour for the SME-Union and the participants that our Co-President Mr. Jungen invited us for a reception to his private house on Thursday evening as a great starting point for a great congress...



SME-Union foundation in Poland

On the 3rd of October UNICORN, the Polish SME-Union was officially recognised by the Civic Platform of Poland as its official partner...

SME new House in Brussels



The SME-Union has held its first meeting of the SME-Union Bureau on the 1st. October in its new House in Rue de Pascale in Brussels. The new house gives a number of new possibilities to us and for that we are really grateful to the Austrian SME-Union.

The meeting was attended by 7 MEPs from the SME-Circle and



Please check out that you have the new telephone number and the new email addresses.

This is definitely a new area for the SME-Union. Of course it is a very difficult phase to start up a house so please help up to support that.

SME UNION
Secretariat

22, Rue de Pascale
BE-1040 Brussels
Tel.: (+32) 2/233 38 38
info@sme-union.org



chaired by Mr. Jungen and Mr. Folias, MEP jointly. The main topic was the work plan for the second part of the year, especially Entrepreneurship event with the EPP on 6 of November and our congress in Cologne. New memberships from the side of Macedonia were presented. A report of the visits to Cancun and Washington was given and the financial report was presented.

Thriving SMEs on the global stage



Jacques Santer,

MEP
President of the
SME-UNION

Dear Friends of the SME-Union

Welcome to the 8th edition of The Entrepreneur! I am pleased to sign another editorial of this quarterly magazine as President of the SME-Union. The previous issue of The Entrepreneur was dedicated to globalisation and we expressed our hope to achieve a positive development of trade liberalisation, preparing the ministerial conference in Cancun. In this issue I will also refer to the global developments but primarily focus on the internal developments of the SME-Union and its member organisations and our daily work done by numerous enthusiastic colleagues in order to achieve the best results for SMEs and their business environment.

Open world markets give SMEs a chance to grow

On our conference on SMEs & WTO organised by the SME-Union, SME-Global and the European Enterprise Institute - on 19 June 2003, we stated, that the WTO must not only take into account the broad classification of developed, developing and least developed countries. It should also consider the strength and diversity of SMEs from all over the world. SMEs are by definition dynamic and have been able to react to new market openings quickly. However, SMEs in both the developed and the developing worlds are faced with the same challenges and obstacles to international trade. Removing these obstacles by creating an equally open and liberalised global market, not only gives SMEs the chance to grow, but also creates a level playing field across the world.

The purpose of our SME & WTO conference was to raise aware-

ness amongst the key decision-makers, the politicians and particularly the negotiators in Cancun, that the Doha Development Round should not become a development round without creating winning market conditions of the impulse generators.

The failure of Cancun as a call for a more courageous attempt

The failure of Cancun has shown that economic developments in this world are not predictable at all and that Europe needs to continue agitating for our aims by our joint efforts to shape the legal and economic framework promoting free trade and fair competition.

As former President of the European Commission I know exactly about the efforts made by the European Union in order to promote international trade and to encourage exports by small and medium enterprises. I would like to mention the various initiatives the European Commission has taken and actions that have been implemented for their support. Unless appropriate attention is accorded to SMEs, the so-called Lisbon strategy would remain an empty phrase devoid of substance. Underlining the socio-economic role of SMEs, they are -amongst other things- the vehicles for the combating of unemployment, for economic progress and for keener competitiveness. However the Commission must continue to provide support so that SMEs can reach their full potential regarding their unique and indispensable contribution to the economies of our societies.

New infrastructure for SME-Union

Since my inaugural address to the participants of the General Assembly in March 2003 the SME-Union has also faced some major changes regarding its

new working conditions on the one hand and the number of national member organisations on the other hand.

I'm very grateful to the Austrian Wirtschaftsbund that the SME-Union of the EPP could move to its new house, which is located at Rue de Pascale, very close to the European Parliament. Several spacious offices are available for our disposal, which provides us with the foundations for a new working environment supporting our efforts to promote SMEs on a European level.

New members of SME-Central

The growing network within the family of SME-Central shows the enthusiasm of the accessing countries in establishing a stable foundation for their new economies. I want to welcome our new national member organisations in Slovenia, Poland, Albania, the Former Yugoslav Republic of Macedonia and Montenegro that are - either as observers or as full members - essential for the contribution to our efforts in promoting SMEs. I congratulate you to your decision and I am looking forward to an excellent cooperation for SMEs in Europe.

Indeed the SME-Central is now almost completed because we do have now a working federation in most major countries. Now we are called upon strengthening our network, which is available to our disposal and promoting best practices in order to achieve our goals and objectives.

We must not forget that SME-Central has a very essential task in the European environment: The aim to strengthen small and medium-sized European enterprises and to help building up a competitive Central Europe. The national member organisations are about to develop a network

of entrepreneurs who will coordinate their experiences and expertise to promote reform in all sectors in favour of strengthening markets and breaking down barriers. Being prevented from the freedom of entrepreneurship by their communistic regimes, now the small and medium-sized entrepreneurs of Eastern and Central Europe are full of energy and initiative and have therefore become the hope and the chance not only for themselves and their countries but also for the entire European Union.

Success of SMEs crucial for economic and social stability

The success of SMEs is crucial for economic and social stability. And stability we need, if we are to embark on the journey towards increased competitiveness, especially in the new economies of accessing countries. All development must necessarily rest on a stable basis. SMEs provide such a stable basis; and it is fundamental to keep that basic intact.

With the new back office of the SME-Union and the encouraging support from all national SME-Union member organisations we can build on a sound basis to achieve our goals and to create an economic and legal environment for small and medium-sized enterprises that will help Europe to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, as it was announced 3 years ago at the European Council in Lisbon. With true optimism and confidence I am looking forward to facing the coming challenges for SMEs and I want to invite and thank you for your contribution to our good work.

