



Denmark in Europe

30 Paths to a Better Single Market



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The Danish Government

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Any correspondence about this publication should be addressed to

The Ministry of Business and Growth
Slotsholmsgade 10-12
DK-1216
Copenhagen K
Denmark
Tel.: +45 33 92 33 50
evm@evm.dk

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30 Paths to a Better Single Market

EUROPE MUST GET ON THE TRACK TO GROWTH

Europe must get back on track to growth. And Denmark must contribute. That is why I am presenting this publication containing 30 specific initiatives in the business and growth area which can contribute to an even better single market in the EU for the benefit of the economy and employment.

These initiatives are cost-effective and specific, and they create better framework conditions for companies. This will foster private investments and contribute to sustainable growth.

Furthermore, it is a characteristic of many of the initiatives that they have been developed in dialogue with the business community. My position on this is clear: it is by companies that future growth and jobs in Europe will be created. What we politicians can and must do is to provide the best possible frameworks for sustainable growth and employment.

My reason for presenting these initiatives now is that I am conscious of the strong focus that is being placed on Europe's future business and growth policy. The President of the European Commission, Jean-Claude Juncker, has announced very clearly that the top priority of the forthcoming years' work is to put Europe back on the path to jobs and growth. I could not agree more.

We need to make an effort in many areas if we are to create more growth in Europe. In this publication, the focus is, however, exclusively on how we can strengthen the single market and European companies.

These 30 initiatives that you are about to read can, individually and all of them together, contribute to an even more well-functioning single market and even stronger European companies, for the benefit of Europeans and for the benefit of Danish companies and employees.

I hope you will enjoy reading this publication.

Henrik Sass Larsen

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PRIORITIES TO STRENGTHEN THE SINGLE MARKET

A new European Parliament has been elected and a new European Commission has been appointed. The European agenda for the years ahead is now being set. This publication presents a number of benchmarks for the single market, which should be one of the key focal areas in the growth policy in Europe.

It is a bumpy road to economic recovery in Europe. It is therefore of the utmost importance to maintain a focus on enhancing the conditions for growth. It is a prerequisite for bringing Europe out of the crisis and creating new jobs.

Recent years have shown how important it is to have healthy public finances as a basis for confidence in the European economies. Recent years have also shown that it is very demanding to reverse an increasing trend in government debt when the EU as such is challenged by low growth. In order to leave the crisis behind, it is therefore necessary that the consolidation of public finances; the expansionary monetary policy; and the effort to ensure solid financial institutions are supplemented with initiatives that can boost growth sustainably and, consequently, boost the revenue that is needed to pay the debt that has accumulated.

In Denmark, the Government has initiated a proactive business and growth policy and launched a great number of initiatives aimed at boosting growth in Denmark. They include e.g. the Growth Package in spring 2014 and the growth plans for eight large business areas where Denmark has international competitiveness. In addition, there is Business Forum for Simpler Rules, the objective of which is to make it easier and less expensive to do business in Denmark, thereby enabling companies to focus on creating growth and jobs. Lastly, the Danish Government has launched a strategy for Denmark as a Production Country where the goal is to exploit the opportunities of advanced production.

The need for creating jobs and employment in Europe is also a key challenge in the European Council's strategic agenda for the years ahead. The agenda, adopted on 26-27 June 2014, underlines that European economies are to be strengthened by fully exploiting the single market's potential; by fostering the entrepreneurial climate and job creation; and by investing in improving e.g. the telecommunications infrastructure and energy efficiency in Member States. Efforts must also be made to ensure that the EU as such stands strong in the global market, for example through the conclusion of international trade agreements. To this should be added the new European Commission's recently presented proposal to boost investments in the EU Member States for the purpose of fostering productivity and growth. These are initiatives that will contribute to strengthening the economies of Europe and, consequently, Denmark.

The European countries face a number of common challenges. Therefore, there is a need for joint action to boost growth and job creation in the EU. The focus of this publication is on improving the opportunities of companies and consumers in the single market. Good framework conditions and a sound industrial base in the EU are important building blocks for improving companies' opportunities. The Danish Government recommend a proactive effort in five main areas:

- *A healthy financial sector ensures access to capital*

A stable financial sector will increase confidence in the economy and can contribute to boosting growth by providing financing to companies. Therefore, the reform measures that have been adopted concerning the financial sector must be maintained and imple-

mented. Furthermore a focus must also be placed in the future on strengthening the financial regulation as well as improving access to finance for new solutions and markets.

- *Digital markets and consumers*

Digitisation provides easier access to goods, services and digital content such as films and music across borders. This also implies that new business opportunities arise, for example within the collaborative economy. However, the rules are not geared to enable consumers and companies to optimally exploit digital infrastructure, data, and the opportunities to gain access to new markets.

