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An EU industry fit for the future

“This is about preparing us for the future. Our economy is transforming before our eyes and the world around us is changing faster than ever. And if Europe is to succeed, it cannot afford to fight that transformation. Rather, it must be the first to adapt to it, the first to shape it. And I believe our industry can lead the way.”

Jean-Claude Juncker, President of the European Commission, at the EU Industry Days 5 February 2019

The Juncker Commission is working to help EU companies be fit for the future, for instance in the following ways:

**Significant EU investments geared at industrial innovation**

Since 2015, the Juncker Plan has mobilised €380 billion of investment and supported 842,000 small and medium businesses across all Member States.

In the 2014-2020 EU budget period, almost €190 billion from the EU budget is invested in research, innovation and the competitiveness of SMEs under the European Structural and Investment Funds, Horizon 2020 for research and development and COSME, the EU programme for the Competitiveness of Small and Medium-Sized Enterprises, helping SMEs get better access to finance.

In its proposal for the next long-term EU budget for 2021-2027, the Commission proposed to increase funding for investment, research and innovation:

- €90 billion for the future Cohesion Policy funds
- €100 billion for Horizon Europe programme
- €9 billion for Digital Europe programme
- €650 billion for InvestEU

Across Europe, there are 249 Digital Innovation Hubs, regional digital one-stop-shops for companies, supported by the Commission.

**OUR INDUSTRY:**

Employ almost 37 million people directly and created 1.7 million jobs since 2013

Accounts for more than 2/3 of our exports

Is growing again and now represents 25% of the EU’s Gross Value Added
“The Single Market is our greatest asset in Europe. It is the engine behind our economic growth, it creates jobs and enhances our industrial competitiveness. We need to resist the temptation to draw up domestic barriers within the Single Market and try to pull together instead. This will ensure that the Single Market delivers prosperity to the citizens and becomes a real launchpad for our innovative companies.”

Elżbieta Bieńkowska, Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, at the EU Industry Days, 5th February 2019

An essential level playing field for companies: our Single Market

Thanks to the Single Market, one of the largest markets in the world, EU companies benefit from a unique springboard to compete globally. They have access to a large pool of consumers, benefit from more diverse, higher quality and cheaper inputs and operate under cutting edge standards, which position them well to take the lead globally. The Commission works constantly to increase the benefits of the Single Market:

The Single Market: a market of more than 500 million consumers, more choice, innovative products and better prices thanks to fewer technical, legal and administrative barriers.

In today’s world, hardly any advanced product is made in isolation, and this is why it is essential for European firms to be part of integrated and seamless production chains, starting at home on the European market. This graph illustrates the production chain of a typical European windmill.

The Commission provides greater regulatory predictability and unprecedented investment opportunities in key sectors of the economy such as with:

- The establishment of a Digital Single Market;
- The deepening of the Energy Union;
- Advancing on the Circular Economy;
- The increased use of new EU-funded space infrastructure and services

The Commission also works to diversify sources of funding for European industry and businesses by removing obstacles to the free flow of capital and investments across EU borders under the Capital Markets Union, which we now need to complete.

The Digital Single Market is also tearing down regulatory barriers and unlocking opportunities for consumers, companies and e-commerce. For example, the new Regulation against unjustified geo-blocking will boost cross border sales and e-commerce.

Through the Single Market and by speaking with one voice in international trade negotiations, the EU has leverage to open up markets abroad, creating business opportunities for European companies such as the Economic Partnership Agreement with Japan, the biggest trade agreement in force.
Focus on strategic value chains

The EU should foster industrial cross border cooperation, with strong European players, around strategic value chains that are key to EU industrial competitiveness and strategic autonomy. The Action Plan on Artificial Intelligence and the European battery alliance project are important steps in this direction.