Truly Yours,
Jacques Santer

Slovak Republic

Tax Reform Concept 2004 - 2006



Ivan Miklos,
Ministry
of Finance of the
Slovak Republic

Ministry of Finance of the Slovak Republic, Mr. Ivan Miklos, prepared a comprehensive tax reform proposal, which includes the changes in all taxes valid in the Slovak Republic. Tax reform proposal was approved by the Government of the Slovak Republic June 5, 2003.

Currently Ministry of Finance is dealing with the preparation of the tax laws related to the approved Tax Reform Concept so that the new tax laws and the amendments of the tax laws respectively could be submitted for the legislative process in the line with the attached timetable in the Annex 1.

The main goals of the tax reform are as follows:

- To eliminate the existing weaknesses and deformations in the tax laws as much as possible
- To tax all types and all amounts of income equally and thus to achieve the highest possible degree of fairness
- Direct taxation will be completely neutral and simple and will represent a strictly fiscal undertaking
- To switch tax burden from direct taxes to indirect taxes
- To create business and investment friendly environment for individuals and companies as well

The tax reform proposal is based on these principles:

- Neutrality • Simplicity
- Effectiveness • Fairness

The taxation of profit, property and consumption were defined as the most appropriate objects for taxation.

Planned changes in personal income tax and in corporate income tax

Tax reform includes an introduction of flat rate for income taxation.

It means that incomes of all subjects (individuals, legal entities, foreign individuals and entities and other entities) will be taxed at one linear 19% tax rate. Tax reform in the field of income taxation abolishes many exemptions, tax reliefs and special tax bases and rates (f. e. including lump sum tax) in order to simplify the Income Tax Act as much as possible.

Ministry of Finance is concurrently working on Income Tax Act draft that will be prepared in line with proposed tax reform in the field of income taxation. New Income Tax Act will enter into force January 1, 2004.

New Income Tax Act draft includes significant changes as follows:

- Basic tax allowance per taxpayer will increase to SKK 80 832 (19,2 times living min.) from SKK 38 760
 - Child allowance deductible from tax base (SKK 16 800) will be replaced by tax bonus deductible from tax (SKK 421 monthly, SKK 5052 yearly)
 - Spouse allowance will increase from SKK 12 000 to SKK 80 832
- In the field of corporate income tax there are proposed the changes that should improve business and investment environment in the Slovak Republic, f. e. changes in the depreciation policy, tax loss carry forward and changes in the tax deductible items.

Planned changes in value added tax

Tax reform includes a unification of the lower (reduced) VAT rate (current 14%) and higher (standard) VAT tax rate (current 20%) and an introduction of one VAT rate with the effect from January 1, 2004. The government agreed on one unified VAT rate at 19%. The group of goods and services taxed at current reduced VAT rate includes, for example, basic food, medicaments, energy, construction works, books, newspapers, magazines or hotel and restaurant services.

With the effect from May 2004 it is proposed to lower the threshold for VAT registration pursuant to the EU requirements from the current SKK 3 million to SKK 1.5 million (EUR 35 000) annual turnover.

Planned changes in excise duties

The changes proposed in the tax reform in the field of excise duties are in compliance with the EU directives. Tax reform proposal includes these significant changes:

- Excise duty on beer - the cabinet passed the proposal to raise excise duties from July 2003, submitted by the Finance Ministry. Excise duty on beer should go up from the current SKK 30 (0,75 EUR)/°Plato/hl to SKK 50 (1,20 EUR)/°Plato/hl.
- Excise duty on wine - tax rates for excise duty on wine (still wine as well as sparkling wine) remain unchanged
- Excise duty on tobacco and tobacco products - proposal to increase tax rate for cigarettes from SKK 0,95 to SKK 1,40, tobacco and tobacco residue should be taxed at excise duty of SKK 1,350 per kilogram from July. Currently, one kilogram of tobacco residue is taxed at SKK 880 and tobacco at SKK 1,000.

Planned changes in other taxes

Tax reform proposes to abolish the following taxes: **gift tax, inheritance tax, and real estate transfer tax.** Real estate transfer tax, gift tax and inheritance tax present multiple taxation of the property that was already taxed once. Another relevant reason to abolish these taxes is the especially low revenue they generate (gift tax accounts for 0.9% and inheritance tax for 0.6% of total tax revenue), which thus represents a breach of the principle of effectiveness. Short-term and middle-term tax measures are proposed in the field of **real estate tax.** Middle-term measures include an introduction of value principle. All real

estate, i.e. lands and constructions, will be taxed under the value principle. This means that the value of real estate is determined according to uniform rules and a percentual amount of tax is calculated from this value. Short-term measures in the field of real estate tax with the effect from January 1, 2004 includes the changes in the coefficients.

In the field of tax on motor vehicles

- proposed changes are in compliance with EU directive No. 99/62/EEC and Directive No. 92/106/EEC. The Ministry of Finance prepared the proposal of the law on tax on motor vehicles, which includes the taxation of utility vehicles only (the passenger cars and buses are not taxed). This proposal was approved by the Council of the Finance Minister and will be submitted for further legislative procedures. The law on tax on motor vehicles should enter into force January 1, 2004.

Fiscal impacts

Ministry of Finance paid special attention to fiscal impact quantifications because of great importance of tax reform and its impacts on state budget with special regard to fulfilment of Maastricht criteria (deficit must not exceed 3% of GDP in 2006). The calculations were made independently by several institutions, including International Monetary Fund, Financial Policy Institute at the Ministry of Finance, special committee created at the level of minister of finance, Infostat, Slovak academy of sciences - Institute for Slovak and international economy.

