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NOTE

From: Presidency
To: Delegations

Subject: Presidency report on work towards a new European Competitiveness Deal

Ahead of the European Council on 27-28 June, delegations will find attached a Presidency report on work towards a new European competitiveness deal.

BELGIAN PRESIDENCY REPORT:**WORK TOWARDS A NEW EUROPEAN COMPETITIVENESS DEAL****I. INTRODUCTION**

On 17-18 April 2024, a Special meeting of the European Council reaffirmed the Union's determination to ensure its long-term competitiveness, prosperity and leadership on the global stage and to strengthen its strategic sovereignty, as part of the EU's work to implement a new European competitiveness deal. It undertook to regularly review progress on initiatives to that end. In particular, the European Council identified a number of key competitiveness drivers, where it expects work to be taken forward decisively and swiftly.

Drawing on the policy orientations from earlier meetings of the European Council, the ongoing 18-month programme of the Council of the EU – led successively by the Presidencies of Spain, Belgium and Hungary – had already identified as a top priority 'reinforcing the EU's global competitiveness by strengthening our industrial base in line with the accelerated twin green and digital transitions and making use of innovation'. As a result, Belgium, as the current Presidency, has focused much of the Council's day-to-day work during the first half of 2024 on strengthening the Union's competitiveness and advancing competitiveness-related policy files within the various Council configurations, accompanying the Union in the green and digital transition.

Ahead of the European Council on 27-28 June, where Leaders will review progress, including on the Capital Markets Union, the Belgian Presidency provides the following overview of recent policy initiatives in the Council and its preparatory bodies that have been undertaken with a view to boost the Union's competitiveness drivers, secure its economic resilience and achieve the full potential of the Single Market.

II. BOOSTING THE EU'S COMPETITIVENESS

Single Market

A **high-level report on the future of the Single Market** was called for by the European Council in June 2023 and submitted by Enrico Letta in April 2024. The report takes as its starting point that, over several decades, the European Single Market, in tandem with cohesion policy, has been a cornerstone of unprecedented economic growth, social progress and enhancement of living standards across the continent. Building on that historical achievement, and with a view to further establishing a sustainable Single Market for all, the Letta report focuses on avenues to deliver a fair, green and digital transition, through mobilising public and private financing, scaling up companies, addressing the resilience of supply chains and eliminating fragmentation in finance, energy and telecommunications. It also calls for a fifth freedom, comprising innovation, research, knowledge, skills, data and AI, in order to promote an environment that is both conducive to innovation and business friendly.

The European Council held on 17-18 April welcomed the presentation of the Letta report and invited the Belgian and Hungarian Presidencies to take work forward on its recommendations by the end of 2024.

Building on the Letta report, on 24 May COMPET ministers approved comprehensive conclusions on a **Single Market for the benefit of all**. The Council conclusions confirm that future Council Presidencies will take work forward on the recommendations identified in the Letta report.

These conclusions not only acknowledge the achievements of the Single Market over its 30-year existence, but also recognise the need for a new strategy to harness its untapped potential, with a view to creating an area without internal borders in which the free movement of goods, persons, services and capital is ensured for the benefit of all. In particular, those Council conclusions stressed the need to take concrete steps towards further integration, reduce fragmentation, remove unjustified and disproportionate barriers – especially as regards cross-border services – and prevent restrictions on free movement. In addition, the conclusions underscore the importance of investments in and access to high quality and affordable services of general interest. The Council also called for a further strengthening of the free movement of goods across the Single Market, and requested an in-depth analysis of the existing public procurement legislative framework and whether a revision is necessary during the 2024-2029 term.

In line with the April European Council conclusions, which recalled the key role of **cohesion policy** in reducing disparities and stimulating long-term sustainable growth, COMPET ministers emphasised the fact that a robust Single Market goes hand in hand with a cohesion policy that reduces social and regional disparities, allowing all regions, citizens, consumers and businesses, in particular SMEs, to take advantage from the Single Market. Moreover, on 18 June, Cohesion policy ministers approved Council conclusions on the 9th Cohesion Report, which highlights the continued important role played by cohesion policy in ensuring that all EU regions benefit from the Single Market and its contribution to EU competitiveness.

