Council of the European Union

PRESS

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BACKGROUND[1]

Brussels, 24 September 2024

Competitiveness Council (Internal market and industry)
Brussels, 26 September

This half day **Council meeting will start at 09:30** and is expected to end, after a working lunch, at 15:30.

The meeting will be chaired by Máté Lóga, Minister of State for Economic Strategy, Industry, Financial Resources and Macroeconomic Analysis. Ministers responsible for the internal market and industry will hold three policy debates. The first will be on the future of European competitiveness. The second will be about "The state aid framework and its contribution to EU policy objectives". Finally, the third policy debate, over lunch, will be focused on "SMEs reaping the benefits of the single market". There are two AOB in the agenda: the first one on e-commerce, requested by the German delegation, and the second on priorities for the single market, at the request of the Czech and the Luxembourg delegations.

The Council will conclude with a press conference led by Máté Lóga, Minister of State for Economic Strategy, Industry, Financial Resources and Macroeconomic Analysis

Press conference: Thursday 26 September at +/- 15.30 (Justus Lipsius press room)

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Competitiveness Council (Internal market and industry) – meeting page

Press conferences and public events by video streaming

Video coverage in broadcast quality (MPEG4) and photo gallery

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1 This note has been drawn up under the responsibility of the Press Office.

The future of European competitiveness – Policy debate

Ministers will discuss the future of European competitiveness, tackling the challenges facing industry and businesses in the single market. This debate will not be public.

The issue of competitiveness and the future of industrial policy has been high on the EU political agenda in recent months. On 20 February 2024, 73 business leaders spanning 17 sectors presented the ‘Antwerp declaration for a European industrial deal’ to the Belgian prime minister, Alexander De Croo, who held the presidency of the Council of the EU at the time, and to Commission President Ursula von der Leyen. The representatives of EU companies called for a European industrial deal to complement the EU green deal and safeguard quality jobs in Europe.

The European Council, in its conclusions of 17 and 18 April 2024, underlined the European Union's commitment to ensuring its long-term competitiveness, prosperity and leadership on the global stage and to strengthening its strategic sovereignty.

The COMPET Council debate comes after the presentation of Mario Draghi’s report on “The future of European competitiveness” on 9 September. Mario Draghi (former European Central Bank President and former Italian prime minister) was tasked by the European Commission to share his personal vision of the future of European competitiveness. His document came a few months later to the publication, in April 2024, of the report “Much more than a market”, on the future of the single market, which was drafted by former Italian prime minister Enrico Letta at the request of the European Council. On 24 May, the COMPET Council adopted conclusions entitled 'A competitive European industry driving our green, digital and resilient future'. The conclusions included a call for the Commission to make industrial policy a key element of its agenda for the next legislative mandate.

Competitiveness is one of the main elements of the European Council strategic agenda 2024-2029, and one of the priorities of the Hungarian presidency, which has drafted a note to frame the discussions. Ministers will be asked to express their opinion on two questions:

1. What is the member states’ overall assessment of the Draghi report?
2. What key sectors and which elements of the Draghi report should be reflected in the New European Competitiveness Deal in your view?

European Council conclusions 17-18 April 2024

Council conclusions on the future of industrial policy

Council conclusions on the future of the single market

Strategic-agenda 2024-2029

EU industrial policy (background information)

Enrico Letta report - Much more than a market

Mario Draghi report – The future of European competitiveness

Priorities of the Hungarian presidency of the Council of the EU

The Antwerp declaration

The state aid framework and its contribution to EU policy objectives – policy debate

The second policy debate of the COMPET council will be focused on the state aid framework and its contribution to the EU policy objectives. This debate will not be public.

In the Strategic Agenda 2024-2029, the European Council pledges to ensure a balanced and effective state aid and competition framework to preserve the integrity of the Single Market and a level playing field. European treaties prohibit state aid, unless it is justified by proper reasons (e.g. general economic development, provision of services of general economic interest). The European Commission oversees things to ensure that state aid complies with EU rules and that exemptions are applied equally across the European Union.

However, the COVID-19 pandemic and the Russian war of aggression against Ukraine made it necessary to give flexibility to member states in the area of state aids in order to limit the impact of these crises on the EU economy, while putting in place safeguards to protect the single market. In this context, member states were allowed to use a new, flexible set of state aid rules to support the economy in the context of the coronavirus outbreak. This state aid temporary framework has been extended seven times since its adoption and subsequent ones were adopted in the wake of the war against Ukraine and the energy crisis.

Member States can grant State aid only after the Commission has given its approval. However, since 1998 a Council regulation enables the Commission to adopt ‘block exemption regulations for state aid’. With these regulations, the Commission can declare specific categories of state aid compatible with the Treaty if they fulfil certain conditions. These State aid measures can be put into effect without the Commission prior approval. The last amendment to the general block exemption regulation (GBER) was taken on 23 June 2023, to simplify and speed up support for the EU's green and digital transitions. The GBER’s importance has increased over the years, and currently Member States use it frequently to grant State aid.

The reports ‘Much more than a Market’ by former Italian Prime Minister Enrico Letta (April 2024) and ‘The future of European competitiveness’ by the former President of the European Central Bank, Mario Draghi (September 2024) include some ideas on the future of state aid.

