



Council of the
European Union

049651/EU XXVI. GP
Eingelangt am 10/01/19

**Brussels, 10 January 2019
(OR. en)**

15664/18

**COMPET 906
MI 1038
IND 430**

NOTE

From: HLG Trio Presidency Chair
To: The High Level Working Group on Competitiveness and Growth
Subject: Single Market project and the productivity of digital investments of industries

Delegations will find in Annex a Presidency note on the Single Market project and the productivity of digital investments of industries, in view of the meeting of the High Level Working Group on Competitiveness and Growth on 24 January 2018.

Single Market project and the productivity of digital investments of industries

- (1) The Commission Communication ‘The Single Market in a changing world’ of 22 November 2018¹ and the European Council Conclusions on 13 and 14 December 2018² pass several important messages as regards the future development of the Single Market: Firstly, the Single Market must provide a solid basis for growth and competitiveness for Europe in a challenging global environment. Secondly, the Single Market needs to embrace fully the potential of digital transformation in terms of productivity. Thirdly, the coherence between all related policies and policy actions is essential for the success of the European economy, and finally, it is now time for action and concrete delivery. This advice should be taken seriously, in particular in view of the Union’s future strategic priorities.

- (2) For the present check-up discussion the Commission will offer a snapshot of how the Single Market is currently functioning – in particular with regard to sectoral value chains.³ The purpose of this note by the HLG Trio Presidency is to expand the debate to look at future trends affecting the Single Market. In this context, we highlight the importance of a well-functioning Single Market as a prerequisite for the uptake and productivity of businesses’ digital investments. Other important aspects related to the future of the Single Market will be discussed at the following HLG meetings.

- (3) Moreover, the HLG Trio Presidency considers it important that individual HLG discussions as regards the Single Market and related policies are interlinked and that they, together or separately, are reflected in further policy orientations as well as in the work of the Competitiveness Council. The HLG discussion should also contribute to the work of the European Council when it prepares the EU’s next strategic agenda.

¹ Doc. 14633/18, COM(2018) 772 final, 22.11.2018.

² EUCO 17/18, Chapter II.

³ Doc. 15663/18.

- (4) To this end, in the course of spring 2019 it is time to discuss the concrete next steps to better embrace the potential of the Single Market in a challenging global environment in order to make the European economy stronger and more competitive in relation to other relevant global market powers. Especially, the interlinkages between Industrial policy, Single Market policy and digitalisation should be fully acknowledged and better exploited so that these policies and related policy actions constitute a coherent, up-to-date and productive policy agenda for the benefit of European businesses and citizens. Therefore, Europe needs a holistic policy approach to all these closely related policy areas.
- (5) It is undeniable that digitalisation and digital economy are major enablers for the future success of European industries as well as for the development of the Single Market.⁴ An efficient and increased use of the potential offered by digitalisation is vital as a huge part of European value creation originates from digital services which are often interlinked with traditional manufacturing. Therefore, the uptake and productivity of digital services and investments by businesses are extremely important for the growth and competitiveness of Europe.

⁴ This was recently highlighted i.a. in a Joint Statement of the Friends of Industry dated 18 December 2018: Joint Statement by France, Austria, Bulgaria, Croatia, Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia and Spain.
<https://www.entreprises.gouv.fr/secteurs-professionnels/amis-de-industrie-6eme-reunion-ministerielle>

- (6) Statistics⁵ show that in Europe the contribution of digitalisation to value-added growth has been lower than for example in the US. This demonstrates that European companies have not absorbed digitalisation as quickly and as efficiently as their competitors in many other relevant market areas. This is evident especially in cross-border trade as the amount of digital services offered from a Member State to another is still quite limited and covers only few sectors.
- (7) This would seem to indicate that there are barriers on the Single Market seriously hampering the productivity of the digital economy. Moreover, an index scoring digital restrictions shows that digital barriers in many Member States are higher than the global average.⁶ In addition to restrictions on digital business, there are also general market restrictions which prevent new forms of digital services from developing further. It is very difficult for the European firms and industries to succeed on the global market in this kind of economic environment where they are unable to properly benefit from their investments in digitalisation or sufficiently scale up their activities by way of cross-border digital trade.
- (8) Against this background, a well-functioning Single Market is an essential precondition for the productivity of digital investments by industries and especially in the field of services. Therefore, creating a credible and efficient services market would be one of the best means to promote the digital economy in Europe.

⁵ Source: The EU KLEMS <http://euklems.net/index.html>

⁶ ECIPE's Digital Trade Restrictiveness Index (DTRI).

- (9) European businesses need better possibilities such as better access to markets to exploit and make use of the digital economy on the market and especially cross-border. A better functioning Single Market would encourage European industries to increase their investments in new digital technologies and innovations, which would improve their productivity. Moreover, it would strengthen important European value chains, attract investments from outside Europe and increase the possibilities of European businesses to succeed in global competition.
- (10) To properly tackle the issues put forward in the Commission Communication on the future developments of the Single Market and in the European Council Conclusions of December 2018, Europe needs a new growth policy agenda, which highlights interlinkages between Industrial policy, Single Market policy and digital economy.

Questions for discussion:

- 1) *What are the actual reasons for Europe's poor performance in exploiting the investments made by European industries for the digital environment in terms of productivity?*
- 2) *What are the policy actions needed to interlink Industrial policy, Single Market policy and digitalisation, in order to improve the payoffs of these investments? What should be done at the EU and at national level to improve the situation?*