The Commission is expected to report to the June European Council on the mobilisation of available tools and instruments to tackle **unfair commercial practices**, such as dual quality of foodstuffs, that undermine consumers' trust in the Single Market.

Under the Belgian Presidency, the Council also finalised work on the directive on **corporate sustainability due diligence**, the regulation prohibiting products made with **forced labour** on the Union market and the internal market **emergency and resilience act**.

The **transport sector** directly contributes to the economic integration and competitiveness of the EU. However, the sector still faces challenges in the green and digital transition in order to fulfill its role effectively. It is essential to address these difficulties by developing a high-quality, green, and resilient transport infrastructure across all modes. Improved transport connectivity not only reduces travel time and logistics costs, but also helps to develop the most economically vibrant relations with neighbouring countries and to compete within the EU and in the world economy.

Capital Markets Union

As stated by the European Council in April 2024, investments in key strategic sectors and infrastructures require a combination of both public and private financing working together. Leaders also highlighted that the EU budget and the EIB group continue to play an important role, and stressed that deepening the Capital Markets Union is key to unlocking private capital.

Responding to the request made by the European Council to create integrated European capital markets, the Council, the Eurogroup and the corresponding preparatory bodies have accelerated work on the issues identified by EU Leaders. At its meeting on 27-28 June, the European Council will review progress.

The Presidency has accorded particular priority to the proposal for a **Corporate Insolvency Directive**, with a view to the JHA Council being in a position to agree on a general approach as soon as possible. Addressing divergencies among national corporate insolvency rules will remove an important obstacle to cross-border investment and thus help facilitate the free movement of capital in the EU. The directive is an essential component in terms of completing the Capital Markets Union. The JHA Council on 13-14 June took note of a progress report of the Presidency, which outlines work that has been carried out over recent months on the various titles of the draft directive.

On 12 June, Coreper agreed on a negotiating mandate on the **Retail Investment Strategy** (directive and regulation). The strategy seeks to ensure that the legal framework for retail investments sufficiently empowers consumers, adequately protects them, ensures fair market outcomes and ultimately creates the conditions necessary to grow retail investor participation in the capital markets. The European Parliament's mandate was agreed in April 2024.

On 19 June, Coreper agreed on a negotiating mandate on a proposal aiming to simplify **financial reporting requirements**. It also aims to facilitate data sharing between European Supervisory Authorities (ESAs) and other financial sector authorities with the aim of reducing administrative burden for authorities in the financial sector. The European Parliament approved its mandate in March 2024.

On 14 May, the ECOFIN Council agreed on a general approach on a directive (FASTER) that will introduce harmonised procedures for **double taxation relief** in cross-border cases concerning withholding taxes levied by Member States on income accruing from the holding of publicly traded securities (dividends on equities and interest on bonds). This directive will facilitate cross-border investment by making withholding tax procedures in the EU safer and more efficient.

Moreover, significant progress has been made at both political and expert level on the following important legislative files, which has been covered by Presidency progress reports submitted to Coreper on 19 June:

- a) the **payment services** directive and regulation. The aim of the legislative acts is to further increase the competitiveness of the EU payment industry, improve services provided to consumer and reduce risks. The European Parliament adopted its position on both proposals in April 2024;
- b) the **digital euro** package, which aims to ensure the fitness of the future European monetary system. Negotiations can start once both co-legislators have adopted their position;

- c) **financial data access**, on which the European Parliament adopted its position in April 2024. The aim of the proposal is to provide for increased data sharing among financial market participants in order to increase competition and foster the emergence of personalised financial products for the benefit of consumers.