Letta proposes a change in the balance of intervention from national to European level (less state aids, more EU funds). Secondly, prioritize state aids for common projects with cross-border impact. Thirdly, making state aid more automatic, in particular, through tax reduction measures, and more flexible state aid rules that take account of the maturity of certain technologies or innovative solutions.

From his side, Mario Draghi defends the validity of the Treaty principles of free and fair competition in a level playing field single market, which leads to lower prices, higher productivity, more investment and innovation. But competition rules need to adapt to the radically changing economic and geopolitical environment. On state aid, Draghi considers that the uneven distribution of state aid under temporary crisis rules has had a negative impact on the single market.

Similarly to the Letta Report, Draghi proposes increasing EU-level funding to achieve common competitiveness goals. He also suggests broadening the concept and eligibility of Important projects of common European interest (IPCEI) in sectors that have a big impact on the EU’s competitiveness (such as semiconductors, automotive, transport, digital services) without being innovative at global level.

Other measures proposed by Draghi include the introduction of more tax incentives to mobilise private resources, speeding up the Commission’s approval of aid measures and more targeted state aid for the digital and green transition instead of crisis measures.

Against this backdrop, the presidency invites member states to express their opinions on three points

What proposals in the Letta and Draghi Reports would you support to be implemented?

1. Do you consider that any of the temporary framework rules merit a transition to the pre-crisis State aid rules?
2. How do you think the level of private funding contributing to EU competitiveness could be increased?

Report on Competition Policy 2023

Enrico Letta report - Much more than a market

Mario Draghi report – The future of European competitiveness

EU single market (background information)

Any other business

a) e-commerce

Information point requested by the German delegation on the need to discuss and reflect on the further unified approach regarding the enforcement of EU-standards in e-commerce.
The session will be public.
E-commerce in the EU (background information)

b) Priorities for the internal market

The delegations of Austria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Germany, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, and Sweden will present a non-paper on priorities for the new Commission in the Single Market.

The session will be public.

“SMEs reaping the benefits of the single market” – Lunch debate

Over lunch, ministers will hold an informal discussion on “SMEs reaping the benefits of the single market”. This session will not be public.

SMEs are companies with less than 250 employees. They account for 64% of jobs in the private (non-financial) sector, and 52% of value added in the European economy. According to the Flash Eurobarometer 486 (2020), SMEs identified administrative burden, payment delays, access to finance and lack of skills as the four main problems that they face when competing in the internal market.

On 12 September 2023, the Commission published a communication with measures to address these problems: the SME relief package. Proposed measures included a 25% reduction in reporting obligations, a regulation on late payment with a cap of 30 days for commercial transactions, different EU financial support programmes for SMEs, and a European skills agenda (with the creation of vocational training centres). Some of these measures are a work in progress (i.e. reduction of 25% reporting obligations) or became legislative proposals (like the late payment regulation, that has been already discussed in two COMPET Councils).

As in the previous points, the Letta report ‘Much more than a Market’ and the Draghi report ‘The future of European competitiveness’ will be part of the Ministers’ discussion. Enrico Letta thinks that some of the main obstacles for SMEs are the different contractual and legal practices of member states, national service rules, the lack of access to information on rules and requirements, the cost of regulation and different national product rules. To address this issue, Letta proposes measures such as a European code of business law, accelerating integration in the single market for services, and making progress with the harmonisation of indirect taxation.

Ministers adopted Council conclusions on the Letta report in the COMPET Council of 24 May 2024. Among other things, Ministers highlighted the need to guarantee framework conditions that enable SMEs to innovate, scale-up and prosper as well as to ensure a business-friendly environment that allows businesses and in particular SMEs to fully benefit from the opportunities of the single market. They mentioned for instance fostering the "think-small-first" principle, when designing new legislation or applying the "once-only" principle, when collecting information.

Mario Draghi's report on the future of European competitiveness provides further ideas for enhancing the short and long-term competitiveness of the European Union and thus of SMEs. SMEs also play an important role in some key elements of the report such as increasing productivity, fostering investments, and promoting targeted development of individual areas.

On 18-20 November 2024, the presidency and the Commission will organise in Hungary an SME Assembly, which will focus on issues such as achieving the dual transition, sustainability, innovation, financing, improving the regulatory environment, AI and defence, to help drive the development of SMEs, increasing their resilience, and have an impact on single market processes.

The discussions will be framed by a note of the presidency, which invites ministers to express their opinion on two issues.

1. Which measures do you consider most urgent in the European Union for improving access to the internal market for SME's, including cross border cooperation?
2. How can the definition of SMEs and small mid-caps be better adapted to the needs of the economic environment in the 21st century?

SME relief package

Enrico Letta report - Much more than a market

Mario Draghi report – The future of European competitiveness

Council conclusions on the future of the single market

Support to small and medium-sized enterprises (SMEs) (background information)

EU single market (background information)

A – points (legislative)

Internal Market and Industry

- Regulation on the Internal Market Emergency and Resilience Act (IMERA)
- Regulation as regards emergency procedures due to a Single Market emergency
- Directive as regards emergency procedures for the conformity assessment, adoption of common specifications and market surveillance due to a Single Market emergency

Transport

- Single European Sky 2+