- *Open and well-functioning markets*

The economic crisis has resulted in a tendency to protect national production and limit the free movement of both goods and services across borders. However, free trade is part of the solution to the financial crisis, not the problem. That is the reason why we must open the single market to the world at large through free trade agreements with, for example, the USA. We must also open up the single market in new areas within the EU, in particular with regard to services. In addition to this comes the importance of a well-functioning single market for energy, including green energy.

- *Advanced production*

The production industry is a driver for growth, and it is increasingly difficult to separate research and development from production. It is therefore crucial that companies in the EU should have access to new technology in order to produce innovative solutions with less resource consumption.

- *Better regulation*

Unnecessary rules and administrative burdens on companies must be limited to a minimum, and there should also be room for diversity among the Member States to ensure that well-functioning national systems can be maintained. Legislation and rules should, at the same time, be uniform across the EU and should encourage companies rather than limit their endeavours to use smart solutions in the administration of rules and regulations.

The following pages present a number of specific proposals for how action can be taken.



1. A HEALTHY FINANCIAL SECTOR ENSURES ACCESS TO CAPITAL

Good framework conditions are the foundation for creating new growth in companies in Europe. This applies among other things in relation to companies' access to financing.

A healthy, stable and well-functioning financial sector is a prerequisite for growth and employment in Denmark and in the EU. A stable financial sector will increase confidence in the Danish economy and can provide financing to companies and households on competitive terms.

In the wake of the financial crisis, a number of EU financial regulatory reforms have been implemented. The reforms include:

- stricter capital and liquidity requirements that will reduce the risk of a new financial crisis and subsequent negative impact on the real economy,
- increased transparency and better supervision that will enhance credibility of financial undertakings, which will consequently find it easier to support the economy through lending and financing for private households and companies,
- common and effective rules for handling ailing banks that will contribute to healthy incentives and to severing the ties between banks and central treasuries, which will reduce the risk of saddling taxpayers with the costs of crises,
- securities regulation, including trade in financial derivatives, which will generate transparency and reduce the risk of contagion between financial undertakings.

Furthermore, agreement has been reached on the establishment of a Banking Union in the EU where the Euro Area Member States will be subject to common banking supervision under the auspices of the European Central Bank and will, if necessary, be resolved by a Single Resolution Authority (SRA). Non-Euro Area Member States have the possibility to join the Banking Union. The Government will decide on potential Danish participation based on an overall assessment of advantages and disadvantages against the background of an in-depth analysis of financial, economic, legal and EU-policy consequences of Danish participation. The Banking Union will contribute to financial and economic stability in the Euro Area and in the EU as such and, consequently, also in Denmark, irrespective of whether Denmark participates in the Banking Union or not.

At the same time, a number of resolutions and directives are still being negotiated in the EU. For instance two proposals are to reduce risks in the so-called shadow banking sector. This sector operates in parallel with the regular banking sector and conducts credit intermediation without being subject to the same requirements regarding e.g. capital liquidity and supervision. Risks linked to the shadow banking sector should be countered to ensure that the effectiveness of the implemented tightening of regulations governing the regular banking system is not reduced.

A third proposal concerns the regulation of reference rates that are used to fix interest rates of e.g. mortgage credit bonds, including the Danish Cibor and CITA reference rates. The new rules are meant to prevent new scandals regarding interest rate manipulation that have occurred in a number of countries. In addition, negotiations are currently taking place regarding a proposal for structural reforms in the banking area to prevent risks and the collapse of large complex and connected entities in the financial sector.

It is important that the financial regulatory reforms should be fully implemented and that measures which have been adopted should be maintained and implemented for the benefit of the economy, and that the adopted financial regulation should be maintained after the crisis.

Also it should be carefully considered how the European Commission's proposal for structural reforms can be implemented most expediently. In the negotiations on the proposal, consideration must be given to already adopted rules in the directive for the Bank

Recovery and Resolution Directive. Similarly, any negative impact on the liquidity of especially the mortgage bonds market must be avoided.

The economic and financial crisis in Europe has implied that many companies and especially small and medium-sized enterprises (SMEs) have found it harder to obtain financing for their investments. This is among other things due to the fact that they do not have access to capital markets to the same extent as large companies.

Access to financing remains one of the most serious challenges to companies in the EU¹. According to the most recent survey from the European Commission and the European Central Bank, it is in particular SMEs as well as young companies that find they have limited access to financing. Altogether, approximately a third of the responding SMEs did not obtain the financing they had planned during the course of 2013, and 15 per cent of the respondents experienced the lack of access to financing as an essential problem for the development of their business. There is, however, great variation across EU Member States. The President of the European Commission, Jean-Claude Juncker, has among other things called for a capital markets union with a view to facilitating the access of in particular SMEs to financing. This is to be achieved by developing and integrating capital markets in such a manner that it will become easier for companies to obtain capital without applying for traditional bank financing.

