



OPINION

European Economic and Social Committee

Competitiveness check

A competitiveness check to build a stronger and more resilient EU economy
(exploratory opinion)

INT/1000

Rapporteur: **Christian ARDHE**
Co-rapporteur: **Giuseppe GUERINI**

www.eesc.europa.eu

EN

Referral	Presidency of the Council of the European Union, 30/06/2022
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	10/11/2022
Outcome of vote (for/against/abstentions)	54/1/2
Adopted at plenary	14/12/2022
Plenary session No	574
Outcome of vote (for/against/abstentions)	150/4/11

1. **Conclusions and recommendations**

- 1.1 The EESC regards the request by the Czech Presidency to prepare an exploratory opinion on a competitiveness check as highly topical. Given the current and envisaged future challenges, the EESC considers it critically important to make the EU economy more competitive. Recognising that the single market and the EU social market economy are the EU's greatest assets for achieving economic growth and social wellbeing, the EESC calls for a competitiveness check to support enterprise, job creation and improved working conditions, as well as sustainable economic growth and social cohesion.
- 1.2 The EESC considers the competitiveness check as an approach to ensure that competitiveness aspects are properly considered in decision-making. This requires adequate knowledge on the competitiveness impacts of initiatives as well as a competitiveness-sensitive mindset in making decisions.
- 1.3 The EESC emphasises that the competitiveness check should be a key part of balanced EU decision-making and should be applied in the context of any EU policy and law-making process. It should cover legislative initiatives, secondary legislation, fiscal measures, strategies and programmes, as well as international agreements. It should also be integrated into the European Semester process, since Member States' policies are crucial in this respect.
- 1.4 As solid impact assessment is the factual basis for a competitiveness check, it is crucial to ensure that competitiveness impact assessment is mandatory, effective and fully enforced at each stage of the decision-making process. The EESC appreciates the current Better Regulation Guidelines and Toolbox but points out that, as highlighted by the Regulatory Scrutiny Board, there is an evident need for improvements, especially with respect to the implementation of the tools.
- 1.5 The EESC believes that competitiveness check should consider the impact on businesses, employment, working conditions at various levels, including compliance costs and other direct effects, multiplier impacts on value chains, and their consequent macro-economic impacts. In this regard, attention should be paid to the competitive position of the wide variety of enterprises in terms of sector, size and business model, including social economy enterprises.
- 1.6 The EESC thinks it is important to cover both positive and negative impacts on competitiveness, with the aim of not only avoiding competitiveness losses but also improving competitiveness, paying special attention to competitiveness in relation to development of EU products and services that are competitive in the global market. The competitiveness check needs to consider the wide diversity of businesses, which may be affected in different ways.
- 1.7 While the main focus of the competitiveness check is on initiatives with primary objectives other than improved competitiveness, the EESC calls on the Commission to prepare a specific competitiveness agenda as well, with the principal long-term goal of enhancing the EU's competitiveness.

1.8 A competitiveness agenda should build on the EU social market economy, and focus on basic issues such as the single market and foreign trade, investment and access to funding, tax systems, research and innovation, skills and labour markets, as well as MSMEs and the twin transitions, taking into account the sustainable finance framework with competitiveness being consistent with social and environmental objectives. As competitiveness also has linkages with social and environmental aspects and is a matter that concerns everyone, the representatives of social partners and other civil society actors need to be closely involved in the preparation of the agenda, with social dialogue playing a key role as outlined in the European Pillar of Social Rights.

2. Background

2.1 This opinion is a response to the Czech Presidency request for an EESC exploratory opinion in the area of EU competitiveness and the regulatory aspects of EU legislation for EU businesses. Its theme is a competitiveness check to build a stronger and more resilient EU economy. The Presidency underlines the need to decrease the EU's strategic dependency and ensure greater resilience, as well as to ensure openness to the outside world and competitiveness of EU businesses.

