



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

26 May 2015

Dear Minister,

Competitiveness Council meeting on 28-29 May 2015
Digitalising the economy and mainstreaming industrial competitiveness

The economic situation is improving. BUSINESSEUROPE has revised its growth expectations by + 0.2% for the EU and + 0.4% for the Eurozone. We expect 1.9% growth for the EU in 2015 (2.1% in 2016) and 1.6% for the Eurozone (1.9% in 2016). But this improved performance is to a great extent due to a good combination of circumstances: ECB actions, lower oil prices, and a favourable €/€ exchange rate. To get a sustained recovery, the EU must enhance its competitiveness, improve the business environment following the principles of better regulation and accelerate digitalisation in all sectors in the economy.

With the right strategy to digitalise our economy, by 2025 Europe could see its manufacturing industry add a gross value worth 1.25 trillion euros. And if we fail to do so, the potential loss can be up to 600 billion euros by 2025. This would be like losing over 10 percent of Europe's industrial base.

Industrial competitiveness must be mainstreamed across all EU policy areas

Mainstreaming industrial competitiveness requires all EU institutions to consider the impact of all EU initiatives and legislative proposals on industry throughout the entire legislative process. It must be ensured that these different policy initiatives do not contradict one another and support competitiveness rather than obstruct it.

During your meeting, you will perform a stock-taking exercise of the December 2013 Competitiveness Council Conclusions. In this context, we urge you to ensure that the High Level Group on Competitiveness will play a strong and decisive role. It needs to evaluate and monitor the competitiveness of Europe's industry on a regular basis.

Furthermore, to act as the gatekeeper of competitiveness, the Competitiveness Council should be ready to stand up and amend or veto initiatives which undermine competitiveness. It has to ensure that all policy initiatives and legislative proposals support industrial growth in Europe. We expect it to play this role in the forthcoming reform of the EU Emissions Trading Scheme (ETS) or the General Data Protection Regulation, which are legislative initiatives with strategic competitiveness implications. The Competitiveness Council should be actively involved in making them a success.

The Digital Single Market Strategy must enable EU industry to embrace its digital transformation

During your meeting on 28-29 May, you will discuss the Digital Single Market Strategy recently published by the European Commission and adopt conclusions on the digital transformation of European industry. It is essential to remove the remaining barriers in the EU digital single market. In order to truly enable EU industry to embrace its digital transformation, the Competitiveness Council has to ensure that:

- **The EU data protection framework enables data-driven innovation**, with appropriate rules which do not create excessive burdens for companies to collect, process, store and transfer data;
- **Access, ownership and usability of industrial data generated from machines are addressed and clarified** in the follow up of the Digital Single Market Strategy;
- **Competition and strong incentives encourage private investment in EU broadband infrastructure** to meet the exponential connectivity and quality demands associated to an Industrial Internet;
- **Research, development and innovation focuses on areas where we need to regain our leadership on the digital global marketplace**, such as the development of 5G networks and Internet of Things;
- **Europe sets and deploys ICT standards that are successful in time**, taking into account international standards as well;
- Europe assists, in particular, **manufacturing SMEs and non-tech industries** in identifying and responding to new market opportunities and encourages them to participate in global value chains. The implementation of the Digital Single Market Strategy must cover every industrial sector and help increasing manufacturing's share of European GDP to 20 percent by 2020.

In this context, BUSINESSEUROPE would like to support the creation of a European industry platform to discuss the digitalisation of European industry, as recently announced by Commissioner Oettinger in Hannover. This platform would bring together similar national initiatives, to exchange best practices and discuss topics of common interest to strengthen European industry's role in this field.

During your meeting, you will also discuss three specific proposals with huge impact on EU competitiveness: the Single Member Company (SUP), the Unitary Patent and the Product Safety Package.

The **Single Member Company** (SUP) proposal is an essential tool to enable European companies to better seize the opportunities cross-border trade has to offer and bring company law into the digital era. BUSINESSEUROPE calls on the Competitiveness Council to achieve progress on this dossier. Only 2 percent of small and medium size companies today invest abroad by setting up subsidiaries in other countries. We therefore urge you in particular to facilitate the possibility for companies to perform online registration across Member States in order to increase this number.



For the **Unitary Patent** to become a success, offering a low level of fees to companies is essential. Patenting in Europe can be up to ten times more expensive than in the US. We count on the Competitiveness Council to give directions for the final decision on fees on this basis. Furthermore, we invite Member States to speed up the ratification of the Unified Patent Court Agreement.

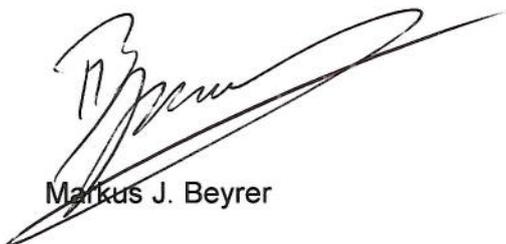
On the **Product Safety and Market Surveillance Package**, we understand the Council is reflecting on possible solutions concerning a limited number of sectors to progress the discussion on Article 7 (indication of the country of origin) and to facilitate a positive outcome of the entire package.

Apart from this specific issue BUSINESSEUROPE is concerned that the proposed product safety regulation will apply disproportionate rules to an indeterminate amount of low-risk and low-value products that will not achieve more safe products on the market. The inclusion of harmonised products which are already covered in separate legislation will also add unnecessary burdens and confusion. Therefore, sectors already subject to specific sector-based regulations should be excluded from further regulation.

The market surveillance regulation answers our call to focus market surveillance rules to cover all products on a single legal basis. However, among other things, a number of provisions still require attention: a lack of distinction between safety risk and document errors, referring penalties to the size of company undertakings and obliging businesses to make any documentation available to market surveillance authorities, regardless of their role in the supply chain. We urge the council not to overlook these important issues and ensure that the proposed package increases the safety of products without creating unnecessary and disproportionate burdens on companies

European business counts on the Competitiveness Council to play its role in shaping the renewed European growth strategy by putting companies' needs at the heart of the process. The conclusions you will adopt on 28-29 May should reflect the importance of digitalisation and mainstreaming industrial competitiveness to increase growth and employment in Europe. We trust that you will take our views into account and stand ready to discuss these important matters further with you.

Yours sincerely,



Markus J. Beyrer