The European Commission’s approach to artificial intelligence and robotics deals with technological, ethical, legal and socio-economic aspects to boost the EU’s research and industrial capacity and to put Artificial Intelligence at the service of European citizens and economy. Artificial intelligence has become an area of strategic importance and a key driver of economic development. However, socio-economic, legal and ethical impacts have to be carefully addressed. The EU must join forces to stay at the forefront of this technological revolution, to ensure competitiveness and to shape the conditions for its development and use, ensuring respect of European values.

The Commission has put in place flexible State aid rules to smoothen the way for Important Projects of Common European Interest, which are innovative research projects that often entail significant risks and require joint, well-coordinated efforts and transnational investments by public authorities and industries from several Member States. The Commission fully supports that Member States and their companies come together to enable such important projects. The Commission is doing its utmost to facilitate such cooperation with positive spill-over effects across Europe.

Important joint efforts and investments are being made on high-performance computing, microelectronics and batteries, and the Commission has identified another six areas of strategic European interest that could potentially lead to future Important Projects of Common European Interest:

- Connected, clean and autonomous vehicles
- Hydrogen technologies and systems
- Smart health
- Industrial Internet of Things
- Low-carbon industry
- Cybersecurity

At the end of 2018, the EU agreed on the Cybersecurity Act, which reinforces the mandate of the EU Agency for Cybersecurity to improve the support for Member States in this field and establish an EU framework for boosting the cybersecurity of online services and consumer devices.

The Commission also aims to provide industry and businesses with access to world-class supercomputer thanks to its High Performance Computing (HPC) strategy.

5G networks will provide the future backbone of our societies and economies, connecting billions of objects and systems, including sensitive information and communication technology systems in critical sectors.

To safeguard against potential serious security implications for critical digital infrastructure, a common EU approach to the security of 5G networks is needed. To kickstart this, the European Commission will issue a Recommendation following the European Council.

A socially fair approach to industrial transition

The European Pillar of Social Rights provides a comprehensive policy framework to steer employment and social performances across the European Union.

As part of the follow-up to the European Pillar of Social Rights, the Commission is rolling out a Skills Agenda for Europe to help bridge the skills gap and support workers in developing new skills, especially digital, for today’s and tomorrow’s job markets.
The European Social Fund will continue to invest in the skills of Europe’s workforce.

In the event of company restructuring, the European Globalisation Adjustment Fund can step in to support European workers who lost their jobs through dedicated training and employability measures.

To help regions stand their ground in a globalised economy and a changing world, the EU has been helping them to invest in their niche areas of competitive strength (so-called “smart specialisation”) and partner with other regions to create innovation clusters.

“It is high time to realise that meeting our ambitions as regards climate-neutral European economy by 2050 will not be possible without a decisive transformation towards resource efficiency and circularity. The Circular Economy is the industrial leg of fighting climate change, and EU industry can turn it into its competitive advantage.”

Jyrki Katainen, Vice-President for Jobs, Growth, Investment and Competitiveness, 2019

A long-term vision for a clean and circular economy

With the Commission’s proposal to have 25% of the next EU budget contributing to climate objectives, the EU will stay at the forefront of the decarbonisation transition.

Industry will benefit from new business solutions and technologies and new job opportunities will be created.

- The Commission set out a vision to become climate neutral by 2050. This strategic steer is essential to drive investments forward and make sure our industry remains cutting edge in providing the solutions and products which the world of tomorrow needs.
- The Commission has proposed new emissions limits for CO2 and air pollutants, introduced more reliable, stricter emissions tests and reformed rules on how a car is placed on the EU market.
- The Commission’s Circular Economy Action Plan unlocks industrial opportunities by using innovative, resource-efficient ways to provide products to customers.
- The Capital Markets Union will ensure that the financial sector is playing its role in the transition towards a less carbon-dependent economy.
- The Commission also proposed an EU-wide classification system, which will allow investors and financial institutions to determine whether activities and investments are sustainable.
The EU, a single market for public procurement

The establishment of a single market for public procurement is one of the key achievements of the internal market.