In addition, on 14 May the ECOFIN Council approved conclusions on **financial literacy**. The conclusions give guidance on how to improve citizen's knowledge and understanding of finance, in order to help them make more informed financial choices and to encourage them to invest in the European financial markets.

Looking ahead, the Council will continue to advance work on all measures set out in the April 2024 European Council conclusions.

Industry

To be able to go towards a new European competitiveness deal, the April 2024 European Council called for the development and implementation of an effective industrial policy, in dialogue with stakeholders, that decarbonises our industry in a competitive manner, develops the Union's competitive edge in digital and clean technologies, diversifies and secures strategic supply chains, and strengthens Europe's defence technological and industrial base.

On that basis, and also building on a debate in March 2024 by the COMPET Council on the future of the EU's industrial policy, COMPET ministers approved on 24 May conclusions on a **competitive European industry driving our green, digital and resilient future**. Those conclusions analyse the situation of the EU's industrial sector and explore ways to improve innovation, access to finance and the business environment for enterprises. Ministers notably called for a comprehensive, future-oriented and proactive European industrial policy framework that is aligned with the overarching long-term policy priorities of the Union, in particular its green, digital and innovation priorities, thereby offering European industry greater predictability and equipping it with an appropriate toolbox to attract, scale up and maintain businesses within the Union's borders, while at the same time fostering high-quality jobs throughout Europe. The concerns expressed by industry and trade unions in the February 2024 Antwerp Declaration for a European Industrial Deal also fed into the preparations for these Council conclusions.

Under the Belgian Presidency, the Council also completed its legislative work on a number of competitiveness-related legislative files, including the **net-zero industry act**. That regulation will help boost the industrial deployment of the net-zero technologies that are needed to achieve the EU's climate goals, using the strength of the Single Market to reinforce Europe's position as a leader in industrial green technologies. Notably, it will facilitate prioritising and streamlining permitting procedures as well as funding where possible. The **critical raw materials act**, also recently adopted, aims to ensure a secure and sustainable supply of critical raw materials for Europe's industry, and significantly lower the European Union's dependency on imports from single third-country suppliers by developing strategic projects throughout the value chain.

In addition, there was swift progress this semester on the implementation of the European Chips Act, notably as regards the Chips Joint Undertaking and in close cooperation with the European nanoelectronics community and the Member States.

Research and innovation

The April 2024 European Council stressed the need for a more innovation-friendly environment, based on excellent science, which accelerates market uptake and the industrial and commercial scale-up of innovation, while increasing investment in research and development to meet the 3 % GDP expenditure target.

With that in mind, on 23 May research and space ministers discussed and approved several sets of political orientations in the form of Council conclusions. In addition to delivering political guidance on strengthening **knowledge valorisation**, ministers identified the lessons learnt in the ex-post evaluation of Horizon 2020 to help prepare the future framework programme on research and innovation. They also highlighted the **contribution made by space to Europe's competitiveness**, as space plays an increasingly important role in establishing Europe's strategic autonomy.

On the same occasion, the Council also adopted a Council recommendation on **enhancing research security**, with the objective of supporting the Commission and the Member States in addressing research security risks deriving from international cooperation in the current geopolitical context. The recommendation identifies risks relating mainly to the areas of the undesirable transfer of critical knowledge and technology, malign influence/foreign interference and ethical or integrity violations.

In addition, research ministers reached a political agreement on the amendment to the Council Regulation establishing the European High Performance Computing (EuroHPC) Joint Undertaking. The shared aim is to support the development of a highly competitive and innovative Artificial Intelligence (AI) ecosystem in the Union and to make the Union's supercomputing capacity more accessible to innovative AI European startups to train their models. In May, advanced materials were also the focus of a discussion between ministers, who held a policy debate about research and innovation in relation to industrial leadership.