2.2 The Swedish government has also outlined competitiveness as one element of the political direction of Sweden's upcoming EU Presidency.

2.3 The EESC has already called for a competitiveness check in its opinion on Fit for 55¹, in which it stated that "in transiting towards a climate neutral society, we need to embark on a model that results in a thriving economy. If we want the EU to be a frontrunner and be emulated by the rest of the world, we should aim at shaping the most successful model – one that is just and sustainable from an economic, social and environmental viewpoint". The EESC also stated that "all legislative proposals put forward within the framework of Fit for 55 should undergo a competitiveness check in line with Sustainable Development Goals (SDG) principles so that the full implications on enterprise are well understood". Before that, the EESC called for a competitiveness test in its opinion on the Capital Markets Union².

2.4 The Conference on the Future of Europe (CoFoE) [report](#) also requested that new EU policy initiatives should undergo a "competitiveness check" to analyse their impact on companies and their business environment (cost of doing business, capacity to innovate, international competitiveness, level playing field, etc.) and that such a check shall be in accordance with the Paris Agreement, the Sustainable Development Goals, including gender equality, and shall not undermine the protection of human, social and workers' rights nor environmental and consumer protection standards.

¹ [OJ C 275, 18.7.2022, p. 101.](#)

² [OJ C 155, 30.4.2021, p. 20.](#)

2.5 Recently, the European Commission President Ursula von der Leyen declared in her speech³ that we will introduce a standard competitiveness-check in our regulation.

3. **Motives and need for a competitiveness check**

3.1 Competitiveness as an explicit objective has been on the EU agenda in various forms since the Lisbon Strategy of 2000, followed by the Europe 2020 Strategy, the industrial strategy as well as a series of reports regarding European competitiveness and the single market. Over the years, however, international competition has become increasingly fierce and, given the current and envisaged future challenges, it is critically important to create renewed momentum to make the EU more competitive. The EU response to the COVID-19 pandemic was the Next Generation EU, a massive investment programme that promises to boost the global competitive position of the EU economy, building on greener and more digital businesses supported by more efficient public services, reinforced infrastructure and dynamic labour market.

3.2 Europe's share of the global economy has been going down for quite some time. It has been estimated that, in 2050, the EU will represent less than 10 percent of global gross domestic product (GDP), and 85 percent of forecasted global GDP growth will come from outside the EU in the next couple of years. Europe's poor growth outlook exacerbates the relative economic decline. This means that Europe's voice in the world counts for less and weakens the EU's global role and influence in international cooperation⁴.

3.3 The short-term outlook is to a great extent related to Russia's invasion of Ukraine, which continues to negatively affect the EU economy, and also the fact that the EU is still recovering from the various impacts of the COVID-19 pandemic. The war has put additional upward pressures on energy and food commodity prices which are feeding global inflationary pressures and eroding the purchasing power of households⁵. In response to the high inflation rates, the European Central Bank has raised euro interest rates, similar to the action taken by the Federal Reserve Bank in the US. Moreover, weakening global growth decreases external demand. The EU and its Member States for their part reacted by multiplying support to enterprises with several programmes to preserve their competitiveness in a dim and highly unstable economic outlook.

3.4 Besides the unprecedented situation caused by the pandemic and the war, Europe is facing a historic structural transformation, driven by geopolitical developments, demographic change, digitalisation and the transition to a climate-neutral and circular economy. This is reshaping markets and accelerating competition regarding production factors. Success in the transformation ultimately depends on how well the overall economy works. Only by being a world leader in innovation and sustainability will Europe be able to successfully compete globally, delivering the necessary prosperity.

³ [Speech by President von der Leyen at the European Parliament Plenary on the preparation of the European Council meeting of 20-21 October 2022.](#)

⁴ Achtung Europa, ECIPE 2021.