Fiscal impacts of the chosen combination of the tax rates (flat tax and single VAT rate at 19 %) and proposed changes in other taxes are attached in Annex 2. Planned deficit for 2004 with taking into account planned measures in the tax policy in line with the Tax Reform proposal is 3,9 % of GDP.

SME Conference on 19 June 2003

Global SMEs demand Transparency, Flexibility, Access



cannot be a DEVELOPMENT round without creating a level playing field all of the economic generators. As a starting point the conference pursued some of the questions of the role and future for SMEs in the global market. It then moved to provoke and analyse how SMEs are to achieve these objectives through the Doha development round.

The conference was attended by, amongst others: European Commissioner for Trade, Pascal Lamy; Director of Mexican Ministry of Economy, Luz Maria de la Mora; Minister-Counsellor for Economic Affairs - Embassy of China, Xuzhong YU; Director of Enterprise Policy UEAPME, Luc Hendricks; Deputy Chief of Mission - Embassy of India, R. P. Agrawal; President of Euro Commerce, Peter Bernert; EP Delegation Member to Cancun, Konrad Schwaiger.

The needs of SMEs before Cancun. It is with the small and medium-sized enterprises where commerce starts, if we help them to develop in a more open international environment, we will encourage significant progress in the fields of global trade. The WTO must not only take into account the broad classification of Developed, Developing and Least Developed countries; they should also consider the strength and diversity of SMEs from all over the world. Speaking at SMEs & WTO conference organised by SME-Union, SME-Global and the European Enterprise Institute, Dr Paul Rübiger MEP stated: SMEs are, on the whole, dynamic and have to date, been able to react to new market openings quickly. However, SMEs in both the Developed and the Developing Worlds are faced with the same challenges and obstacles to international trade. Remove these obstacles by creating an equally open and liberalized global market, and you not only give SMEs the chance to grow, but you create a level playing field across the world.

Key to Dr Rubig's message was the establishment of an international 'Trade Facilitation Database' "My suggestion to this conference is that the first step in overcoming such problems can be achieved through the establishment of an exhaustive database - the 'Trade Facilitation Database', containing information on all these aspects, which is available on the Internet for use by SMEs from all over the world. Just imagine what a difference this will make to SMEs - they will have the knowledge and understanding of world markets and will be given the commercial confidence to enter new markets. Only this mechanism will ensure that trade facilitation is a reality, not just for the multinationals, but for SMEs as well."

Only with the use of such an important and accurate tool can we create a transparent, flexible and accessible world trade system. The purpose of the conference was to raise awareness amongst the key decision-makers, the

politicians and most importantly the negotiators in Cancun, that the Doha Development Round



Cancun Conference:



members of the Senate from the PAN party. Its leader, the President of Mexico Vicente Fox, had opened the WTO Conference in a magnificent way the same day. The debate was dominated by the Singapore issues versus farm trade, as Mexico is member of the G20 GROUP, which is pushing hard for the open of the farm trade of the rich worlds markets.

SME and PAN of Mexico

On Monday evening Dr. Paul Ruebig, President of SME-Global chaired a dinner hosted by the Austrian Trade Commissioner to Mexico, Mr. Franz Dorn. The dinner was a great success. A much tighter coordination between Mexico and the EU and their respective party structures was agreed upon. The PAN representatives were also very keen to participate in the SME Global. Thanks all our friends who have supported this project.

Cancun Press Conference

The SME-Global has held a successful Press Conference on Friday the 12 September in Cancun. Mr. Ruebig, MEP, invited Mr. Sturdy from the UK to

SME - Global Visit to Mexico City

On 8 September 2003, the first meeting within the SME-Global visit to Mexico took place, when Mr. Dorn and Mr. Fehlinger met the heads of the international department and the head of the policy department of the Mexican Federation of Employers (Coparmex). For the SME-Union the meeting went very well. The hosts remarked, that the level of European investment in Mexico still does not match the expectations of both sides, three years after the free trade agreement was signed. One of the reasons is the stalemate in the Mexican Congress, which has led to the postponement of major reforms. In Mexico, a fiscal reform is thus still on the agenda. Even though the Mexican economy has rebound impressively from the tequila shock of 1995 the last three years have brought almost no growth. However the reforms of Vicente Fox resulted in a lot of good for the country. Although NAFTA is benefiting Mexico in many ways, due to the lack of any political dimension, progress in vital areas, such as competition

policies, liberalisation, privatisation, and fiscal and financial reform is lagging behind. This is just another indication for the need for a common agenda for transition countries such as Mexico, similar to that for the EU candidate countries in order to transform their institutions and to benefit from globalisation.

SME - Global Lunch in Cancun

On 10 September the SME-Global, the SME platform of the

IDU has organised a lunch together with the EPP/ED group on the occasion of the opening of the WTO Ministerial Conference. The lunch was attended by over 30 political and business representatives from all around the world. For the European Council, the Austrian Minister for Economic Affairs Mr. Martin Bartenstein gave a strong speech against protectionism. In this, he was applauded by the Vice President of the EEP/ED group Mr. van Velzen who presented the EPP/ED group's policies on trade matters. Mexico was represented by 4



WTO & SMEs



protectionist of the West and the socialistic market enemies of the South have managed to make the worst out of a great opportunity. Maybe it could have been expected that the EU and the US will not annoy their farmers just before the US Presidential and the EP elections. On the same token communist China, hyper protectionist India and a new Brazilian President who thinks he is the reincarnation of Che Guevara do not form a credible pro trade coalition. Let us see if tempers cool in the next year in a more temperate setting than Cancun when some might realize the dimension of their almost criminal neglect. Still a positive

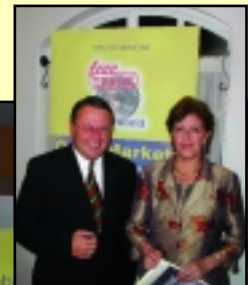
sign can be spotted as the agro-protectionist have come under enormous pressure from the NGO side which for the first time argued for open trade and that is quite something. That competition policy is a hard sell to post colonialist and not totally post socialistic developing countries is quite clear but at least maybe that might make some of these leaders think that competition authorities are part of the normal set of regulatory institutions that market based democracies normally have. Maybe the Cancun shock will lead to something in the end.

join in and about 20 interested journalists and delegates joined the session.

