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26 February 2019

Mr Donald Tusk
President of the European Council

Preparing the March European Council

The future development of the Single Market and European digital policy in view of preparation for the next Strategic Agenda

Dear Donald,

In the coming months we will set the direction for the Union's coming years. Our main target should be a more forward-looking, productive, fair and globally competitive Union. Every effort is needed to strengthen the slight growth path the EU is reaching.

After 25 years of its creation, the Single Market has been the key driver of the Union's global competitiveness. Together with an ambitious, open and rules-based trade policy, the results are clear with robust growth, more jobs and a higher welfare. The Single Market must remain a source of growth and opportunities for citizens and businesses, by strengthening the four freedoms, embracing new developments and challenges and fostering innovation, including a social dimension. Policy-making needs to focus on the facts and needs and better enforcement so that the Single Market delivers for businesses, consumers, workers and citizens.

In line with the December European Council Conclusions, the EU Single Market priorities for the next five years should include the following building blocks:

- **Strengthening the coherence with all related policies.** The EU should reflect on how to better link Single Market policies with other policies to foster sustainable growth including economic, environmental as well as social sustainability. Continued deepening of the Single Market requires a holistic approach to policy-making where Single Market, digitalisation and industrial policy are tightly interlinked. This implies managing successful transition towards a digitally-driven and sustainable European economy and an offensive industrial policy to innovate and remain globally competitive in key technologies and strategic value chains. To tackle the challenge of shortage of skilled workforce, a future-oriented strategy for continuous learning should be formulated and remaining barriers from labour and learning mobility removed.
- **Embracing the digital transformation.** All the EU policies should be fit for the digital era. A technology-neutral digital infrastructure policy and an innovation friendly regulatory environment are necessary in order to encourage companies to develop and deploy cutting-edge technologies, innovations and new business models. The EU needs to promote international standards and create conditions where the European companies, especially SMEs and startups, and industries can succeed on the global market, benefit from their investments in and scale up their activities. The EU should become a globally significant actor in artificial intelligence and set global standards in ethics. The impacts of the digitalisation to working life and education must also be addressed and digital inclusion promoted.

- **The rise of the service economy.** The focus should be towards mainstreaming and strengthening services, especially digital services and data economy as an integral part of the Single Market. Enhancing the sectors most relevant to the economy is needed. As industry value chains are highly dependent on services, it is necessary to remove remaining cross-border obstacles as well as to prevent any new barriers and risk of fragmentation in this regard. This requires a thorough sector-by-sector analysis. On this basis, a proper implementation and enforcement of the Services Directive as well as mutual recognition of professional qualifications should be guaranteed. Member States should also commit to improving their performance in reducing service restrictiveness.
- **The rise of the data economy.** The EU should aim at a sustainable, competitive, secure and human-driven data economy. This implies availability and use of data, empowering citizens to use their rights, and respecting privacy. New EU initiatives concerning data should promote open data interfaces and interoperability. The EU should provide frameworks and standards to ensure coherent, secure and efficient data sharing across the EU. Access to data on fair, reasonable and non-discriminating terms should be promoted. The practices of human-centred and ethical data management should be further strengthened. The EU should foster the principle of free flow of data also in relations with our trade partners.
- **Transition to a greener economy.** The EU should focus on finding solutions that enable the EU to meet its climate and energy targets cost-efficiently, enhance energy security and further strengthen the Energy Union, while ensuring and improving the competitiveness of the European industry. Advanced sustainable policies are needed to drive the development and implementation of new technological and innovative solutions that create sustainable growth, and give European companies a global competitive advantage. The shift to low carbon economy requires policies that enable action across sectoral boundaries.
- **Efficient implementation and enforcement at all levels.** Coherent and effective application of the acquis needs to be ensured by a strong commitment on all political levels. We encourage a new Commission to strengthen the focus on implementation and enforcement, including at the highest political level. At the EU and national level, more attention should be paid to the unified implementation, application and enforcement. Businesses should be provided sufficient information of the rules they need to comply with when conducting business across borders. A long-term action plan for better implementation and enforcement is needed to make current rules work in practice.
- **Strengthening European capital markets.** Developing open and globally competitive European capital markets advances European businesses' access to financing other than from traditional banking and allows to better match investments needs and savings. Extending and incentivizing cross-border private risk sharing and risk diversification across Member States will also make the Economic and Monetary Union (EMU) more robust. To ensure additional reduction of barriers to capital flows the EU's Capital Markets Union need to be further developed.

We are committed to working towards these shared priorities. Together we can ensure that the Single Market provides a solid underpinning for an outward-looking, confident and more autonomous European Union in a challenging global environment.

Yours sincerely,

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Copied to

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Mr Jean-Claude Juncker, President of the European Commission