While reflecting the increasingly global nature of public procurement markets, a more strategic approach to the EU’s procurement framework could help to identify and address obstacles and loopholes that impede a level playing field in practice. For instance, the rules could be revised or their application strengthened in order to ensure that procurement procedures conducted in the EU on the basis of international agreements comply with the Treaty principles of transparency and equal treatment. Further, public procurement for projects benefitting from EU funding should guarantee a high standard of quality, security, sustainability and social responsibility.

The Commission, together with Member States, will conduct an overview of the implementation of the current framework to identify shortcomings before the end of 2019.

In addition, the Commission will publish by mid-2019 guidance on the legal framework on participation of foreign bidders and goods in the EU market, taking into account EU and international rules on procurement, including on abnormally low tenders, as well as respect of security, labour and environmental standards, and State aid rules.
Screening of foreign investment — an EU framework

‘Europe must always defend its strategic interests and that is precisely what this new framework will help us to do. This is what I mean when I say that we are not naïve free traders. We need scrutiny over purchases by foreign companies that target Europe’s strategic assets.’

Jean-Claude Juncker, President of the European Commission, 2018

‘This Regulation shows the willingness of Europe to deliver on a strong demand from our citizens and stakeholders. In an increasingly interconnected and interdependent world, we need means to protect our collective security while keeping Europe open for business.’

Cecilia Malmström, Commissioner for Trade, 2018

Welcoming foreign direct investment while protecting essential interests

Foreign direct investment from third countries is a source of growth and jobs.

The **EU has one of the world’s most open investment regimes**, as acknowledged by the OECD.

The EU wants to and will remain the most attractive destination for foreign direct investment in the world. However, in exceptional cases, foreign investments may represent a risk for security or public order in Member States or in the whole Union. This could be the case for example when a foreign investor seeks to acquire control of European businesses whose activities affect critical technologies, infrastructure, inputs or sensitive information. In some cases, the risk may be exacerbated by the fact that investors are owned or controlled by the state of a third country.

Following a proposal by the European Commission, the EU has just adopted a European framework to screen foreign direct investment. Member States should now ensure its swift, full and effective implementation.

**THE EU IS THE WORLD’S LEADING SOURCE AND DESTINATION OF FOREIGN DIRECT INVESTMENT**

The companies controlled by third country investors are still small in number in the EU, but they have a significant economic impact because of their larger than average size and their focus on high-technology sectors.

New investment trends are appearing with some emerging economies, playing an increasing role as providers of foreign direct investment.

There are growing concerns in Europe about the impact that certain foreign acquisitions may have on security and public order.

<table>
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<tr>
<th>Country</th>
<th>Inward Investment (trillion EUR)</th>
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<tr>
<td>EU</td>
<td>5.7</td>
</tr>
<tr>
<td>US</td>
<td>5.1</td>
</tr>
<tr>
<td>China (including Hong Kong)</td>
<td>1.5</td>
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Inward investment in trillion EUR (in 2015)
EU framework for screening foreign investments

Member States and the Commission will, for the first time, have the possibility to cooperate on incoming foreign direct investment affecting security and public order.

MEMBER STATE WHERE THE INVESTMENT TAKES PLACE

- has to provide information on the investment upon request
- has to notify cases which undergo national screening
- can request comments/opinions

OTHER MEMBER STATES

- can request additional information
- can provide comments

EUROPEAN COMMISSION

- can request additional information
- can issue opinions (possibly following comments from other Member States)

MEMBER STATE WHERE THE INVESTMENT TAKES PLACE

- has to take into account comments and opinions received
- has the final word on how to treat the investment

Usual length of procedure: 35 days

WHAT INFORMATION WILL BE EXCHANGED?

- Who is the investor and the target company?
- In which sectors do they operate and where?
- What is the value of the investment and where the funding is coming from?
- When does the transaction take place?