Cancun WTO Round failed

The WTO round in Cancun failed on Sunday the 14th and that day should be marked as a major defeat for SMEs all around the world. The agro-

An Interesting debate developed if SMEs are heard on the WTO level.



SME visit to Washington:

The 2nd visit of the SME-Union to Washington had the aim of structuring the cooperation projects, which have been discussed during the high level visit of last July. All the details please see at www.sme-union.org. The focus (and it is important to have one - as every European visitor in the US learns pretty soon) was to discuss the US involvement in the SME platform of the IDU - www.idu.org - with the working title SME-Global. The idea is to create a network of leading centre-right wing politicians who are working on Small Business issues in their respective political systems.

The initiative of the SME-Union was positively received on the US side, especially by Senator Christopher Bond of Missouri <http://bond.senate.gov/> who has worked extremely successfully in order to create the legal framework for the Small Business miracle of the US. Low taxation, simple legislation, respect for property and a mentality in the whole society which supports risk takers and awards entrepreneurship have been preconditions for the recent boom. <http://www.sba.gov> Senator Bond assured the SME-Union representative of his support for the project. The concrete implementation will depend on the availability of leading US Congress members of the Republican Party to one of the meetings of SME-Global. The first will take place during our election congress in Brussels on the 26/ 27 of March and the 2nd one during the next WTO ministerial round planned for 10th to 14th of September 2003 in Cancun, Mexico.

The main obstacle is that the RNC - the Republican National Committee - the national organization of the Republican Party has no organized international affairs department. Foreign policy is seen as a reserve in the trian-

gle between State Department, Pentagon and the staff of the NSA in the White House. Obviously these institutions are interested in intergovernmental relations and not in parties in opposition or something like conservative inter-party relations for politicians working on SME issues. Without a full-time contact person in the RNC you have to fight your way up the hierarchy of the RNC and we have been really lucky that we found some really open minded people in the staff of Co-Chair Ann Wagner who have supported us since then.

We hope for the establishment of an international office in order to ease the future transatlantic cooperation.

Report about the SME visit to Washington

The SG of the SME-Union visited after the Cancun WTO conference Washington in order to present the new projects launched in the last months and to foster transatlantic SME links. One of the aims of the visit is to organise the next SME delegation to Washington, which is planned after the EP elections.

College Republican Chairman Erik Hoplin

The meeting with Erik went really well because Erik has a profound knowledge about EU affairs and he is really interested in inter-party cooperation. Erik just started his term at the helm of the College Republicans this summer and a lot can be expected from him not only on the national level but also on the international arena. We invited him to join us at the beginning of February in Brussels in order to establish permanent links on all levels of affairs between the Republican Party and the EPP on the youth and student level. Concluding it can be said that it is very positive to see young leaders on the US side rising to power who have a clear grasp of what Europe is about and who are willing to engage constructively on the international scene and ready to commit time and energy in this area.

Lunch at Press Club

To have lunch at the National Press Club is quite extraordinary for the son of a life long journalist and so the opportunity was welcomed to join Mr. White on this occasion. The National Press

Club is a must if you want to see how politics and the forth Estate interacts in Washington.

Meeting the Chief of staff Patrick Wilson of chairman Don Manzullo It was again a pleasure to meet one of the US elite who is closely following the EU debate and knows much more about EU level politics than many EU citizens. Patrick is really well briefed on EU issues and EU-US inter-party cooperation. From time to time you meet people who understand what you do and why and try to help. With his help the whole project of SME-Global can really take off and things can move ahead. We are looking forward to very best cooperation. Our plan is to have the core team up and running until the IDU meeting at the beginning of November. Thanks again from our side.

Meeting with chairman Rep.Rt.H Don Manzullo R-II

It was a great honour for the SME delegation to be received by the Chairman of the Small Business Committee of the House of Representatives. Mr. Manzullo received us in his office on a very busy Tuesday afternoon but really took some time of his tight schedule in order to discuss the situation of SMEs in Europe and the problems of the manufacturing industry in the US. A convinced and committed free trader the Chairman voiced some serious doubt about trade relations with China and their consequences on small manufacturing in the US. That is a really big issue on the Hill and will stay like that for some time. In a way it proves the our approach right that fair trade relation need decent political institutions of economic governance like the competition watch dog and binding agreements on limitations of state subsidies to industry. And of course there has to be more room for the



Building transatlantic relationships



exchange rate to reflect on narrowing difference in input costs. Of course monetary stability of the Yuan is important for the region but there should be some decency will allow some readjustment from time to time. The US is already committing huge sums to develop Iraq and in many ways is carrying the main burden for the industrialisation of China by allowing them market access in a broad area of industries. It will some day be called by historians the biggest and probably most successful development project in human history and it is essentially positive but the scale of change in concerned sectors is so fast that a political backlash against it can only be avoided by very firm beliefs and leadership. The Chairman is providing both but something definitely will have to change in this area. For the Chairman trade relation with Europe seem to be vital now for SMEs because the truth of the matter is that market access for US Small Business in Europe is of course much easier than in China or somewhere else. Mr. Manzullo was very positive towards the potential cooperation between us and so let us hope for the best. As the chairman of the Small Business and Entrepreneurship committee of the House Mr. Manzullo has done great things for US small business especially when you think about the tax code or

regulatory reform projects undertaken regularly on the initiative of the Small Business Committee. The mere fact that the House and the Senate do have such committees vested with the full power of other committees to question, pressure and push the Administration and its various agencies of economic policy making is a clear signal how different the US and the EU culture is in this area. Maybe we can succeed in convincing the EP to set up such a committee after 2004 but given the mentality of anti-SME policy it is not really likely. It is a pity though.

