



**Ms Dana Reizniece – Ozola**  
Minister of Economics  
Ministry of Economics  
Brīvības iela 55  
LV - 1519 Rīga  
LATVIA

24 February 2015

Dear Minister,

*Dear Ms. Reizniece,*

**Competitiveness Council meeting on 2-3 March 2015**  
**Industrial competitiveness, digitalisation and single market are key drivers for European competitiveness**

The EU has not yet returned to pre-crisis levels of economic output and the latest forecasts confirm that EU growth remains behind key international partners. EU investment as a share of GDP is at its lowest level in 20 years. Improving investment conditions is the priority and requires urgent policy changes.

During your meeting on 2-3 March you will adopt conclusions on the EU single market, including its digital dimension. You will also have discussions on industrial policy. BUSINESSEUROPE counts on the Competitiveness Council to take concrete measures to:

- develop the Single Market in all its dimensions and implement the better regulation agenda,
- follow on the March 2014 EU Council conclusions on industrial competitiveness,
- accelerate the digitalisation of the EU economy.

**The EU must develop the single market in all its dimensions and implement the better regulation agenda**

The single market adds almost €600 billion a year to our economy. EU countries currently trade twice as much with each other as they would do in the absence of the single market. Barriers to the free movement of people, goods, services and capital still represent an untapped economic potential of at least 5% of EU GDP. It is fundamental that Member States and EU institutions focus their efforts on removing these remaining barriers in the single market. The EU must increase convergence of different EU policy areas towards strengthening the single market.

BUSINESSEUROPE welcomes the announced Commission single market strategy for goods and services, which will address goods and services in an integrated way. Traditionally, EU policy has focused on goods and services separately, whereas in the business reality such a clear separation no longer exists. Services appear at any stage in the value chain and across all sectors, including manufacturing. The competitiveness of manufacturing in Europe greatly depends upon the availability of high quality and competitive services, and vice-versa. We strongly support the shift in the Commission's approach and we call on the Competitiveness Council to recognise the links between goods and services and to support the Commission exercise. Tackling remaining obstacles to the development of the single market for goods and services often does not require more legislation but rather better application of existing rules,

through more consistent reporting and benchmarking of national implementation measures. In addition, in areas where full harmonisation is not desirable or feasible, mutual recognition can also improve the functioning of the single market. This principle should be respected and more widely applied in all areas.

Identifying and addressing remaining obstacles to the free movement of services requires a targeted, sector-based approach, starting with the sectors with the greatest economic significance, such as business and professional services, construction, tourism and retail. BUSINESSEUROPE expects the Member States as well as the Presidency to support the Commission on a clear and ambitious action plan to address the barriers that companies still experience, as requested by the Competitiveness Council in December 2013.

Ensuring better implementation, application and enforcement of existing Single Market rules is essential to enhance growth and investment within our single market. The EU must legislate only when it is absolutely necessary, taking a smart approach to regulation so as to avoid scattered legislation and legislative measures with a disproportionate impact on competitiveness and that do not take into account sound scientific evidence. The Competitiveness Council must play an enhanced role on better regulation, ensuring that real competitiveness checks are carried out on all proposals during the impact assessment which evaluates their costs and benefits. The use of better regulation tools to cut red tape and devise proportionate legislation should be a mind-set of all decision-makers in the Commission, Council and European Parliament.

### **Follow on the March 2014 EU Council conclusions on industrial competitiveness**

During your meeting, you should pursue the policy debate on industrial competitiveness which started last spring. Since 2008, European manufacturing production has declined by 12.4% and 3.8 million industrial jobs have been lost in Europe. In 2013 alone, the share of manufacturing in GDP lost one percentage point, decreasing to 15.1%. Encouraging industrial investment will require special attention.

The conclusions of the EU Council meeting on 20-21 March 2014 asked the Commission to prepare a roadmap ensuring that industrial competitiveness is taken into account in all policy areas. Investors expect a clear political commitment that such a mainstreaming will be implemented in a coherent and targeted way. It is of utmost importance that this commitment is fulfilled with concrete actions.

The Competitiveness Council must ensure that the Commission presents the required roadmap. The Competitiveness Council itself must play its role of guardian of competitiveness. BUSINESSEUROPE firmly believes that the High Level Group on Growth and Competitiveness, with a permanent elected chair, should fully fulfil the task of supporting the Competitiveness Council in its reinforced role of monitoring and mainstreaming competitiveness, in particular industrial competitiveness, across all relevant policy initiatives, according to the new mandate of the HLG. With the recent designation of its Chair, Vice Chairs and members, the HLG should start its work without delay.

### **Accelerate the digitalisation of the EU economy**

Digitalisation is an essential element both for Europe's strategy to improve industrial competitiveness and for the development of our single market.

A "fourth industrial revolution" is taking place, cross-linking industrial automation with IT applications over the internet. By connecting machines, work pieces and systems, it is possible to create intelligent networks along the entire value chain, to deliver efficiencies for EU industry and

services contributing to the creation of new business models, with positive repercussions on the digital single market.

BUSINESSEUROPE counts on the Competitiveness Council to play a leading role on digital, stressing the impact of technology on European industrial competitiveness. The Council must ensure that the Digital Single Market Strategy to be published in the coming months acknowledges the cross-sectoral impact of digital through the creation of a “digital economy proofing instrument”, designed to assess how each of EU proposals can impact positively on the digitalisation of our economy or stand in its way.

The goal should be to create a stable and predictable business-friendly regulatory framework, which enables data-driven innovation and recognises the role of data in the economy. The Internet of Things, big data and cloud computing heavily rely on the collection, process and transfer of personal data. EU rules on data protection must strike the right balance between protecting EU citizens and facilitate the free movement of data in the digital single market.

Consumers’ trust is an essential pre-condition to stimulate the digitalisation of the EU economy. The private sector will lead innovation in this domain and will be the main means to achieve cyber resilience. Member States must contribute to strengthening cybersecurity and the finalisation of the Network and Information Security (NIS) directive will also be a step forward in this direction. However, legislation in this area must be proportional, allow for a risk-based approach and foster private sector innovation rather than stifling it in an area which is rapidly evolving.

Digitalisation is deeply transforming the EU single market. At the basis of the concept of digital single market there is not only free movement of digital goods, but also the idea that physical goods and services must move freely in the single market thanks to digital tools. In this context, it is essential to address the remaining fragmentation of rules which impact the digital single market, for instance in the area of VAT, excise duties and consumer protection, as well as inadequate payment and delivery systems.

**Taking the Small Business Act (SBA) one step further**

You will also hear an update on the recent Commission consultation on the SBA. BUSINESSEUROPE stresses that today’s economic challenges clearly call for revising and strengthening the SBA. The Council should ask the Commission to come up with a proposal to that end.

We count on the Competitiveness Council and the Latvian Presidency to fulfil their commitment towards strengthening Europe’s competitiveness and look forward to further cooperating with them to implement an ambitious agenda for competitiveness, growth and employment delivering real results across Europe.

Yours sincerely,



Markus J. Beyrer