



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

22 May 2019

Dear Minister,

Message to the Competitiveness Council meeting on 27-28 May 2019

The European election will have just taken place, opening new possibilities and a new page for the EU, when the next Competitiveness Council meets towards the end of the Romanian EU Council Presidency. Despite the fact that many forecasts currently have to be revised downwards, the Commission rightly underlines that the economy has been growing for six consecutive years and some 12.6 million jobs were created during its present term. Unemployment is at a “record low in this century” and a record number of 240 million people are working in the EU – a success to which European business is the main contributor. These achievements cannot be taken for granted. Faced with an increasingly challenging world economic outlook, strengthening Europe’s economy is more urgent than ever.

Following up to the European Council debate on 21-22 March and the Sibiu summit on 9 May, the Competitiveness Council will continue a forward looking exchange on such important issues as fresh impetus to industrial policy and the Single Market in order to steer positive developments. In its main three messages to Sibiu, BusinessEurope highlighted **championing the rules-based international trade, putting the Single Market back at the centre of the EU agenda, and taking a more strategic approach to industrial policy.**

The **competitiveness check-up** discussion could benefit from further exchanges as background to the sets of conclusions the ministers plan adopting in the course of the meeting. We need a strong and smart implementation of European competition rules to allow the emergence of new innovative firms that can grow into sizeable European companies, able to compete with global enterprises operating by different rules.



Sets of Council conclusions on Industrial Policy, Single Market and Tourism.

The future of the EU is closely linked with the future of its industry. The way we develop our industry will largely determine Europe's future relevance as a global player. The Single Market creates conditions for industry and business in general to grow, generate jobs and welfare for EU citizens, building the economic power to compete globally and address societal challenges. Therefore, it is of utmost importance that there is no divide in the EU between the "industry friends" or "Single Market friends" as these policies should – and do – reinforce each other. A strong industry base and competitive value chains are primarily building upon an effectively functioning barrier-free Single Market. In the context of this policy relationship, BusinessEurope highlights the following messages:

- **The Single Market governance infrastructure should be vastly reinforced** at EU and national level in order to strengthen timely, transparent and efficient implementation and enforcement of the Single Market rules. Correct, full and uniform implementation across all Member States should ensure a business environment for companies to grow and the level-playing field in the Single Market. For example, in the public procurement market it is key that solutions are sought to ensure the supplier-friendliness of public tenders in view of the lack of bidders in too many instances. This trend can be linked to complex conditions that are set when applying the Directives but are not related to the core criteria of quality and price of goods and services. This leads to severe legal uncertainties and risks for bidders. Solutions should be sought within the existing legislative framework.
- **Further opening and integration of the markets of goods and services is needed** in order to unleash the full economic potential of the EU and its industry and establish a solid basis for global competition in the long run. From B-to-B services such as logistics or digital services to B-to-C such as e-commerce or tourism services, the EU has a lot to gain from further integration and BusinessEurope expects the Member States' support for an ambitious agenda in this regard. Updates of evidence on the market failures should be the starting point for further elimination of regulatory and administrative barriers, especially in services. Freedom of movement of workers plays a positive role to address growing shortages on labour markets. Mobility of workers, researchers and talents in general is crucial for the future of industry by ensuring a better match between people and job vacancies. It is also important to keep in mind the need to encourage circular mobility to maximise the benefits of mobility for countries of origin and destination.
- **The EU industrial policy needs to become more pro-active and strategic than in the past** in response to a fast-changing world. Aggressive industry strategies from major competitors like the US and the emergence of new

economic giants such as China and India are game-changers. The EU should ensure competition in the EU market place in order to incentivise all-sized firms to improve their performance. Furthermore, there is a need to ensure the EU industry is strong enough to face global competition. For this to happen, without hampering free trade, **a more strategic approach to value chains that are key to EU industrial competitiveness and technological leadership** is crucial. In particular, investment conditions at the critical phase of moving technologies from labs to first industrial deployment should be improved. Here, the on-going work by the Strategic Forum on Important Projects of Common European Interest (IPCEI) should be further developed.

- As a key driver of economic growth, innovation and job creation, the needs of SMEs must be properly addressed by developing a more coherent **EU SME policy agenda**. A first pragmatic step would be to update the 2008 Small Business Act, which has become outdated. On the SME definition, its basic structure should not be fundamentally modified, except for increasing financial parameters to account for inflation since 2003. Some technical provisions should be remedied, in particular the case when a company loses its SME status when it gets financed by a venture capital fund taking a majority participation in it.
- Strong policies and improved implementation should always be supported by **adherence to the Better Regulation principles** embedded in the EU decision making process as well as at national level. Regulatory and administrative cost reduction should remain an important agenda element.

BusinessEurope stands ready to provide any additional support and information to the Competitiveness Council.

Yours sincerely,


Markus J. Beyrer