Wednesday ATR Breakfast

If you read THE ECONOMIST you will probably have heard of the Wednesday breakfast meeting of the Americans for tax reform. This is the key organising tool for Groover Nordquist, which he started some years ago and which today seems to be the key-networking event in conservative America. Mr. Nordquist assembly broad coalitions of different conservative groups and steers a colourful mixture of local, federal and international activist for one and a half hours through the morning from 10.00 to 11.30. The spectre goes from African ministers in town to catholic Priests returning from Iraq to state attorneys from the mid west to Washington lobbyist and GOP staff from the hill or RNC. Of course the whole of the think tank community is there as well as writer and columnist from all shades. The ECONOMIST called this meeting probably the pumping heart of what Hillary Clinton has termed so famously a vast right wing conspiracy against her husband. A quote, which is proudly, uses an advertisement today for the main organ of the

movement "The Weekly Standard", which just this week covered with "Against United Europe". And here there is the only aspect, which is troublesome because these people are in no way extreme right wing neither in the UK, US, nor Continental use of this term. These are antitax reformers and missionaries of liberty but in no way anti-immigrations or anti foreigner or racist. In fact the whole idea of Mr. Nordquist is to reduce public expenses to its necessary level and in no way some imperialist movement. In fact Mr. Nordquist runs an outfit called Islamic Institute on the same premises like the ATR and the basic idea is the idea of non-intervention in private choices in politics, consumption and belief. For the obvious differences in cultural terms between the US and the EU please see my articles on www.eei-net.org One more than obvious difference is that the US has a conservative movement which is well organised ready to deliver an ideological platform for the leadership of the West based on openness and opportunities. That is not the case in Europe. But a new consent in the direction is emerging. Today market liberals and euro federalist, Christian democrats and conservatives are trying to overcome the European dividing lines in the big issues of economic reform and the future of Europe. But there is a worrying facet that some in Washington tend to listen to the minority of euro sceptics because they are just awoken that Europe is emerging and are appalled by the last tremble of live of Old Europe of the



nation state has shown during the Iraq crisis. This is not the EU which opposed the US in February

but France with its generously awarded seat with veto power which organised resistance and looked for old alliances with Russia and others. Of course the temporary shift of German foreign policy allowed the French for pose as "Europe" because of the fixation with nation states and their capitals in Washington which has ignored the last 10 years of accelerated EU integration mainly because Clinton has ignored most of the world development till the blow in his face and the conservative movement was so fixated in fighting Clinton that most of the intellectual energy went in this direction and to prepare for anew form of government in the post Clinton times. EU watching played no role here. Is there now a real danger of an alignment of a minority of euro sceptic with the mainstream conservative movement of the USA, which with all probability will hold most of the US government institutions in the next decade? In a way it can be argued that Mr. Chiarc could be the matchmaker of this alliance but nobody with his full senses can hope for that and it is also quite unlikely. The mainstream in Washington still is in favour of European unity and even if there is some scare mongering of some libertarians with the Charter of fundamental rights and the EU constitution most listen interested but disregard it as unbased. But doubtless it constitutes the biggest structural danger for the EU since its foundation. The US was from the beginning the silent partner of the EU integration. Some kind of elder brother or silent investor. Without the clout and weight of the US the fundamental difference in interest and the eternal jealousy of Britain, France and Germany will tear Europe into warring faction, as it has done for a 1000 years to now. Everybody who knows the names of Monnet, Adenauer, Schuman and McCloy,

SME visit to Washington:

Acheson and Dulles should be worried like hell. It is not the French and German 'no' to the war it is the potential shift in support for EU integration of the US, which constitutes the real danger for the EU. And ironically not because the US will actively ever work against the EU but because without the USA as active player in favour of the integration the centrifugal forces of the EU itself will tear it apart. And as well all know how much the citizens and the SMEs of Europe have benefited from the integration process we have to work hard to avoid the enemies of Europe, to convince the US to disown its own child.

Meeting with Grover Nordquist ATR

The meeting with Grover Nordquist was definitely one of the highlights of this visit to Washington. Mr. Nordquist is something like the unofficial leader of the conservative movement of Washington. He was instrumental to make sure that the momentum behind the tax cut movement did not stall due to programmatic pressure and vested interest once Mr. Bush was elected President of the USA. In fact in 3 years not less than 3 major tax cuts have been implemented and the 4 one is on its way already. What a difference to Europe. Not the mention the 15 percentage points which divide us already from the US. Doubtless leaders like Mr. Nordquist had quite some influence that this Bush administration will not go down as his fathers but will have the full support of the whole spectre of the conservative movement of the USA and it is up to people like Mr. Nordquist that this movement is at its height today. Whatever the outcome of the elections in 2004 will be it will not be the conservatives leaving

Bush this time. The general outlook which Mr. Nordquist gives looks quite good for the Republican Party and its election prospects due to mega trends in the US society leading to more individualism and less support for state organised initiatives favoured by the Democratic Party. Indeed the support base of the Democrats is eroding mean it the unions or the big city political machines. Trial lawyers are a special target of Mr. Nordquist and the legal framework supporting them is one of the main targets after the next elections. Indeed also among ethnic or religious groups of voters like Latinos or Moslems the conservative ideas have a lot of resonance as can be proven by about two thirds of Washington taxi drivers of Moslem belief who support the President on Iraq and tax issues. Definitely a leader like Mr. Nordquist is missing in the conservative camp in Europe and is urgently needed as the high tax levels in Europe prove so painfully. We were also looking for statistical material for the positive effect of the Bush tax cuts on the US economy, which in fact are allowing the US economy already considerable higher growth rates than we have in Europe. The old axioms of the SG of the SME-Union that the US and EU have the recession in the same year but the upswing of the economy start three year later is proving right again and will lead us again to fall even further behind the US. Lisbon may come and go but at the end of the day economic dynamism in a modern economy boils down to the level of taxation as the most important indicator.