⁵ [Summer 2022 Economic Forecast.](#)

- 3.5 The distinction between competitiveness in the internal and global market should be noted. The first includes competition on equal terms, harmonisation of rules, and removal of barriers⁶. The latter implies favourable conditions and better and more accessible products and services in competition with competitors outside the EU. A well-functioning internal market also contributes to better conditions for global competitiveness.
- 3.6 It is important to strike the balance between different policy objectives. However, there should be a greater focus on creating win-win situations, considering that competitive businesses provide benefits for the economy and society as a whole and that a sound economy and stable society increase resilience and contribute to a competitive business environment.
- 3.7 It is also evident that the EU needs to strengthen its international position and influence in the digital and green transitions. A stronger position in the development and uptake of digital technologies is not only about economic competitiveness but also about security and the geopolitical role of the EU. It is also a prerequisite for the EU to be a global standard-setter, for example in trustworthy AI.
- 3.8 The need for stronger global influence also applies to combating climate change. This requires both considerable diplomatic influence and strong competitiveness in terms of cost-effectiveness, innovation, skills and supply of low-carbon products, technologies and solutions to global markets. A positive development is that a number of EU companies are already aligning investments to environmental and social objectives as witnessed by the fast increasing use of ESG products in global and European financial markets. The EU is elaborating a full-fledged framework for sustainable finance that has to provide more transparency and space to ESG products and be in line with the overall sustainability.
- 3.9 Considering the importance of a thriving economy with competitive businesses in creating prosperity and wellbeing in Europe, as well as sustainable solutions to climate and environmental problems, it is vital to provide EU businesses with a favourable environment to innovate, invest and trade. As many elements of the business environment are determined by the policy, regulatory and fiscal framework, policymakers need to make sure that this framework supports the competitiveness of enterprises and, consequently, the overall economy and society.

4. Elements of a competitiveness check

- 4.1 As there is no single or universal definition of competitiveness, the content of a competitiveness check is dependent on the scope and perspective to be taken. The request of the Czech Presidency explicitly refers to the competitiveness of EU businesses, with the aim of building a stronger and more resilient EU economy.
- 4.2 The competitiveness of businesses can be described as their ability to succeed in the market in a profitable way, creating value for themselves and for society at large. This again is dependent on the availability of production factors (skilled workforce, energy and raw materials, capital, data), the overall production costs, the demand and markets for the products, and the capacity of

⁶ [OJ C 443, 22.11.2022, p. 51.](#)

enterprises to innovate and seize opportunities while enhancing the EU's social market economic model.

- 4.3 The EU's unique social market economy, together with accompanying sound macro-economic governance, research and innovation, social dialogue, involvement of civil society, as well as comprehensive education, motivated workforce with stable jobs, health and social systems, a thriving social economy sector and sustainable investors, constitute essential assets to build on when striving for better competitiveness. Given the current and envisaged future challenges, the EESC calls for a competitiveness check to support enterprise, job creation and improved working conditions, sustainable economic growth and social cohesion.
- 4.4 The EESC considers the competitiveness check as an approach to ensure that competitiveness aspects are properly considered in decision-making. This requires understanding how initiatives will affect competitiveness as well as a competitiveness-sensitive mindset in making decisions. The competitiveness check thus consists of two levels:
- impact assessment level ("technical" level), which is about assessing various ways in which policy and regulatory initiatives affect competitiveness;
 - decision-making level (political level), which is about paying due attention to competitiveness and giving it the proper weight when shaping new initiatives, building on the EU's social market economic model.
- 4.5 The EESC believes it is important for the competitiveness check to be as comprehensive as possible considering impacts on businesses and supply chains, employment and working conditions, as well as their consequent macro-economic impacts. A robust competitiveness check for all new initiatives should serve as a control measure to make sure that proposals support increased competitiveness, more jobs and sustainable growth.

