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NOTE

From: General Secretariat of the Council

To: Permanent Representatives Committee/Council

Subject: Follow-up of the March and June European Council Conclusions on single market long term competitiveness and productivity, in the light of the Commission communications “The Single Market at 30” and “Long-term competitiveness of the EU”: The role of competitiveness checks in the formulation of legislative proposals

- Policy debate

Delegations will find attached a Presidency background note on “Follow-up of the March and June European Council Conclusions on single market long term competitiveness and productivity, in the light of the Commission communications “The Single Market at 30” and “Long-term competitiveness of the EU”: The role of competitiveness checks in the formulation of legislative proposals” with a view to the policy debate at the Competitiveness Council on 25 September 2023.

Follow-up of the March and June European Council Conclusions on single market long-term competitiveness and productivity, in the light of the Commission communications “The single market at 30” and “Long-term competitiveness of the EU”: The role of competitiveness checks in the formulation of legislative proposals.

Policy debate

European enterprises are one of the main drivers of our society: they create jobs, innovation and prosperity. Competitiveness and productivity are essential conditions for the proper functioning of enterprises and have been at the heart of EU policy for decades.

The European economic growth model has been a source of prosperity over the past decades. However, since the mid-1990s, average productivity growth in the EU has been weaker than in other major economies, resulting in a widening gap in productivity levels.

Several indicators point to a deterioration in productivity in the EU in recent decades: energy prices are considerably higher in the EU than in other parts of the world, R&D investment is low, the EU is at risk of falling behind in the digital economy, the venture capital market is underdeveloped, regulatory requirements have increased, and there is an asymmetry with other parts of the world with respect to corporate obligations.

The COVID-19 pandemic and Russia's invasion of Ukraine have negatively affected the EU economy and highlighted the need to establish an ambitious long-term EU competitiveness strategy to ensure that Europe is once again the place to invest and create jobs.

In addition, the EU is facing a structural transformation driven by the geopolitical conjuncture, demographic change, digitalization and the transition to a circular and climate-neutral economy. In order to implement this transformation, numerous legislative proposals have been put forward in recent years that create new opportunities and also demand new responsibilities from companies, which will have a significant impact on the competitiveness of European companies, especially SMEs.

The EU needs to boost its competitiveness by making the most of the internal market through a predictable regulatory environment that is conducive to investment, job creation and innovation.

The European market is the largest integrated single market in the world and is one of the most outward-oriented; therefore, attention must be given to the international competitiveness of EU companies.

Within this context, the European Commission presented on 16 March 2023 the communications "The Single Market at 30" and "Long-term competitiveness of the EU: looking beyond 2030". The latter explicitly states that the quality of the regulatory framework is crucial for the competitiveness of the Union.

The Communication goes on to say that "*the new competitiveness check ensures that the impact assessments of legislative proposals present in an integrated manner the expected impacts of each proposal on cost and price competitiveness, international competitiveness and the capacity to innovate, and also on SME's competitiveness*". In the Communication, the Commission also committed itself to work on how to better assess the cumulative impacts of different policy measures at the EU level with a view to develop a methodology.

Building on this Communication, the European Council on 23 March 2023, in its Conclusions, called *inter alia* for advancing work on a growth-enhancing regulatory environment. More specifically, it called to simplify the general regulatory environment and reduce the administrative burden by carrying out competitiveness checks for new legislative proposals.

Ministers are invited to a discussion on the following topics:

- With the aim of building a stronger and more resilient European economy, and designing regulations that support EU competitiveness and sustainable growth: What elements do you consider to be indispensable in competitiveness checks? What could be done to ensure their implementation?
 - To which extent should competitiveness checks apply to legislative proposals only or also to strategic and action plans?
 - From your point of view, how could the Competitiveness Council contribute to the assessment of the competitiveness of the European Commission's legislative proposals?
 - Do you have competitiveness checks included in your processes? Can you share best practices?
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