Another really interesting factor is the connection between the Bush tax cuts and SMEs. It is often argued from the left that

the Bush tax cuts do favour only the rich. Indeed some statistic seems to indicate some truth behind that. The reality is that most SMEs in the US are registered as private chapters under the US tax code and therefore the personal rate of income applies on their revenues. So whenever they may seem rich persons in some statistics they still have to carry huge costs alongside their revenues and therefore these statistics are misleading to the extreme. The tax cuts of President Bush have benefited most these smaller personal entrepreneurs and risk takers who are the main target group of the Republicans because they are not the wealthy elite but the imitative young dynamic segment of the US society, which really tries to move things and create jobs and wealth.

For more details please see www.atr.org

Launch with Participants

After the breakfast meeting there was a spontaneous invitation for joint lunch from some of the participants who kindly enough invited us. This is quite extraordinary in the US context and it was really appreciated by our side. During the table discussion a lot of interesting possibilities of US & EU cooperation on the conservative side have been discussed. There is the project of some US lawmaker coming to Brussels and Paris for the 2004 jubilee of the



D-Day landing in Normandy and that could be a very good networking opportunity.

Meeting with TABD Jeffrey Werner

The SME SG had also the chance to meet the point man of the Transatlantic Business Dialogue a joint US EU initiative, which since almost 10 years brings together leaders of various major European and American companies with political leaders from both sides. The success of the integration of the two markets is enormous.



The last decade has been the decade of most major companies of both sides of the Atlantic developing into important players on both sides of the ocean. That is excellent

because it helped our continent to grow together and benefit consumers from both sides. But given that success story we think that it is now time for SMEs to follow suit. The progress of the telecommunication and the internet together with the logistic allow now also smaller companies to benefit from the same economies of scale than multinationals if the legal framework is in place to help them. Indeed that is what it is all about. SMEs can only develop into transatlantic players if there is absolute legal clarity and shipping, and payment is no more different between Seattle and Wisconsin than with Texas to Austria. Especially as SMEs do not have the legal department to fight for them, they need more help from politics and institutions like TABD. Therefore we advise to strengthen the role of SMEs in the TABD and allow them to have the lead in that framework because companies as Siemens have opened their Washington

Europe goes Global!

offices already and as they now employ tens of thousand of people in the US and the EU the access to senior level politicians is no problem anymore. Now it is time for SMEs to use these channels to voice their concern and only that way jobs can be added to the upswing in the economy.

Meeting with AEI president Chris Demuth

The meeting with the President of the American Enterprise Institute was definitely one of the highlights of the whole trip to the US. Mr. Demuth was welcoming us in a very open way and was deeply interested in what we are doing. As many he is concerned about the development Europe is taking today but impressed by the passionate defence of the liberalising force the Internal Market and the Euro by the SG. Of course the battle about which speed and direction to take in economic reform is not decided and by far not won. But it has to be clear that it mainly the member states who block reform and stop the hinder the SMEs of Europe to grow and prosper. Many of the complaints about EU integration are made by government who simple want to hang on to old etatist ways of doling out money and keep corporate welfare as main raison to justify their outrageous levels of taxation. In fact the meeting went well and some follow up can be expected. Mr. Demuth met our President from the EEI side Mr. Peter Jungen already on several occasions and close cooperation can be hoped for.



The AEI is probably the leading research institution of the conservative side of the US think tanks and really strong in economics and foreign affairs.

NSBA meeting with President McCormick

The meeting with President of the NSBA the National Small Business Association has been very interesting because here the level of cooperation with Europe is still low but the interest is really great. The President has been excited about the prospect of finding a homologue on the European level and his organisation would be a perfect match with Ueapme. This falls in the same category of the push towards structural partnership between the two SME governmental agencies on the Union level the SBA on the US side (www.sba.gov) and the DG Enterprise (www.europa.eu.int/enterprise) or its respective successor DG after 2005 when the new Commission will hopefully establish a new DG for SME in order to serve the new SME Commissioner in his or her tasks. A partnership between the independent SME associations from both sides of the Atlantic would be the perfect way to foster this cooperation and in fact hopefully lead to a stronger SME participation in the Transatlantic Business Dialogue. In many ways the large companies went transatlantic in the 90ies and it is not just an option that the first decade of the 21st will be the decade of SMEs in transatlantic trade. Hopefully the whole cooperation can be kicked off during the EU US summit in 2004.