PROJECTS & PROGRAMMES OF UNION INTEREST

- The Regulation lists several EU funded projects and programmes which may be relevant for security and public order, and which will deserve a particular attention from the Commission.
- That list includes for instance Galileo, Horizon 2020, Trans-European Networks and the European Defence Industrial Development Programme. The list will be updated as necessary.

Criteria that may be taken into account

The Regulation sets an indicative list of factors to help Member States and the Commission determine whether an investment is likely to affect security or public order. That list includes the effects of the investment on:

- critical infrastructure,
- critical technologies,
- the supply of critical inputs, such as energy or raw materials
- access to sensitive information or the ability to control information, or
- the freedom and pluralism of the media.

Member States and the Commission may also consider whether the investor is controlled by the government of a third country, whether the investor has previously been involved in activities affecting security or public order, or whether there are serious risks that the investor engages in criminal or illegal activities.
Framework for the screening by Member States

The Regulation does not require Member States to introduce foreign investment screening mechanisms. Member States may maintain their existing screening mechanisms, adopt new ones or remain without such national mechanisms.

14 EU Member States currently have screening mechanisms of foreign investment. Several are in the course of reforming them, or adopting new ones.

The Regulation does provide for some key requirements for national screening mechanisms:

- transparency of rules and procedures,
- non-discrimination among foreign investors,
- confidentiality of information exchanged,
- the possibility of recourse against screening decisions, and
- measures to identify and prevent circumvention by foreign investors.

The Commission will publish and keep up-to-date a list of screening laws in the EU.

List of Member States with investment screening rules:

<table>
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<tr>
<th>Austria</th>
<th>Hungary</th>
<th>Poland</th>
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<td>Denmark</td>
<td>Italy</td>
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<td>Finland</td>
<td>Latvia</td>
<td>Spain</td>
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<td>France</td>
<td>Lithuania</td>
<td>United Kingdom</td>
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Trade Defence Instruments

“The EU is and will remain one of the most open markets in the world. We are and will remain in the first line defending open, fair and rules-based trade. This, however, should not be mistaken as naivety. Our unshakable and facts-based conviction that trade brings prosperity will not prevent us from defending our workers and companies with all legitimate tools when others do not play by the rules. With this new legislation and a new set of modernised tools that will be soon in place, Europe will be able to keep pace and deal more effectively with the ever changing realities of the international trading environment.”

Jean-Claude Juncker, President of the European Commission, 20 December 2017

Open trade creates opportunities for companies and supports jobs, but it requires that fair competition, without distortions, is maintained between domestic and foreign producers. The EU stands firm against unfair trade practices.

Trade defence instruments (TDIs) shield European industry from the harmful effects of dumped or subsidised imports. They allow the EU to react to unfair competition in case products are sold below the market price or have been manufactured with support of unjustified public funding in a country they come from. These measures usually take the form of an extra import duty that brings prices to a fair, sustainable level.

The Juncker Commission used these instruments when necessary to defend European companies and workers, and conducted a much needed modernisation of Europe’s defence tools.

However, these instruments do not cover all potential effects of unfair subsidies or support by third countries.

To close this gap, it is necessary to identify how the EU could appropriately deal with these distortive effects.

Using the trade defence framework to its full extent

The EU currently has 135 anti-dumping and anti-subsidy measures in place, as well as 3 safeguards.

A EUROPE THAT PROTECTS

52 anti-dumping and anti-subsidy measures in place

defending a total of 320,000 direct jobs

including 216,000 jobs in the steel sector

STEEL SECTOR

52 anti-dumping and anti-subsidy measures in place in the EU concern steel products. These measures protect 141,000 direct jobs in the sector. EU trade defence action brought tangible signs of a recovery. Following earlier severe losses related to the global overcapacity crisis, in 2017 profitability ranged between between 2% and 8% and EU production increased by over 4% (compared to 2016).

