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NOTE

From: Presidency
To: Permanent Representatives Committee/Council

Subject: **Preparation of the Competitiveness Council of 30 November and
1 December 2015**
The Single Market Strategy for Goods and Services
- *Presentation by the Commission*
- *Policy debate*

Delegations will find in Annex a Presidency paper in view to the policy debate on "The Single Market Strategy for Goods and Services" at the meeting of the Competitiveness Council on 30 November 2015.

THE SINGLE MARKET STRATEGY - BOOSTING INNOVATIVE BUSINESS MODELS

Presidency discussion paper

Strengthening the Single Market is one of the main priorities of the Luxembourg Presidency. Following the adoption by the Commission of the Single Market Strategy on 28 October 2015¹, the Presidency proposes to hold a policy debate in the Competitiveness Council.

Given the broad scope of the Strategy, the Presidency suggests to focus the debate on those aspects which aim at helping businesses, in particular SMEs and micro-enterprises, to scale up their activities.

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The Single Market, based on the development of a common set of rules, has been one of the European Union's greatest success stories: it has brought over 50 years of opportunity, employment and growth. But the EU and the Single Market need to adapt to a changing environment with rapidly evolving business models.

In reality, the Single Market is only delivering a fraction of its potential. According to an in-depth analysis carried out by the European Parliament, removing the “Cost of Non-Europe” – i.e. the cost of the “Non Single Market” or, expressed positively, the benefits flowing from an ambitious approach to reducing existing barriers - could deliver benefits of around €990 billion or, in other words, up to 7.5% of additional growth².

At the same time, innovation and global value chains are generating major new opportunities. Digital technologies are transforming many industrial sectors, leading to more efficient production and new, innovative business models.

These innovative models create new opportunities that add value to underutilised assets and present new options in sectors that have been dominated by traditional models (B2B, B2C, C2C). **This has an impact on the way regulators should design and enforce rules.**

¹ Doc. 13370/15

² http://www.europarl.europa.eu/EPRS/EPRS_Mapping_the_Cost_of_Non-Europe-June%202014.pdf

- 1. Innovative businesses cannot scale up and they remain confined within the national borders** where they are established, due to significant differences between 28 national legal frameworks. This puts EU businesses, including start-ups, at a significant competitive disadvantage compared to their international competitors. Europe is not short of innovative ideas, often created by SMEs and start-ups, but in too many cases innovative solutions developed in Europe are not produced and commercialised there. Relatively few innovative start-ups are created in the EU, and those that manage to put their products and services on the market often face difficulties to scale up across the Single Market, notably because of the difficulty to comply with 28 different sets of national rules. Very few EU businesses reach the critical mass to expand at international level. This is a major missed opportunity.
- 2. Well-established rules often do not fit the nature and features of new business models.** They may constitute a burden that slows down, or even renders impossible, the development of innovative services. The way many services and assets are provided and consumed is rapidly changing: for example, the collaborative economy, a complex ecosystem of on-demand services and temporary use of assets based on exchanges via online platforms, is developing at a fast pace, opening up additional sources of growth and net job creation. To make the best use of this potential, the EU and its Member States should create an appropriate and accommodating business and regulatory environment.

What should be done?

There is an urgent need to make sure that the EU regulatory framework offers **legal certainty throughout the internal market** and that it **stimulates** the development of innovative activities. The Single Market Strategy should provide concrete added-value in allowing businesses and consumers to seize all the opportunities offered by the Single Market.

The responsibility of the Competitiveness Council is to find concrete and creative solutions, based on proposals by the Commission, that provide added value for EU businesses and consumers, based on EU rules that are **simple, clear** and **efficient**, allowing companies to easily trade cross-border.

Future proposals under the Single Market Strategy, together with the Digital Single Market, should be ambitious and effectively provide added value for Europe's businesses and consumers through a **well-designed and future-proof** legal framework. In doing so, we must find the right balance and ensure that regulation offers legal certainty and makes life easier for businesses, and increase choice and access for consumers.

Questions to Ministers:

- *What actions within the Single Market Strategy are in your view essential in helping create a predictable and future-proof framework that allows businesses to scale up and seize all the opportunities of the Single Market? And how should these actions be designed so as to ensure that these objectives are reached?*
- *In addition to the actions identified in the Single Market Strategy, what other initiatives should be considered at EU level to achieve a fully functioning Single Market?*