

# VINCE CABLE:

## Practicality and humility

Business secretary Vince Cable insists that the UK is committed to doing business in Europe – and that accountants are key to economic recovery

**‘The government’s view is that we should engage constructively, working in a very practical way with our European colleagues,’ Dr Vince Cable MP, secretary of state for Business, Innovation and Skills, told an audience of British and European business representatives at an event organised by ACCA and the European Movement last month.**

His theme was doing business in Europe, and the event attracted representatives from key business groups, ambassadors from other EU countries and his Liberal Democrat colleague and European Movement president Charles Kennedy MP.

Cable said that the UK needed to adopt a sense of ‘humility’ in its approach to the EU following what he said was a ‘lecturing’ attitude towards other EU countries from the previous government, which had then gone on to create a banking crisis, a property bubble and a big

budget deficit.

He added that, despite being formed from a coalition with ‘eclectic’ views on Europe, the government was determined to adopt a pragmatic, outward-looking approach and would resist the temptation to turn inward.

He went on to describe the economic position of the UK and Europe in

comparison to the rest of the world:

‘We are still in a pickle. The UK’s growth rate is around 1.6% while the eurozone’s is 0.7%. We have a 10% unemployment rate across Europe – slow growth, high unemployment, lower productivity and an ageing population; these are all issues we still face.’

He observed: ‘The biggest realisation



*Vince Cable flanked by ACCA’s Mark Gold and the EC’s Antonio Tajani*

## Cable on accountancy

**‘Professional and business services such as accountancy play a key role as enablers and drivers of good practice and change, supporting overall competitiveness. That’s an incredibly important job as we look to recover from the downturn.’**

‘The chancellor and I launched the government’s growth review last autumn to take a fundamental look at what government is doing to address barriers to business growth. I particularly welcome the contribution which ACCA has made to that process. We certainly take seriously the points made to us – for example, in relation to burdensome regulation – and we are looking carefully at how we address these.’



we face now is that Europe is no longer the centre of the world,' adding: 'China is experiencing 10% growth and we've seen savings pouring out of China into our banks.'

He admitted there was now much more temptation for countries to look inward, but warned: 'Doing so would be absolutely disastrous. Our government wants to look outward. We've been cementing bilateral agreements with countries such as Korea and India, but we need to keep the internal market within Europe going as well.'

Cable went on to say that there was an enormous

amount that could be done within Europe by governments, citing environmental measures and the removal of obstacles to the trade of services – he declared the latter to be 'a genuine problem'.

Asked how ACCA could keep its exams relevant in this changing business world, Cable said: 'The challenge is to try and understand what these new systems – for example, e-commerce – actually mean for international business. The e-commerce world is just another territory, and I urge in discussions that we really get on top of issues like that.'

Cable rejected the notion of a European-wide version of the Financial Services Authority: 'International banking systems operate in different ways. We have common sets of rules – for example, on capital adequacy and the Basel regulations – but there won't be a European-wide regulator in the short-term – there will be national regulators.'

ACCA president Mark Gold, who delivered the welcome speech at the event, said: 'It is heartening to hear that the government is not isolationist or anti-Europe, but wants to engage in a proactive way to ensure that the UK's views are heard.'

## Cable on the Single Market

**'The Single Market provides businesses across Europe with massive opportunities and benefits. The opportunity to operate freely across 27 different states; access to the world's largest market, with 500 million consumers generating 11 trillion euros in economic activity; and access to exciting new markets for businesses.'**

'However, the Single Market is not perfect, and more must be done to ensure that businesses can enjoy its benefits. So we are working closely with the Commission to ensure that ambitious measures are introduced to improve the Single Market, particularly in services.'

# EU policymakers take small firms to their heart

A European Commissioner speaking at the ACCA event proposed a marriage between SMEs, services and finance

**The holder of the industry and enterprise portfolio at the European Commission, Antonio Tajani hailed Vince Cable's recent policy document on growth and insisted: 'We don't have Europe without the UK. The bridge between us is very important.'**

Keen to share what he called 'three messages' with the audience, the EC vice president outlined the first. 'I want to put, at the centre of our policy, the "real market". The real market is the internal market with new rules for small and medium-sized companies – it is the marriage between companies and services and finance. It is important to support this marriage.

'It also includes innovation.



**'FINANCE IS READY TO BACK SMEs. AND WITHIN THE EC WE ARE WORKING IN FAVOUR OF OUR SMALL AND MEDIUM-SIZED COMPANIES IN CHINA. NEW MARKETS ARE VERY IMPORTANT'**

Innovation is not only technological innovation, it is also our designs. We need new industrial policies against climate change, carbon dioxide emissions, recycling and so on – it is very important.'

Tajani reiterated his view that 'growth must be driven by private investment and private companies' and shared his optimism for the future.

'We're working for the third Industrial Revolution,' he declared. 'After the revolutions in the Middle East, Europe's position is crucial. Our SME engagement is crucial for the future – the Middle East and Africa will look to us for good solutions.'

Tajani's second point was on making what he called 'substantial provisions for SMEs'.

He said: 'Finance is ready to back SMEs. And within the EC we are working in favour of our small and medium-sized companies in China. New markets are very important – whether that's China, Russia, India, Brazil or Africa.

'Don't forget Africa – it will look to Europe for answers. With piracy and increasing attacks against European businesses, our actions now are crucial.'

Moving on to red tape, he said that the European Union wanted to back SMEs with 'new and better' rules and that the Commission was working to ensure that it 'thinks small first'.



**\*AUDIT:  
THE FRIDAY NIGHT DROP**

John Davies, head of technical, ACCA

**A press release from the UK's Department for Business, Innovation and Skills (BIS) landed in inboxes late one Friday afternoon last month. Based on Vince Cable's address to the City at the Mansion House in London, it said: 'Government action to save small firms £40m – no small firm will have to have independently audited accounts any longer.' As is the case with any press release, though, the headline was slightly more dramatic than the actual detail.**

For a start, the sweeping reforms proposed for micros and the exemption from audit for medium-sized companies are both dependent on EU agreement, which won't necessarily be easy to come by. A motion passed by the European parliament to allow member states to exempt micro companies from the current EU accounting rules shows no sign of becoming law any time soon given the strong opposition being shown by a number of member states. The BIS proposal to exempt medium-sized companies from audit has yet to be seriously debated at the European level.

Besides, this isn't new news: we already knew the BIS stance on these things already from its submission to the EU's green paper on audit (BIS called for the audit exemption threshold to be raised to £25m).

What's most concerning about the release, though, is the renewed reference to accounts and audit as 'red tape'. They just aren't. Accounts and audit provide credibility and stability to any business; they should not be dismissed as being a mere compliance burden.