



Mr Darko Horvat

Minister of Economy, Entrepreneurship and Crafts
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Dear Minister,

Message to the Competitiveness Council meeting on 27-28 February 2020

Targeted measures to strengthen the economy as prerequisite to be able to build a fair and sustainable Europe are key. For this purpose and as mentioned in the last BusinessEurope letter to the Competitiveness Council in November 2019, the “competitiveness check-up” exchanges by ministers, as originally designed, could deliver on the competitiveness mainstreaming across the EU policies. It is the time when Europe is designing its new industrial strategy and we have to get it right. The Commission’s digital masterplan tabled just days ago is a real milestone in this regard and deserves a central place at the Competitiveness Council.

Making Europe Fit for the Digital Age

Mainstreaming digital policies to ensure Europe grasps the 4th industrial revolution is vital to support European competitiveness. Digital transformation is no longer a choice but a necessity. It has already brought economic and societal benefits through improving efficiency and making our day-to-day lives easier. The roll-out of cybersecure 5G will usher in the next stage of development. This will enable innovations such as **Artificial Intelligence (AI)** to be utilised closer to humans more than ever before. This presents opportunities to improve: security, mobility, energy, healthcare and education, to name a few. At the same time, legitimate concerns need to be answered through championing trustworthy AI. This is built upon lawfulness, robustness and ethics. Industry will drive this revolution but also rely on: favourable conditions to research and test within, the ability to accumulate a skilled workforce and the maintenance of an ecosystem that supports a vibrant data economy and high-quality digital infrastructure. The AI supremacy race represents a global competitive challenge that will measure geo-political power for decades to come. Europe faces a choice: get the balance between open innovation and societal protection correct or accept a future where it will be common place to buy superior AI solutions from 3rd countries in a great number of sectors to achieve our ambitions.



European Green Deal

The European Green Deal is an important initiative to protect our planet and put Europe on a pathway to a **sustainable future**. The question is not about whether this deep societal transformation is needed, but how we make it successful. The 20 million companies across Europe are at the core of this success. Competitive and profitable companies will bring technological solutions, sustain jobs and generate wealth. If we ensure the right conditions for EU companies to compete globally, they will be world-leading in developing and commercialising clean technologies to make the shift to climate neutrality. A strong economic pillar is therefore crucial for a successful Green Deal and the only way to ensure that the green transition has a strong public support and does not lead to de-industrialisation. It is therefore essential to closely connect the Green Deal with a strong industrial strategy that mobilises the trillions of investments needed.

Better Regulation

The business community strongly supports the Better Regulation agenda which needs to be continued and deepened. Commission President Ursula von der Leyen introduced the so-called “**1in-1out principle**” as additional commitment by the European Commission to address regulatory costs and burdens at EU level, which can help advance the EU’s Better Regulation agenda. That being said, 1in-1out should not be a stand-alone instrument but a complementary tool alongside the existing EU better regulation tools. 1in-1out must not undermine the existing EU system for better regulation nor the integrity of the Single Market.

There are still many challenges and unanswered questions on the actual application of this principle. Its scope should cover both administrative and compliance costs as the latter are the most relevant for business. Independent oversight of its application should be ensured, and likewise stakeholder involvement for input from the ground.

Business stands ready to constructively contribute to the discussion on 1in-1out. Regulatory offsetting must be embedded within the wider context of better regulation in the EU and applied in consistency with the other tools. The degree of success of 1in-1out at EU level will depend on ensuring the *necessary support by the other EU institutions - the Council and the EP*. Notwithstanding their political discretions the EU legislators need to live up to their responsibility and ensure that the principles of better regulation are applied systematically throughout the entire policy cycle.

European Semester – Single Market Performance Report

BusinessEurope takes good note of the Single Market performance assessment in the report tabled by the European Commission. The Report conclusions confirm some of the key issues that the business community has been raising to date: remaining unjustified or disproportionate regulatory restrictions, especially in the area of services, hamper the market integration, while inadequate compliance with the Single Market rules and underperforming market surveillance system limit the benefits of the Single Market for businesses and consumers. There is “significant scope for improvement” in the compliance with Single Market legislation. It is key that the Commission upholds its ambition to reinforce compliance with the EU Single Market rules through its Action Plan on Implementation and Enforcement expected on 10 March.



In the short term, the Council should make important steps in this regard.

In the area of free movement of goods, the Council preparatory bodies should urgently address an important element of competitiveness and future industrial strategy, notably **the EU standardisation policy** which is also to play a big role in digital and green transition. Industry already feels the impacts of the recently underperforming European standardisation system. Over 20 European business organisations expressed their concerns and views on the way forward in the Joint Industry Statement “Shaping a New Deal for the Single Market” (at annex).

On services, we are confident that an ambitious agreement in trilogues on the **Notifications in Services** proposal can still be achieved as the existing Council general approach and the present EP position are a good basis to reach the first-reading deal soon. It would contribute to the prevention of barriers in the services markets and better compliance with the Services Directive, a long-standing call by businesses and, among others, the European Court of Auditors. The deal should not come at any cost, though, and BusinessEurope urges to ensure that this proposal on Notifications in Services does not water down the Services Directive through notification obligation exemptions or weakened enforcement instruments.

Research & innovation

The adoption of the next **Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT)** for the 2021-2027 period is decisive to ensure that the EIT further supports the EU innovation ecosystems for the next decade. The EIT has long contributed to developing the so-called “knowledge triangle”. Building on its established success, the EIT should become more attractive to all companies (regardless of their size and maturity). The ‘new’ EIT should develop and promote the EU entrepreneurial culture across Europe, aim at further simplification, build synergies with the European Innovation Council (EIC) and leverage projects within Horizon Europe.

The EU has rightly promoted **international cooperation** by means of its Framework Programmes. Likewise, the future Horizon Europe programme should continue supporting the participation of international partners that have a strong track record on research and innovation. Countries that have long collaborated with the EU should therefore not be excluded to (parts of) the programme. At the same time, partnering countries should show reciprocal co-funding or access to funding in their R&I programmes and guarantee similar levels of commitment as the EU to respect and enforce Intellectual Property Rights.

Yours sincerely,

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