



Mr Étienne Schneider

Deputy Prime Minister of Luxembourg
Minister of the Economy and Foreign Trade
19-21, Boulevard Royal
LU - 2449 Luxembourg
Luxembourg

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Dear Minister,

Message to the Competitiveness Council meeting on 30 Nov. - 1 Dec. 2015

The next meeting of the Competitiveness Council will assess the mainstreaming of competitiveness on the basis of a report from the Presidency. It will have an orientation debate on the Single Market Strategy for Goods and Services. It will also have two exchanges of views: one on better regulation and another one on the creation of national competitiveness boards throughout the Euro area.

Mainstreaming competitiveness

Mainstreaming competitiveness across all EU policy areas will deliver real results only through concrete actions.

To build on the positive momentum that the Luxembourg Presidency has created in favour of European competitiveness, BUSINESSEUROPE insists competitiveness check-ups must become a permanent item in all future Competitiveness Council agendas.

Competitiveness check-ups must support the Council work on better regulation. They are not only an opportunity to create an open debate within the Member States. They must become a concrete tool aimed at avoiding that specific initiatives undermine competitiveness in Europe, including in areas that do not fall in the remit of the Competitiveness Council.

BUSINESSEUROPE considers that the 3 following issues would require further specific attention from the Competitiveness Council

1. The Safe Harbor framework has recently been invalidated by the European Court of Justice. This has a very negative impact on competitiveness of European companies, which cannot operate without viable international data transfers. It is therefore important that the Competitiveness Council is involved in this dossier, especially since the validity of other transfer mechanisms, such as Standard Contractual Clauses and Binding Corporate Rules, have also been questioned by national Data Protection Authorities (DPAs) as a consequence of the ruling.

The Council should emphasise that EU and US must expeditiously reach agreement on a strengthened Safe Harbor framework that takes into account the concerns raised by the European Court of Justice and enables data transfers between EU and US. In addition, the Council should be directly involved in the discussions with national DPAs in order to guarantee Europe-wide consistency in their approach to international data transfers and avoid serious disruptions in the digital single market. It has to be avoided that national authorities provide individual guidance or decisions without consistency – as it was already the case in the last weeks –because the complexity and fragmentation of the process would become unmanageable.

2. The reform of the EU Emissions Trading System, which was discussed during lunch at the last Competitiveness Council meeting, deserves further attention. Investment leakage is at stake in a number of energy intensive industries. The average annual investments by energy intensive industries have declined in Europe by 15% compared to pre-crisis, while it has grown in the US by 13% and in Japan by 11%. By reducing so drastically the amount of free allowances, the Commission's proposal is further undermining the global competitiveness of the sectors without delivering significant benefits to the global challenge of climate change. We expect Member States to engage into this specific debate of increasing the volume of free allowances available for the 2020-2030 period. This is not a technical problem. It is a political choice. It is also important to set mandatory compensation measures for indirect costs.
3. A number of EU social initiatives recently announced by the European Commission such as the pillar of social rights or the new start for working parents could increase labour costs for companies. The Commission and Council need to assess carefully, in consultation with the social partners, the way in which these initiatives would impact on competitiveness, job creation and employment participation. Furthermore, the proposed targeted revision of the posting of workers directive could undermine the freedom to provide services in the single market and the contribution of trade in services to future economic growth in Europe. On the contrary, a return to elements of the flexicurity concept to guide and benchmark activities on national labour market reforms could encourage actions to revitalise and increase dynamism of EU labour markets.

EU Single Market Strategy

The development of a true single market in Europe is essential for all 28 Member States, as the single market is one of Europe's greatest assets, but is still not living up to its full potential. We need to remove remaining obstacles in the EU single market and must ensure that existing rules work in practice. European citizens and companies will benefit from an easier flow of goods and services across the EU.

The EU Single Market Strategy presented by the Commission will prove to be a step in the right direction on the condition that it delivers concrete proposals rapidly.

Future proposals have to maintain a strong focus on implementation and enforcement at national level. Member States have a key role to play in removing remaining obstacles and drive forward the mutual recognition principle. Addressing remaining obstacles often does not require new EU legislation, but rather more consistent application or clarification of existing rules.

Better regulation

Legislators must work together to ensure that legislation adopted at EU level is fit for purpose and effective and can be implemented at national level in a way that supports competitiveness, creating growth and jobs. The golden rule should be legislating less and better. Better regulation tools must ensure that this can be done, on the basis of the best information, for the best results.

It is essential that EU institutions agree on the proposal for an inter-institutional agreement on better regulation. When the European Parliament and/or Council introduce amendments that substantially change the impact of draft legislation, these amendments must also be subjected to an impact assessment. The responsibility to take account of the impacts of amendments lies with the European Parliament and the Council and they should accept the offer from the Commission to cooperate, so that decisions can be taken on the basis of evidence-based information.

This, and increased transparency of trilateral negotiations between the three Institutions, e.g. through publication of a timeline for trilogue meetings and publication of the results of the different meetings, is crucial for stakeholders who depend on good law-making.

The Council and European Parliament should also urge the Member States, when transposing EU legislation, to explain the reasons and impact of any decisions to add requirements that negatively affect the single market, competitiveness and growth. The added value of REFIT should be more visible. REFIT cannot be only a technical exercise, but it has to bring concrete results in truly reducing administrative burden on businesses.

National Competitiveness Boards

Setting up bodies made up of independent experts could be helpful in encouraging greater awareness of both the need for reforms and their potential impact on competitiveness. In line with the Commission's October proposal, Member States should set up independent National Competitiveness Boards that look at all aspects of the business environment with relevance to productivity, such as for example, taxation systems, administrative burdens, skills and energy prices, etc. While productivity and wage developments in relation to main trading partners are a very useful measure of competitiveness, it is important that the issue of competitiveness is not simply reduced to wages. Competitiveness is also determined by broader aspects of the business environment ranging, for example, from taxation systems, to administrative burdens, skills and energy price.



Moreover, when it comes to wage settings, it is fundamental that any initiative fully respects national wage setting structures and does not interfere with the autonomous competence of national social partners in this area. The proposal in the Five Presidents report that the social partners “should use the opinions of the Authorities as guidance during wage negotiations” would, in a number of Member States, not respect the role of the social partners and risk upsetting the delicate balance of wage setting in those Member States.

These national authorities should be in close contact with the Commission’s Vice-President in charge of competitiveness, exchanging views on the impact of European policies on national competitiveness.

We count on the Luxembourg Presidency to continue driving forward the competitiveness agenda in Europe to the benefit of growth and jobs. You can count on us to be a valuable ally in this battle.

Yours sincerely,

Markus J. Beyrer