Following the import restrictions imposed by the US in the spring 2018, the Commission shielded EU steel sector from consequences of trade diversion into the EU by imposing safeguard measures defending 216,000 EU jobs. Provisional measures imposed in July 2018 have been extended for three years.
Modernising Europe’s trade defence instruments

The Juncker Commission implemented a major overhaul of the EU’s trade defence instruments. These changes ensure that Europe’s defences remain fit for purpose in an ever changing global landscape, while fully respecting the EU’s international obligations.

A modernised set of trade defence rules (in place since June 2018) that will:
- enable the EU to impose higher anti-dumping and anti-subsidy duties;
- allow the Commission to start an investigation on its own initiative;
- shorten the period to impose provisional and definitive duties;
- increase transparency and predictability of the system for EU firms;
- facilitate access to smaller businesses;
- reflect the high environmental and social standards applied in the EU;
- allow trade unions to participate in the process alongside the industry.

A new anti-dumping and anti-subsidy methodology (in place since December 2017):
- Introduces a new way of calculating whether dumping has occurred in imports into the EU from countries where the economy is distorted owing to state interference;
- social and environmental standards are taken into consideration;
- allows for higher anti-subsidy measures, by taking into account additional findings detected during an investigation.
Public procurement

The **EU public procurement market is one of the largest and most open in the world.**

In Europe, companies from other countries can bid for public tenders on an equal footing with European companies. However, many of the EU’s major trading partners apply restrictive practices that discriminate against EU businesses. The EU needs instruments to have leverage and ensure reciprocity.

That’s why the European Commission presented in 2016 a revised proposal to create an **International Procurement Instrument.**

The Commission calls on the European Parliament and EU Member States in the Council to restart discussions and **adopt the International Procurement Instrument before the end of 2019.**

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**WHAT IS PUBLIC PROCUREMENT?**

Public procurement is about how public authorities spend public money to buy goods and services. This can range from buying computers, to building a road or managing a transport network. Public procurement represents a significant part of national economies.

In the EU, this amounts to €2.4 trillion a year, nearly one fifth of Europe’s GDP. Most of the world’s procurement market is closed to international competition.

Public procurement **is not about privatising companies or services**, but rather about what rules public entities have to apply when they buy goods and services using public money.

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**Unlocking Public Procurement Opportunities**

The EU has long been a strong advocate for an ambitious opening of international public procurement markets.

- **At global level**, the EU is part of the Agreement on Government Procurement concluded in the World Trade Organisation framework. It allows EU companies to bid for certain public contracts of 18 other WTO partners.

- **Bilaterally**, the EU has agreements with countries across the world to ensure European companies better conditions when it comes to public procurement. That is the case of the recent trade agreements with Canada and Japan: EU companies can now bid for public tenders not only at federal but also at **provincial and local level in Canada and in 54 major Japanese cities**. Provisions on public procurement are also included in other trade agreements currently under negotiation, for instance with Mercosur (Argentina, Brazil, Paraguay and Uruguay).
Ensuring more reciprocity – the International Procurement Instrument

Many countries whose companies benefit from access to the EU public procurement market do not offer similar treatment to EU firms in their procurement markets.

Therefore, the Commission aim is to:

- provide leverage for the EU while negotiating market opening with third countries;
- enforce the principle of balanced reciprocal market access for EU business to third countries’ procurement markets;
- improve the level playing field;

This could be achieved provided that the European Parliament and Council approve the revised proposal for an International Procurement Instrument presented by the Commission in 2016.

How would it work?

The Commission initiates an investigation in case of alleged restrictive and/or discriminatory measures or practices against EU companies in procurement markets of countries outside the EU.

The Commission will invite the country concerned to start consultations to remedy the situation in case such an investigation would confirm restrictive or discriminatory measures or practices.

As a last resort, after consultation with EU Member States, the Commission could apply measures restricting the access of:

- companies,
- goods and
- services

from the third country concerned to the European procurement market.