Energy

On 21 May, in line with the call by the European Council for work to be taken forward decisively and swiftly on the establishment of a genuine energy union, the Council adopted the package on the **reform of the EU electricity market**. This was needed as high energy prices have shown to have an enormous impact on long term competitiveness of industry and on the attraction of the European market for investments. Those rules allow the Union to be better prepared for future crises, according more protection and empowerment to consumers and providing long-term predictability for the deployment of renewables, and will better ensure the Union's security of supply. Securing the supply of abundant, affordable and clean energy contributes to ensuring the long term competitiveness of the EU industry and the attractiveness of the EU as a business location. The Council also adopted the **gas package**, which aims to reduce greenhouse gas emissions, strengthen security of supply and protect consumers.

On 30 May, the TTE Council (Energy) approved conclusions on **Advancing Sustainable Electricity Grid Infrastructure**. Those conclusions offer shared principles on the development of resilient energy networks with a view to achieving the EU's climate objectives set out in its 2030 and 2050 targets and in the Fit for 55 package.

Circular economy

Building on the European Council's call to increase circularity and resource efficiency, on 17 June the Environment Council approved conclusions on the **8th Environment Action Programme – the way forward to a green, just and inclusive transition for a sustainable Europe**, which highlight the key role played by environmental policy in contributing to competitive sustainability across the EU economy and industry. In the conclusions, ministers welcomed the presentation of the Letta report and took note of its message that the green, fair and digital transition is crucial to deliver a sustainable and prosperous future. Ministers stressed in particular the need to develop a Circular Single Market in order to create a future-proof economy, as it will support environmental sustainability while simultaneously driving economic growth. The conclusions place particular emphasis on the urgent need for more risk preparedness and climate resilience, with ministers calling on the Commission to develop a systemic policy response in all relevant policy fields, to ensure more effective and proactive action on climate risk management.

The Council also held a policy debate on the **2040 EU climate targets**, discussing how to support a competitive transition towards climate neutrality while offering opportunities for building industrial leadership and fostering a just and fair transition.

During its six-month period, the Presidency highlighted, in a cross-dimensional manner, the importance of circular flows for products and recycling techniques. In that context, the Council finalised work on and adopted the **Ecodesign** regulation, the directive promoting the repair of broken or defective goods (**right-to-repair** directive) and the directive on **empowering consumers for the green transition**. This legislation forms part of the New Consumer Agenda and the Circular Economy Action Plan, which promotes sustainable consumption.

Digital

The European Council called for actions to support the digital transformation of business, government and society, by means of a true Single Market for digital services and data.

On 21 May, telecommunications ministers adopted the **Artificial Intelligence Act**. This regulation aims to ensure that AI systems placed and used on the European market are safe and respect fundamental rights and EU values. It should stimulate investment and innovation on AI in Europe.

The ministers also approved conclusions on the **future of EU digital policy** which identify where work should be taken forward as a matter of priority during the upcoming legislative cycle, addressing both the opportunities and challenges of the digital sphere. In particular, ministers consider that the focus should be on the simplification and effective implementation of recently adopted legislation, on innovation- and competition-friendly policies, and that proper consideration should be given to the social implications of digital, particularly in relation to algorithmic design and online addiction. Ministers emphasised that the digital transformation should go hand in hand with the green transition.

On the same day, the Council approved conclusions on the **future of EU cybersecurity**. Ministers underlined the importance of focusing on the implementation of the recently adopted cybersecurity legislation and the need to avoid fragmentation in legislation, as well as to ensure coordination as the number of instruments and actors increase.

Social

The April 2024 European Council stressed the need to foster high-quality jobs throughout Europe by stepping up the pursuit of the 2030 headline targets set out in the Action Plan on the European Pillar of Social Rights.

Going forward, the principles and the implementation of the European Pillar of Social Rights, with due regard for the respective competences and the principles of subsidiarity and proportionality, can contribute to a better functioning of the Single Market while promoting upward social convergence. Responding to shared challenges such as adapting to the green and digital transitions and addressing demographic changes will be important, including by investing in upskilling and reskilling throughout people's lives, and increasing labour market participation, while improving working conditions and fair labour mobility. The interplay between the labour market, skills, social policies, economic growth and fiscal sustainability was the topic of a policy debate on social investments and reforms for resilient economies, which took place on 12 March on the occasion of a meeting gathering the EPSCO and ECOFIN ministers and of Council Conclusions adopted on 20 June approved by social affairs and employment ministers.

