



Dr Christian Cardona

Minister

Ministry for the Economy, Investment and Small
Business

197, Palazzo Zondadari, Triq il-Merkanti

Valletta, VLT 1172

Malta

26 May 2017

Message to the Competitiveness Council meeting on the 29 and 30 May

Dear Minister,

The EU economy is entering its fifth year of recovery. Growth rates are steady and unemployment is falling. The numbers are however still shallow and the economy in many member states is still far from a strong position.

Following years of crisis management, it is time to strongly focus on strengthening the European economy further by placing its competitiveness at the centre of the debate. The Competitiveness Council has a crucial role in taking this important agenda forward. It must call for concrete actions to be taken to place Europe at the forefront in driving open markets, innovation, and boosting its ability to attract investment and talent.

Time for a renewed EU industrial strategy

We are living through times of great change, at unparalleled speed, and of disruptive nature in some of its dimensions. Technological progress, innovation and digitisation, intensified by globalisation, are producing a deep transformation in industry and the way it operates, in a cross-sector phenomena. This progress that industry is forging ahead also brings profound changes to our society.

Moreover, we are going through a fast-changing political and economic context at global level, with increased protectionism and the emergence of inward looking national industrial policies. With half of European business in global value chains, a closed Europe would only hurt us.

We therefore urge the Competitiveness Council to call on the Commission to urgently propose a renewed EU industrial strategy. This must reflect the ongoing transformations, be mindful of the several challenges at hand for industry and society, but also the opportunities it creates, and of Europe's persistent competitiveness shortfall during the

last years. The EU must therefore put together a framework for business, with short-term policy measures as well as medium to long term strategic objectives. It must also include a continuous quest for better regulation. Such framework must allow industry to adapt to the ongoing changes in order to make our economies fit for the future and stronger, while ensuring that the benefits of this progress are spread out to the society as a whole.

Encourage companies to operate throughout the single market

Improving the functioning of the single market is a vital task for the EU and the key to creating growth and jobs and we appreciate the various initiatives the Commission has delivered in this regard. Creating a one-stop shop through the Single Digital Gateway (SDG) will help companies to operate across borders. Companies will benefit from precise single market information online. The SDG will also permit businesses to access problem solving tools to get real hands on assistance. If well-designed, it will support a greater amount of businesses to scale up and operate across borders.

Being able to complete various administrative procedures online will streamline processes and allow businesses to allocate resources in more beneficial areas to benefit growth and jobs. However, we are concerned that the current proposal does not include most procedures that businesses carry out within their life cycle. For example, declaring business tax has been omitted whereas including such tax procedures would reduce a great amount of burdens for businesses while encouraging further compliance.

While BusinessEurope supports the objective of achieving greater compliance in the single market, we have serious concerns about the proposal to set up a Single Market Information Tool (SMIT). Whether the SMIT will be used frequently or not, its introduction will force businesses to release sensitive information at the threat of sanctions. Further to this, it will place extra burdens on businesses that already have to comply with various existing reporting obligations.

A new proportionality proposal on professions

The Commission has taken a novel approach with some of the proposals included in its Services Package of January 2017 that business support. It is the case in the proposal for an improved notification procedure and a proportionality test for regulated professions to move beyond the classic line of ensuring better implementation of the 2006 Services Directive. Although high quality implementation and correct application of existing legislation remains of fundamental importance, BusinessEurope welcomes pragmatic ideas and bold methods to further integrate national services markets to create growth and jobs.

Today companies and professionals experience that many Member States restrict access to certain professions by asking for additional qualifications or diplomas. There are about 5,000 of these regulated professions in Europe. Whilst in certain cases there may be valid policy reasons to justify this practice, for example for complexity, security or safety reasons, this does not always seem to be the case. Therefore, setting up a proportionality test before adopting or reforming national regulations of professions is justified and can help identify and remove unnecessary regulatory barriers to the free movement of services. In this context, we hope that the Competitiveness Council reaches a general approach on this positive proposal swiftly.

BusinessEurope strongly supports the proposal to improve the current notification procedure for services. Member States should always notify extra national requirements they impose on service providers *before* the legislation takes effect. The strengthened procedure must be transparent and really ensure that additional national measures and extra requirements are justified and proportionate, while at the same time respecting the principle of subsidiarity. We urge the Competitiveness Council to swiftly reach a general approach on this important proposal that can really avoid further fragmentation in the single market.

Grab the opportunity provided by the Digital Single Market

The launch of the mid-term review of the Digital Single Market (DSM) strategy is an opportunity to place a renewed emphasis on delivering a competitive and global digital single market to the benefit of citizens and businesses alike. BusinessEurope believes that this mid-term review gives the opportunity to place a greater focus on better regulation principles to ensure investment friendly conditions are at the forefront of bringing the digital single market to reality.

Europe needs to adopt this innovation-friendly approach to empower the digitalisation process and allow companies to compete globally, foster the creation of new business models and ensure a level playing field, with legal certainty and stability.

Europe should rebalance its risk-averse approach to digital policy and foster the economic and societal benefits that new technologies offer. Legislation is only required where real market failures exist.

In a rapidly changing digital landscape, the policies we set should remain future-proof, technology-neutral and should avoid steering technological development. As a truly cross cutting topic, digital should be encoded into all policies areas. If legislation is required, it should remain 'digital by default', taking its digital impact into account regardless of the policy area.



Digital transformation is a major priority for Europe. Leveraging its power means greater efficiency and effectiveness for industry, not only adding more prosperity and competitiveness, but also creating entirely new business models, enabled by disruptive technologies: robotics, artificial intelligence, big data, 3D printing, IoT and the convergence of these are transforming areas that were traditionally considered far from digital such as agriculture, energy, transport and health.

Going digital is no longer an option but a necessity for Europe. The losses for not acting can also be real, and may lead to losing 10% of our industrial base by 2025.

The completion of the DSM remains an urgent task for the EU. To successfully deliver its goals, all institutions must recognise that businesses should continue to play a pivotal role in this process.

BusinessEurope and its member federations are committed to improving the competitiveness of the European Union and remain ready to contribute further in the development of the above-mentioned issues.

Yours sincerely,

Markus J. Beyrer