Other features of the International Procurement Instrument

- It applies to contracts that are not covered by international commitments of the EU (e.g. under the WTO Agreement on Government Procurement Agreement or EU bilateral agreements that include provisions on public procurement.)
- It applies to contracts where the goods or services are procured for governmental/public purposes (not where goods are purchased for commercial resale or for production of goods for commercial sale)
- Exemptions – Least developed countries and small and medium size enterprises are not affected.
Competition policy in support of global competitiveness

“We will always allow competition that is fair for business and ultimately fair for the consumer. We have shown that time and again. We want strong European companies that can compete on the global scene. In nearly 30 years since the first European merger rules came into place, we have approved more than 6,000 deals – and blocked less than 30.”

Jean-Claude Juncker, President of the European Commission, 5 February 2019

“Competition rules are one of the keys to keep Europe competitive in global markets. We need to combine several tools not only to get the full picture but also the full effect: an effective industrial policy and competition enforcement, together with our international policy instruments. And we must engage in a strategic reflection about how to maintain and advance European competitiveness and autonomy.”

Margrethe Vestager, Commissioner for Competition, 6 February 2019

A rigorous, balanced and effective competition policy is one of the cornerstones of the European internal market and of a social market economy. Competition rules and industrial policy objectives have co-existed since 1958 without preventing Member States from pursuing their industrial goals.

Competition policy is an ingredient for a strong industrial strategy, a strategy that supports the competitiveness of European companies within the Single Market and at global level.

A company is not going to be competitive abroad if it does not have any competition at home. Unchallenged companies are not likely to be innovative or flexible. Competition policy with its different instruments not only ensures that we have open and fair competition within the internal market and fair prices for customers but also ensures that our companies have an incentive to remain competitive.

EU merger control

EU merger control rules were agreed and adopted by EU Member States to ensure that consumers and business customers do not suffer in terms of higher prices or less choice.

These rules allow companies to grow by buying other businesses whilst keeping markets open. Prohibitions of mergers remain exceptional and typically concern cases where the merging parties are not ready to submit appropriate remedies, which are viable and sufficient in scope to address the harm identified.

Merger control rules have a proven track-record of
contributing to the competitiveness of the Internal Market and consumer welfare in Europe. The application of these rules by the Commission offers companies clarity and legal certainty, with decisions based on facts and objective legal and economic analysis.

The Commission's merger assessment is focused on the concrete effects of the merger on customers. This assessment is not restricted to effects on prices, but includes other dimensions of competition, such as variety of choice, innovation, or quality.

EXAMPLES OF MERGERS CREATING STRONG EUROPEAN COMPANIES APPROVED BY THE COMMISSION

**BASF/Solvay (2019)**

In January 2019, the Commission approved, subject to remedies, the acquisition by chemical company BASF, headquartered in Germany, of the nylon business of Solvay, a global manufacturer of chemicals and plastics headquartered in Belgium.

The transaction raised competition concerns in the markets for nylon compounds where both companies had strong or dominant market positions throughout the value chain.

The remedies offered by the companies addressed these concerns and ensure that the merger will not lead to higher prices or less choice for European businesses and, ultimately, consumers.

**Essilor/Luxottica (2018)**

In March 2018, the Commission approved the merger between Essilor, headquartered in France, and Luxottica, headquartered in Italy. Essilor is the largest supplier of ophthalmic lenses, both worldwide and in Europe. Luxottica is the largest supplier of eyewear, both worldwide and in Europe, and has well-known brands in its portfolio such as Ray-Ban and Oakley.

The Commission found that the companies sold mostly complementary products, which do not compete with each other, and that no competition concerns were raised by the merger in the European Economic Area.

The Commission's unconditional approval allowed the creation of EssilorLuxottica, the world's largest company in the eyewear business.

**Peugeot/Opel (2017)**

In July 2017, the Commission cleared the acquisition of Opel by Peugeot, two of the largest manufacturers of passenger and light commercial vehicles in Europe.