5. **Impact assessment as the foundation of competitiveness check**

- 5.1 The competitiveness check should be based on solid information on the impacts of policy and regulatory initiatives at various levels, including compliance costs, ease of access to markets and other direct effects on businesses. Of particular importance are the multiplier impacts in value chains, such as the impacts on the availability of energy and raw materials. The competitiveness check should also cover the consequent impacts on jobs, investment, innovation, productivity, litigation aspects, functioning of the single market, foreign trade, and the overall European social model and sustainable growth.
- 5.2 The current Better Regulation Guidelines and Toolbox established in the context of the European Commission's Better Regulation agenda already require that initiatives which are expected to have significant economic, social or environmental impacts are accompanied by impact assessments. The impact assessment report must include a description of the environmental, social and economic impacts, including impacts on SMEs and competitiveness. The EESC calls for comprehensive reporting on the competitiveness impacts on the wide diversity of businesses in terms of sector, size and business model, including social economy enterprises.

- 5.3 The EESC appreciates the content of the current toolbox and notes that in an OECD working paper, the European Commission's competitiveness tool has been referred to as the most comprehensive existing document for assessing regulatory impacts on competitiveness⁷. However, there is also an evident need for improvements, especially with respect to the implementation and enforcement of the tools.
- 5.4 According to the Regulatory Scrutiny Board (RSB), the impact analysis has often been underdeveloped, with certain significant impacts not sufficiently assessed. As described in its Annual Report 2021⁸, the RSB frequently asked for further analysis of the impacts on consumers, competitiveness, innovation, Member States and SMEs. It also often asked for further quantification, in particular of the administrative costs and savings. In its Annual Report 2020⁹, the RSB most often referred to a lack of analysis of competitiveness (often linked to insufficient analysis of costs), impacts on SMEs and societal impacts.
- 5.5 The EESC thus highlights the need for impact assessments to focus more on competitiveness to ensure that they are properly balanced. The Committee also thinks it important that the various competitiveness-related parts of the toolbox, including those regarding sectoral competitiveness, SMEs, innovation, competition, internal market, trade and investment, be considered in an integrated way.
- 5.6 The competitiveness check needs to consider the wide diversity of businesses which may be affected in completely different ways. The EESC therefore calls for proper assessment of the impacts on various business sectors and ecosystems, on enterprises of different sizes (including MSMEs), on enterprises operating in different parts of value chains and in different markets and geographic locations, and on enterprises with different business models, including corporations, cooperatives and social economy enterprises.
- 5.7 The EESC calls for specific attention to be paid to the international competitiveness of EU businesses, which is particularly important from the point of view of the EU's open strategic autonomy and the export opportunities.
- 5.8 The EESC emphasises that assessment of competitiveness impacts should not be limited to the impacts of an individual initiative in isolation but should also consider the cumulative burden, especially the compliance costs of legislation or other measures affecting the same actors. Assessment should, moreover, cover both short-term and long-term impacts, including in various foresight scenarios. To find the best policy option, it is also necessary to assess the competitiveness impact of alternative options and spell them out comprehensively. It is also important for impact assessment on competitiveness to focus more and elaborate on quantitative data.

⁷ *How do laws and regulations affect competitiveness*, OECD 2021.

⁸ [Regulatory Scrutiny Board. Annual Report, 2021.](#)

⁹ [Regulatory Scrutiny Board. Annual Report, 2020.](#)