Please check at
www.ueapme.com
www.nsba.org

Visit to C-Span

A visit to the centre of political television is quite impressive for somebody coming from a supposed political center called Brussels, which has not managed to have anything like that. C-span has just recently started its third channel. C-span 1 for the House of Representatives, C-span 2 for the Senate and C-span 3 for general political coverage. That is quite something. It is unbelievable what that means for interaction between the political world and the interested public. Europe with its EBS system for professional news agencies and modest Euro news for the general public is miles (or kilometres if you wish) away from that. Unfortunately the interest on the US side to either broadcast c-span in Europe or to start something like e-span is more than limited. If we need political cable television which brings the public to Europe and opens European institutions for an emerging European public then we probably will have to go the same way like the c-span in the beginning and find international cable TV operators ready to finance a European operation similar in style to c-span. The effect would be tremendous because it would make Europe more responsive and more accountable to the public. A successful initiative in that direction would help Europe more than all the fuzz about the convention and the constitution. And in any case even contemplating the prospect of a real Union and a real constitution without a political television making Europe accessible at least to the interested public is very close trying modern democra-

cy to undiscovered territory. In a public discussion on this topic Jonathan Faull, the former Commission chief spoke man still ridiculed that EBS is there anyhow and more is fantasy. Some nights in a Washington hotel room watching c-span would do away with that kind of hubris too. Please check at www.c-span.org

Meeting with Atlas Foundation

Going to Fairfax Virginia to a Think Tank called Atlas Foundation was the big surprise of the week. The President of the Atlas Foundation Mr. Alejandro Chafuen was accompanied by the Vice-president of the institution Professor Leonard P. Liggio who also serves as the President of the Mont Pellegrin Society at this moment. Obviously that was a great occasion for the SG whose credentials as an economist would definitely never ever bring him close to the Olympus of economics. The meeting went very well and the interest on the side of the Atlas Foundation in our activities is great whenever it is not so clear if direct cooperation can develop.

Please check at
www.atlasusa.org



SME-Union Congress Cologne

Dinner at Jungen - Jungen

It was a great honour for the SME-Union and the participants that our Co-President Mr. Jungen invited us for a reception to his private house on Thursday evening as a great starting point for a great congress. Indeed a lot of members of the national board came to the reception and it was a fine occasion to work out plans to improving our network for SMEs. Mrs. Jungen was a very charming host and we are really grateful to her. To mark the occasion Mr. Jungen offered the best his wine cellar had hidden so far and that was highly appreciated.

Morning session - Folias

On Friday morning the SME-Union held its second General Assembly chaired by Mr. Folias, MEP. Our Co-President gave a lot of room for the member organisations to present their action program and things really move on. During the meeting the Cologne Declaration of 10 priorities for SMEs has been accepted. Please check at www.sme-diary.org. There were a number of new decisions concerning membership like full membership for the SME-Union

of Albania, and observer membership for the SME-Union of VMRO of Macedonia and observer membership of the People Party of Montenegro. The SME-Union congratulates and hopes to excellent cooperation for SMEs in Europe. Of course there was a report about SME-Global and SME-Women and SME-Migrants and agreement for the support of the European Enterprise Institute. Mr. Folias reported about his recent activates and encouraged the participants in their fight for SMEs especially in South Eastern Europe.

MIT Congress Santer Speech

Our President Mr. Jacques Santer was invited to address the congress of the SME-Union Germany and the around 700 participants were really impressed that Mr. Santer is so committed to support SMEs in Europe and that he is throwing all his political weight in the ring in order to reform the European economic systems in favour of SMEs. In his speech he stressed that tax reform is the most important single factor when it comes to SMEs and that Germany has to

reform much faster in order to improve the miserable economic reality of Europe today. The participants were impressed and the SME-Union president has managed to leave a mark on many of them.

Merkel Speech

Mrs. Merkel gave a powerful speech about the situation of reforms in Germany. In many ways the 17 of October was an important day for Germany because many important projects of law have been passed. Unfortunately the government of Schroeder survived this time but the substance and the will for reform is not so substantive that the government can really deliver.

Some might remember the SME-Union campaign "Thank you Gerhard but now it is time" to go; It was true that time and is still true. Mr. Schroder will not reform Germany. He may do some reform and should get some credit for that. But Germany is now where the USA was in 79. It is a real change in paradigm like with Reagan and Thatcher that is needed and nothing else. After this year of inner

party struggle the CDU is hopefully so far to really offer this perspective. Germany and Europe need it and the people of Europe could finally enjoy the prosperity they deserve.

Merz Meeting

It was one of the biggest successes in the short history of SME-Union that it was possible for us to arrange a private meeting with Friedrich Merz the Deputy Leader of the CDU/CSU group of the Bundestag and the clear leader of the economic reform movement in Germany today who is dominating the debate in Germany today.

The SME-Union has agreed on a 10 main objectives for SMEs in the next year, which will form the basis of our work during the decisive election year 2004. The main points are: the reduction of taxes and the reduction of red tape. We want Europe to refocus on the creation of wealth and not on the redistribution of inherited achievements of other generations. We have to re-starts entrepreneurship and get moving. The SME-Union will push hard for that.



SME-Union foundation in Poland

On the 3rd of October UNIKORN, the Polish SME-Union was officially recognised by the Civic Platform of Poland as its official partner in the field of SMEs. An official contract of cooperation was signed during a televised press conference on the occasion of the SME seminar on The Art of Entrepreneurship in the Sejm. Around 100 participants attended the conference and it can be clearly said that it was a major success. Speeches of Peter Jungen, Christos Folias, MEP and Lisbeth Gronfeldt, MEP have been very well received. It was definitely a great event especially as the fact of the mere size of Poland automatically makes this foundation the most important in its economic and political potential.

SME WOMEN work shop

The first new section in the new roll out of the SME-Women was the official founding meeting of the SME-Women Poland which is the official partner of UNIKORN the Polish SME-Union when it comes to representing women in the predominantly men/s world of SMEs. In fact



the turn out was quite surprising because there were more than 30 women actively participating in the Saturday morning workshop. There is really a lot of excitement when it comes to female participation in the work world.

For more info please visit:
www.sme-women.org

Gala Dinner with Mr. Balcerovic

On the occasion of the SME-Union Poland foundation the



President of the Polish National Bank Mr. Lesek Balcerovic has delivered a great speech during a Gala dinner in Warsaw on the 3 of October in order to honor this occasion. In fact Mr. Balcerovic is in many ways a great hero of the reform process of Central Europe and he is still in the forefront of economic reform in Poland and indeed all over Europe. In Poland he tries to counter the terrible economic politics of the SLD government and in Europe he is challenging the fashionable consensus of economic policies. Tax reform and monetary stability is and was in the heart of his politics and it was a great evening for all the participants.