The Commission found that the combination of the two companies would not raise competition concerns and approved the creation of a new group that now accounts for the sale of over one out of every six cars sold in the EU.
The Commission also looks carefully at whether the markets affected by a merger are local, national, Europe-wide or worldwide, considering factors such as how easily products can be transported over long distances and the extent to which customers trust the quality and reliability of supplies from outside Europe. The competitive pressure of existing or potential competitors outside Europe is included in the Commission’s analysis of the effects of a merger. With growing globalisation, the percentage of markets defined as worldwide in EU merger investigations has accordingly grown over the years.

ENSURING A LEVEL PLAYING FIELD IN A CHANGING WORLD

EU policy tools do not fully address the effects within the EU internal market of subsidies granted by foreign governments.

**EU competition policy** instruments apply without discrimination to all economic operators, irrespective of their origin. **EU state aid rules** only cover aid granted by Member States. Further, **EU merger control** does not allow the Commission to intervene against the acquisition of a European company solely on the grounds that the buyer benefitted from foreign subsidies. **Trade defence instruments** address subsidies that affect the price of products imported into the EU.

However, these instruments do not cover all potential effects of unfair subsidies or support by third countries.

To close this gap, it is necessary to identify how the EU could appropriately deal with the distorting effects of foreign state ownership and state financing of foreign companies on the EU internal market.

To fully address these effects, the Commission will identify before the end of 2019 how to fill existing gaps in EU law.

Overall, the core values of EU competition rules have proven to work well over the years. This is confirmed by different studies and public consultations over the last years. For example, a conservative assessment estimates that average annual customer savings from Commission’s merger decisions in the last years have been between EUR 5 and 8.5 billion.

The Commission is actively reflecting, with the help of independent experts and public input, on the future challenges of digitisation for competition policy. This affects all sectors of our economy, including industry, services and transport.

Some of the issues to be considered include the role of platforms in the digital economy, the extent to which the monopolisation of data could harm innovation and whether the purchase by large tech companies of start-ups early in their life is removing serious future competitors from the market.

As part of the reflection process on competition rules, the Commission also continues to consider how to make European industries even stronger. It is doing so, for example, through its framework for Projects of Common European Interest. This can contribute to Europe staying at the forefront of key technologies that will shape its future.

These Important Projects of Common European Interest (IPCEIs) can be ambitious cross-border research and innovation projects that often entail significant risks, which private investors are not willing to take on by themselves. In such cases, public support from several EU Member States may be necessary to fill the financing gap to overcome market failures. The public support can unlock or leverage significantly higher amounts of private investments, which would otherwise not have taken place.

That is why the Commission has put in place simpler EU state aid rules (the IPCEI Communication) to smooth the way: at least two Member States can pool their resources to support a project of common European interest in all sectors, including transport, energy and information technology. They can grant support in a number of forms (loans, repayable advances, guarantees or grants) to cover up to 100% of the funding gap, including for the first industrial deployment of a research, development and innovation project, i.e. the up-scaling of the pilot facilities and the testing phase while preparing for mass production.
MICROELECTRONICS

In December 2018, the Commission approved under the IPCEI framework €1.75 billion of public investment, which will unlock an additional €6 billion of private investment for research and innovation in microelectronics. Four European countries – France, Germany, Italy and the UK – and around 30 companies and research institutions will join forces to enable research and innovation in this key technology.

The project participants and their partners will focus their work on five different technology areas, including energy efficient chips, power semiconductors, smart sensors, advanced optical equipment and compound materials. All five technology fields are complementary and interlinked, with the components being useful in different applications, including in the automotive sector.

This was the first research and innovation project approved under the special, leaner rules for State aid for projects of strategic European interest.

There are a number of other areas that could benefit from such European cooperation. That choice is for Member States and their companies to make and the Commission is doing its utmost to facilitate IPCEIs.