- 5.9 The EESC calls for robust assessment and evidence of both the positive and negative impacts on competitiveness. The aim should not only be to avoid competitiveness losses, but also to strive for a more ambitious goal of improving the overall competitiveness of the European social market economy to favour robust, sustainable and inclusive growth.
- 5.10 The EESC also believes it important to take a comprehensive view of competitiveness in terms of sustainability. Environmental sustainability is linked to business competitiveness, not just as a cost factor but because good environmental performance is expected by several market players, including customers, investors and financiers. The same applies to social sustainability, including respect for human rights, gender equality and labour rights. In doing this, several aspects need to be reconciled, including technological advances, costs and societal acceptance, among others.
- 5.11 As assessment of competitiveness impacts is the factual basis for the competitiveness check, the EESC deems it crucial to ensure that competitiveness impact assessment is mandatory, effective and fully implemented and enforced. It should also be updated in the course of the law-making process if substantial changes are made. At the same time, the EESC stresses that adequate resources and the right skills are needed to accomplish the assessments. The EESC also recommends regular benchmarking of competitor countries' practices.
- 5.12 The competitiveness check should also make full use of other existing tools such as fitness checks, the REFIT programme and the Fit for Future Platform. These are particularly important for assessing the cumulative impacts of various initiatives.

6. Competitiveness check as part of decision-making

- 6.1 The EESC deems that the competitiveness check should be a key part of balanced decision-making and be applied in the context of any kind of EU policy and law-making processes, also covering the EU's strategies and programmes, budget and fiscal provisions, secondary legislation, and international agreements. Moreover, it should be applied to the European Semester process, since Member State policies are crucial in this respect.
- 6.2 While the main focus of the competitiveness check is on initiatives with primary objectives other than improved competitiveness, the EESC calls on the Commission to prepare a specific competitiveness agenda as well, with the long-term goal of enhancing the EU's competitiveness.
- 6.3 The competitiveness agenda should focus on the long-term perspective and pay attention to such basic issues as developing the single market and reducing market barriers; enhancing investment and access to finance and funding, including gender lens investment; facilitating foreign trade and external cooperation; promoting innovation, high-level talent and research excellence; enhancing skills through education, vocational training and life-long learning; making labour markets more inclusive and improving working conditions; speeding up permit procedures, reducing bureaucracy and compliance costs, and making tax systems more encouraging. It should also empower business models that align competitiveness with social and environmental objectives as it happens for example for companies and organisations that adopt ESG criteria for their investments.

- 6.4 Strengthening MSMEs and enhancing the digital and green transition should be essential parts of the agenda as well. Moreover, due attention should be given to Member States' capacities, the differences and necessary cooperation between Member States, as well as to the enforceability of the initiatives and regular monitoring of the implementation and results of the agenda. The EESC also stresses the key role of social dialogue as outlined in the European Pillar of Social Rights.
- 6.5 As regards short-term measures, the EESC appreciates the swift adaptation of the EU competition policy to the COVID-19 pandemic and to the war in Ukraine and their economic implications¹⁰. The flexibility in the application of State aid rules, even though exceptional and temporary in nature, has been vital to enable the survival of EU companies through very hard times, thereby preserving the competitiveness achieved by European companies through innovation and productivity.
- 6.6 Sound and fair competition both internally and in relation to foreign competitors is also of the utmost importance. The Committee appreciates the ongoing work aimed at making the rules on State aid to health and social services of general economic interest (SGEI) more efficient, so as to provide enhanced quality and accessibility of such services for people at the local level¹¹.
- 6.7 The EESC also generally welcomes the Commission's initiative concerning a *Regulation on foreign subsidies distorting the internal market*, since it is aimed at avoiding impactful distortions to the functioning of the single market, thereby ensuring a level playing field with respect to foreign competitors¹².
- 6.8 The competitiveness agenda would be the next step to respond to the basic objective of the request by the Czech Presidency, i.e. to build a stronger and more resilient EU economy. Consequently, it would contribute to the wellbeing of EU citizens and also to the achievement of a climate-neutral and circular economy. As competitiveness is a matter that concerns everyone, the representatives of social partners and other civil society actors need to be closely involved in the preparation of the agenda.

Brussels, 14 December 2022

Christa SCHWENG

The president of the European Economic and Social Committee

¹⁰ [OJ C 323, 26.8.2022, p. 34.](#)

¹¹ [OJ C 323, 26.8.2022, p. 8.](#)

¹² [OJ C 105, 4.3.2022, p. 87.](#)