Thanks the organizers.

Tax reform presentation with Vice PM Miklos

The absolute highlight of the seminar THE ART OF ENTREPRENEURSHIP in the Polish Parliament was the presentation of the Slovak Deputy PM Mr. Ivan Miklos who is the emerging superstar of the

economic reform movement in Europe. The Slovak Republic has now almost completed the introduction of the flat tax with the level of 19% for personal, corporate and VAT taxation. In order to achieve that all number of decisive reforms have been necessary and successfully implemented. Health care and education and social security have been reformed. In fact all recent studies show that the Slovak Republic is now the shooting star of Central Europe and its growth and productivity rates are far superior to the rest of the region. It is not by coincidence that Bratislava is run by a centre right coalition; Certainly however, not a normal one. Today the government of PM Dzurinda is the most advanced unit of government in the EU of 25. Running a complicated country in this unprecedented way is simple astonishing. Of course there is some tension in the region because the competitive pressure of the Slovakian powerhouse is enormous on its neighbouring countries especially on high tax Austria. Let us see if things move then in Austria too.

SMEs do hope.



SME Union's Trip to South Eastern Europe July 2003

from Belgrade to Slovenia

July 10, Belgrade

Organised by the President of SME-Union Serbia, the SG of the SME-Union met with the leader of the Democratic Peoples Party of Serbia, Mr. Vuksanovic who is a young and dynamic leader with great prospects to transform Serbia into a EU candidate country.

July 14, Backa Palanka

The SME-Union continued its series of SME-Central regional workshops started in Banat this year in the Backa region on the Croatian and Hungarian triangle. Mr. Bistray the President of SME-Union Hungary was one of the speakers and about 30 participants discussed the experience

of the Hungarian SMEs on their way to the EU.

July 14, Vukovar

Continuing his trip the SG of SME-Union crossed the Danube close to Vukovar and meets the leadership of the Vukovar section of the SME-Union of HDZ. Vukovar, this tragic symbol of the war is still in a terrible situation with about half of the houses destroyed. But a lot of reconstruction is going on and some timid step to stimulate cross border trade is on the way.

July 16, EDS AM

On the 16 of July the EDS Annual Meeting took place in the great Dalmatian city of Zadar which was once the capital of Dalmatia and hopefully will be again the regional capital of a decentralised Croatia after the election victory of Mr. Sanader and the HDZ. The EDS meeting was a great occasion for the SME-Union to meet potential future representatives of almost all centre-right wing

parties of Europe. Alexandros Sinkas was elected as new Chairman and the SME-Union wishes him and his team the very best.

July 17 Fehlinger's Speech

On the 17th of July the SG of the SME-Union was asked to address the participants of the Summer University and present the SME-Union and discuss political priorities of today. The main message was that the future of the European centre-right is happening today in Washington and that we should watch and learn why and how the GOP, the Republican Party and President Bush is now transforming the world in a more democratic and more capitalist system.

July 18, Slovenia

Continuing the trip the SME SG met the President of SME-Union SLOVENIA (www.sme-union.com) Mr. Toplak in Ljubljana on the 18th of July for a coordination meeting. The

SME-Union Slovenia is today the prime example among the new established SME-Union member organisation.

July 18, Macedonia

The SME-Union met the representative of KAS in Macedonia Andreas Klein in Skopje to discuss further steps in direction of SME-Union Macedonia. In fact some promising steps have been taken. Mr. Gruevski is the new President of VMRO the leading centre-right wing party.

July 19, Ochrid

On a private capacity the SG visited lake Ochrid and can only recommend this lake. It is a great place for a weekend and the old monastery of Sveti



Backa Palanka, July 14



Belgrade, July 10



Belgrade, July 10



Vukovar, July 14



Fehlinger's Speech, July 17

Naum is the top place to be.

from Pristina to Belgrade

July 20, Pristina

The SME-Union had a planning session with Mr. Naim Jerliu, who is the responsible for the foundation of SME-Union of LDK Kosovo and Vice-president of the LDK. In Pristina it was decided that the LDK would start with the creation of the SME-Union Kosovo during September. Furthermore a workshop with the SG of SME-Union will be held at the end of October.

July 21 Novi Pazar and Tutin

Many people talk about Sanchac but not many care to go. The SME-Union made the effort in order to establish SME-Union of SDA and the Sanchac list the leading center-right wing coalition led by Mr. Sulejman Ugljanin as a regional subsection of SME-Union of Serbia. Mr. Vukadin was organising a high-level visit program including a visit to Tutin some 40 km away from Novi Pazar and some visits to companies and SMEs. Indeed there are a lot of economic activities and the region is

already quite advanced.

July 22, Sarajevo

Surprisingly Bosnia-Herzegovina is in a much better shape than thought from the outside. The economic situation is improving rapidly and the interethnic situation is extremely well since the centre-right wing parties have won the last election and form now a stable and good government.

July 23, Belgrade

The last meeting of the trip was again in Belgrad. The SME-Union met with Mr. Lamers, the representative of KAS in order to discuss the support of the SME-Union of Serbia. The second part of the program formed a

meeting with the leading think tank turned political party G17+, the movement of Mr. Labus, where the SG and Mr. Vukadin met the Vice-president Mr. Milan Pajevic who has a great understanding of Europe but is desperate about the Serbian political situation.



Belgrade, July 23



Pristina, July 20



Novi Pazar, July 21



Sarajevo, July 22

Entrepreneurship

Europe's path
for growth and prosperity



www.sme-union.org

2020.gr