On the occasion of the High-Level Conference held on 15-16 April in La Hulpe, a **Declaration on the Future of the European Pillar of Social Rights** was signed by a number of Member State and social partner representatives, the European Commission and the European Parliament. La Hulpe builds on the 'Tripartite declaration for a thriving European Social Dialogue' of the European social partners, the Belgian Presidency on behalf of the Council, and the European Commission, signed in Val Duchesse on 31 January.

At the EPSCO Council on 20 June, ministers and social partner representatives held a policy debate on the contribution of employment and social policies and effective social dialogue to a sustainable Single Market for all. That discussion offered EPSCO ministers an opportunity to discuss the recommendations presented in the Letta Report and its call to strengthen the social dimension of the internal market.

In the field of **health**, the Belgian Presidency accorded priority to making progress on the pharmaceutical package, which overhauls the existing EU framework. It aims *inter alia* to support innovation and competitiveness through reduced administrative burden. On 21 June, Health ministers approved conclusions on the future of the European Health Union where ministers underlined the importance of continuing to strengthen the resilience of our health systems by taking action in the field of prevention of non-communicable diseases, notably addressing health workforce challenges in a comprehensive approach and ensuring the security of supply for critical medicinal products by addressing vulnerabilities in the supply chains.

Trade

The April 2024 European Council stressed the need to pursue an ambitious, robust, open and sustainable trade policy that allows fair trade agreements, opens third-country markets to EU companies, defends EU interests, allows resilient and reliable supply chains to develop, guarantees a true level playing field and creates reciprocal market access opportunities.

In that context, on 30 May the Foreign Affairs Council (TRADE) held a policy debate on **trade and competitiveness**. The discussion focused in particular on the main challenges and potential directions of an open, proactive and ambitious trade policy, taking into account the trade-related aspects of the Letta report, the attractiveness of the European Union and the EU's strategic dependencies on critical raw materials, as well as the importance of implementing and enforcing EU trade policy instruments, and the need for greater policy coherence, in particular as regards trade and competitiveness.

Following up on the Joint Communication of 2023 of the Commission and High Representative on a European **Economic Security Strategy**, the Council's preparatory bodies are currently focusing discussions on a review of the FDI Screening Regulation, which complements the recent recommendation on research security and efforts to develop the Union's investments in partner countries. Work on strengthening the EU dual-use export control framework is ongoing and, as a first step, on 30 May Council approved conclusions addressing the four proposed responses put forward by the Commission in its White Paper on export control. Member State experts are also contributing to the work being done by the Commission on other aspects of the strategy, such as risk assessments in critical technology areas. On 19 June, Coreper took note of a Presidency report summarising the progress in Council in recent months on economic security, including follow-up actions and reflections on the governance of the strategy.

A better and smarter regulatory framework

The April 2024 European Council called for a regulatory framework that ensures legal certainty and predictability, is better integrated, is coherent across policy areas, is open to an innovative approach and is digital by default, while reducing the administrative burden imposed on companies of all sizes, in particular SMEs. To that end, it has identified a series of priorities to reduce the cumulative administrative and compliance burden, including continuing efforts to reduce reporting requirements by 25 %.

The need for a more **efficient regulatory framework** was also central to the conclusions on the Single Market approved by COMPET ministers on 24 May. The Council put forward a number of recommendations, including the removal of unnecessary administrative burdens and obligations, as well as the application of digital solutions in future regulation. Ministers also highlighted the need to prevent unnecessary regulation and ensure the timely implementation and effective enforcement of existing legislation. In particular, they recalled the crucial contribution of early and adequate consultations, the usefulness of experimentation clauses and regulatory sandboxes, and the need for timely, consistent and ex-ante high-quality impact assessments. In that respect, they called on the Commission to ensure synergies between impact assessment checks and to explore dynamic impact assessments and checks that allow to measure, as far as possible, the impact of policy options.

