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To: Permanent Representatives Committee/Council

Subject: Long-term competitiveness and productivity – Internal market at 30 and beyond

- Policy debate

Delegations will find in annex the Presidency note for the policy debate on long-term competitiveness and productivity -Internal market at 30 and beyond

Presidency note: Long term competitiveness and productivity – Internal Market at 30 and beyond (Policy Debate Competitiveness Council, 2 March 2023)

Europe's strength, resilience and global standing depend on our economic output and the competitiveness of our economy. In this regard, EU businesses and industry profit from operating in an open EU-wide market characterised by effective competition, competitive energy prices, a stable regulatory environment, innovation and access to capital and from being connected to global markets. The Single Market offers a large-scale home market for EU businesses to grow and compete globally and has done so over the last 30 years.

In recent years, however, the European economy has faced significant challenges. Covid-19, inflation, high energy prices and Russia's unlawful invasion of Ukraine have drastically changed the reality for EU businesses. Increased geoeconomic competition have diluted market-based principles at global level. The need for EU action has been underlined by the European Council in its conclusions of 15 December 2022 and 9–10 February 2023. On 1 February 2023, the Commission presented the Green Deal Industrial Plan for the Net-Zero Age, which seeks to provide a supportive environment for scaling up EU manufacturing capacity for the net-zero technologies and products required to meet EU's ambitious climate targets.

In addition to setting out a path towards net-zero and addressing the short-term needs of businesses, Europe must take on long-term economic challenges. In December 2022, the European Council has underlined that the EU must specifically address the growth and innovation gap between Europe and its global competitors and invited the Commission to present a strategy to boost competitiveness and productivity. The conclusion was reiterated on 9 February and the European Council will again address this subject on 23–24 March 2023.

In February 2023, the Commission will present the Communication 'Single Market at 30' to highlight the 30th anniversary of the Single Market. Together with the Annual Single Market report 2023 and the Single Market Scoreboard, the Communication will shed light on the importance of the Single Market as well as on the way forward towards making it stronger.

These initiatives are expected to provide a solid base for setting the EU on a path to enhanced competitiveness and a more resilient economy.

A European model for long-term competitiveness

To get productivity and growth back on track we need to identify a long-term European model for competitiveness – a resolute plan to strengthen EU competitiveness.

The celebration of the 30th anniversary of the Single Market is a natural starting point for a discussion on the modalities of such a plan. We need the Single Market to continue being a strong engine for jobs, entrepreneurship, green transition, and sustainable growth over the next thirty years. Analysis shows that a fully functioning Single Market could generate an overall economic benefit to around 12 percent of additional GDP in the EU every year. We cannot waste this opportunity.

However, a comprehensive European strategy for productivity and competitiveness is broader than this. It needs to encompass all the relevant policy areas that determine companies' productivity and competitiveness on the global market. Naturally it builds on the core values and specificities of our economic model – a market-economy, openness, innovation, sustainability, health and environmental protection and a business-friendly environment. Furthermore, as the global demand for fossil-free products and services is growing, climate transition and access to affordable fossil-free energy will be the foundation for long-term competitiveness. EU is already ahead in the climate transition and needs to build on it to become a market leader in green technologies. Ultimately, factors like these will be decisive in terms of where companies locate their operations and where the future economic growth will take place.

Below are some suggested pillars of a European model for long term competitiveness:

- *Upholding the principles of our market economy, including deepening the Single Market*

Continue providing the best possible conditions for a sound and open economy based on effective competition, private investment, freedom of movement and robust industrial policy that enables the green and digital transition. Enforcement of the Single Market acquis needs to be strengthened and fragmentation avoided.

- *Strategic openness in support of global free trade*

Efforts to increase trade opportunities and partnerships are building blocks to increase productivity and making our economy more resilient. Trade policy is key to open new strategic markets and secure access to critical inputs along the entire value chains.

- *Better regulation with a drive for increased productivity.*

A coherent regulatory framework based on high-quality impact assessments, consultations, and evaluations. Unnecessary regulatory burdens need to be addressed. President von der Leyen's commitment that all legislative proposals will have to pass a competitiveness check and address a possible disproportionate impact on SMEs is a part of this puzzle.

- *Innovation*

Innovation is a crucial component in strengthening competitiveness, not least in technologies and products required to meet Europe's ambitious climate targets. Some important vectors to catalyse EU innovation include R&D spending, infrastructure for sharing of research findings and the protection of intellectual property rights.

– *Competitive and secure energy supply*

Access to competitive fossil-free energy and electricity production is crucial to enable the green and digital transition with sustained competitiveness. Need to be cautious about unnecessary regulation to minimise the risks of reducing capital investments in a robust energy system.

With this in mind, Ministers are invited to exchange views on the following topics for discussion at the COMPET Council on 2 March 2023:

1. Considering the anticipated long-term competitiveness strategy and the Single Market at 30 Communication, what do you see as the key elements and actions for the EU to improve its competitiveness and productivity over the coming decades?
2. Are there elements and actions not covered by the communications that are crucial to incentivise businesses to innovate and invest in the EU?
