



Mr Nicolae BĂDĂLĂU
Minister of Economy
Calea Victoriei, nr. 152,
sector 1, București, cod 010096
Romania

14 February 2019

Dear Minister,

Message to the Competitiveness Council meeting on 18-19 February 2019

The upcoming Competitiveness Council takes place in the context of revised projections for EU economy growth that shows slowdown, continued uncertainty in global trade conditions and regarding the Brexit agreement. Ensuring that the Competitiveness Council fully plays its cross-cutting role of a watchdog of EU competitiveness and putting the Single Market at the top of the political agenda is therefore more important than ever.

The competitiveness check-up is key for this purpose and an in-depth discussion on the Single Market and its role for the value chains would be welcome. EU manufacturing companies are more servitised than US companies – 27% of EU value added in manufacturing are generated by services, compared to 20% in the US, according to some studies. However, EU productivity in services is around half that of the US, as Europe clearly lacks integration in this area and has not used full potential of digitalisation. It is a huge opportunity not to be missed for both European manufacturing and services.

We also welcome the fact that you will have an exchange of views on the long-term climate strategy as well as on Artificial Intelligence through the competitiveness angle.

Moreover, we would like to share our opinion on a few issues and pending decisions that are put on the agenda.

Artificial Intelligence.

Coordinating a full European approach for Artificial Intelligence (AI) will ensure citizens and businesses derive the full benefits it affords. However, this new technology cannot

be delivered without Europe's trust. Therefore, we support a human augmented, responsible AI roll-out that is inclusive and helpful for all. Enabling a vibrant digital future that takes society with it can place Europe strategically at the forefront of writing tomorrows' global digital playbook, **provided we take a holistic and innovation-friendly policy approach**. AI impacts many facets of society and many policies have impact on AI. Investment in its research, development and roll-out will rely on getting all these policies right. Ongoing work in the Council could already do this today.

For example, **quality should prevail over speed in relation to the e-Privacy proposal**. Preferring consent as the main legal basis to process data instead of all possibilities offered under GDPR will limit the influence on international privacy framework. This will also make the design and tailoring of innovative AI services for European consumers impractical.

Similarly, if trade secrets are not adequately protected in the Platform to Business proposal, the algorithms used to power AI related services will not have the protection needed to continue investing in these technologies.

Horizon Europe package.

Innovation is key to boost competitiveness and improve the quality of life. There is an unprecedented acceleration of the global innovation race. Beijing is now moving from a "made in China" towards an "invented in China" approach. The EU can be on the winning side if the business community can count on an ambitious, industry-friendly and timely implementation of Horizon Europe.

- **Increasing the EU funding to at least € 120 billion** is essential to leverage the needed private investments and address the EU's innovation deficit. BusinessEurope therefore calls for an ambitious programme reflecting that research, development and innovation are genuine EU priorities.
- An industry-friendly Horizon Europe to ensure that the EU overcomes the "valley of death" between research and innovation and brings more innovative solutions to the market is a must-have. The **"Global Challenges and European Industrial Competitiveness" pillar** – which is the truly collaborative pillar of the programme – should therefore be strengthened. Its share should **reach at least 60% of the total budget**. Similarly, as industry is the main contributor to innovation, we urge Member States and the European Commission to actively involve companies in its mission boards, partnerships and strategic planning process.

- We urge Member States to **accelerate discussions on the Specific Programme**, so that the European Commission can timely start preparing the implementation of the programme. Companies need regulatory certainty to plan their long-term projects and count on Horizon Europe to further scale up their investments in Europe.

Company Law package.

BusinessEurope calls for **quick adoption** of the EU company law package **part granting access to digital tools** to perform basic corporate operations (e.g. registration, creation of subsidiaries, uploading documents). This would allow the EU to immediately deliver on its goal to reduce red tape to every company, no matter the size or sector, and to bring the EU company law into the XXIst century.

We trust these important points would be considered at your February meeting and BusinessEurope stands ready to provide any additional support and information to the Competitiveness Council.

Yours sincerely,



Markus J. Beyrer