Also on 24 May, the Presidency reported to the COMPET Council on work on 13 specific legislative proposals directly linked to the **25 % reporting requirement reduction** commitment. Eight of those proposals have now been definitively agreed between the co-legislators; the remaining five are under discussion, with further progress expected once the 2024-2029 European Parliament takes office.

AGRIFISH ministers, within the framework of their monthly meetings, have followed up on the issues identified by the European Council as regards administrative simplification and the competitiveness of EU agriculture. On 13 May, the Council formally adopted a targeted review of the **common agricultural policy** that cuts the administrative burden and delivers simplification for farmers and national administrations. The AGRIFISH Council is due to hold a discussion on the future of EU agriculture on 24 June, addressing simplification and competitiveness-related issues.

III. NEXT STEPS

The European Council will continue to regularly **review progress** on initiatives to enhance the Union's competitiveness. To that end, it will provide guidance and frame the work ahead.

Competitiveness is expected to be an important pillar of the EU's **Strategic Agenda 2024-2029**, which will set the political framework for the next institutional cycle and define priorities for the EU's development over the next five years. The European Council is due to adopt the Strategic Agenda at the end of June.

In its Presidency Programme, published on 18 June, the incoming **Hungarian Presidency** has identified strengthening European competitiveness as its overarching priority. Stimulating economic growth, improving productivity and supporting small and medium-sized enterprises are essential elements in this regard, with a view to establishing a new European competitiveness deal. Competitiveness-relevant legislative files due to be prioritised under the incoming Presidency include, *inter alia*, the Capital Markets Union files, including the draft directive on insolvency proceedings, the pharmaceuticals package, the patent package, in particular the proposals on supplementary protection certificates, the economic security strategy and alternative dispute resolution. Council conclusions are planned, *inter alia*, on the future of telecoms, on geothermal energy, on untapped labour potential in the EU.

Future discussions on competitiveness in the Council and the European Council will also be informed by the upcoming **report of Mario Draghi on the future of EU competitiveness**, due to be completed by the summer of 2024. That report, which goes beyond the Single Market aspects, will complement the Letta report. The incoming Hungarian Presidency has announced that it intends to ensure a follow-up to the Draghi report.

A **new horizontal strategy for a modernised Single Market** is expected from the Commission in June 2025, whose aim should be to reduce fragmentation and complete the Single Market across policy areas, on the basis of a roadmap with clear timelines and milestones for urgent and concrete actions across all policy areas, based on facts and needs from businesses, social partners, stakeholders and citizens, focusing on redundant, incoherent or burdensome rules.

In addition, the Council has urged the Commission to make industrial policy and the boosting of European competitiveness an integral part of its agenda for the next legislative mandate, thereby working towards the new European competitiveness deal, and building on the European Green Deal as driver for growth, innovation and investment.

Furthermore, the Council has asked the Commission to develop proposals aimed at adapting cohesion policy in line with its role as the long-term framework for regional development, underpinning the EU growth model, building on its distinctive strengths – namely shared management, multi-level governance, place-based approach and partnership principle.

Meeting all of these competitiveness objectives will require agile and efficient **governance**, as well as good coordination with Member States, to ensure that strategic priorities are translated into national policies. Additionally, the implementation of the recent economic governance reform will ensure that economic policy continues to play a key role in supporting the competitiveness of the European economy.

In this context, the **Multiannual Financial Framework after 2027** will inform the ways and means in which the priorities of the EU will be financed in practice, and effectively delivered, in a European Union of 27 or more Member States. Of note, the Presidency progress report on the future of Europe, which reflects the discussions on EU internal reforms led by the General Affairs ministers, offers take aways on the EU budget.