Lack of access to financing reduces companies' competitiveness and may lead to healthy investments in e.g. new technology, research and development, as well as projects that can ensure access to raw materials not being implemented. This hampers growth and job creation in Europe. Targeted initiatives at EU level that can contribute to establishing a well-functioning European market for the financing of SMEs and, consequently, supplement national initiatives will make it possible to reduce this barrier for new economic progress.

On 26 November 2014, the European Commission proposed an Investment Plan for Europe with EUR 21 billion in EU funds which, over the forthcoming three years, is to mobilise up to EUR 315 billion in investment with a focus on private investments.

The Danish Government supports the objective of the European Commission's proposal for an investment package to foster investment, growth and employment in the EU. The Government will analyse the many initiatives presented in the European Commission's proposal and will take part in the discussions of the initiative in a positive and constructive spirit.

The Danish Government also focuses on strengthening the added value of the loans from the European Investment Bank (EIB). The Government is of the opinion that the EIB should render assistance in areas of profitable investments where the market is not sufficient. This applies among other things to access to raw materials where world market prices and climate change constitute a challenge. In this regard, the prospects of raw materials extraction in the Arctic² should be examined. In terms of the EIB's investment volume, it is also important that it should be kept at a level ensuring that the EIB maintains its AAA rating, which is crucial for the success of the bank's business model.

1 Commission/European Central Bank 2013: 2013 SMEs' Access to Finance survey, spring 2014, http://ec.europa.eu/enterprise/policies/finance/data/index_en.htm.

2 The Arctic States are defined as Canada, the Kingdom of Denmark (incl. the Faroe Islands and Greenland), Finland, Iceland, Norway, Russia, Sweden and the USA.

Box 1. Initiatives to strengthen financing conditions for companies

Companies that are to develop and create growth need financing and simple, transparent rules also across borders. EU programmes and the European Investment Bank also have a role to play in terms of supplementing the existing market and opening up new ones. The Danish Government seeks to ensure that:

- the EU on an ongoing basis builds on the effort in EU programmes (for example COSME and Horizon) which aim to secure venture capital for SMEs and stimulate investors' interest in investing in SMEs.
- the securitisation market develops with products, common standards and transparency that make risks transparent to investors, and that rules are harmonised to the extent possible across the diversity of regulatory frameworks in the EU.
- the opportunities which the new investment plan presents are exploited in terms of establishing public-private partnerships that can foster long-term, profitable investments and capital for new and small enterprises.
- steps are taken to establish whether there is a basis for pan-European regulation of representatives regarding bond issues as well as the establishment of a pan-European register of representatives.
- inexpedient barriers in the EU regulation of crowdfunding are removed with a view to creating a more transparent framework, thereby enabling the development of this form of financing.
- the European Investment Bank places increased focus on the added value of the bank's lending to ensure that the bank's investments supplement the other financing markets optimally in order to benefit growth and employment. The Danish Government also works towards enabling the European Investment Bank to provide loans for the extraction of raw materials in the Arctic, which will give the EU the best opportunities for obtaining relevant raw materials from the region.

1.1 STRENGTHENING THE EQUITY MARKET FOR SMEs

Small and medium-sized enterprises in Europe remain heavily dependent on bank financing. Approximately 85 per cent of loans provided for SMEs in the last two years came from banks.³ The crisis has meant that in particular SMEs have had difficulty in obtaining bank financing, partly because financial institutions have become more cautious regarding their lending.

No well-established equity market for SMEs exists. Only one out of 20 responding SMEs have, according to the European Commission's most recent survey, made use of this source of financing in recent years. Equity financing is, however, used more among medium-sized enterprises, high-growth SMEs and listed SMEs.

The EU should support the development of a well-functioning equity market for SMEs. Similarly, the European Commission should focus on well-functioning equity and bond markets for SMEs in the financial regulation, including in connection with the revision of the Directive on Markets in Financial Instruments (MiFID/MiFIR) and the Prospectus Directive. In-depth consideration should, furthermore, be given to how to stimulate institutional investors' interest in investing in SMEs and execute the programmes that are to give small enterprises access to capital.

³ Commission/European Central Bank 2013: 2013 SMEs' Access to Finance survey, spring 2014, http://ec.europa.eu/enterprise/policies/finance/data/index_en.htm.

The Danish Government seeks to ensure that the EU on an ongoing basis develops the effort in EU programmes (for example COSME and Horizon) which are to secure venture capital for SMEs and stimulate investors' interest in investing in SMEs.

1.2 A COMMON FRAMEWORK FOR SECURITISATION

Securitisation gives, for example, banks the opportunity to issue securities guaranteed by limited pools of commercial loans. It is important that the securitisation markets are robust, transparent and sustainable in the long term as well as regulated in a manner so that actors in the financial markets do not take inexpedient risks.

The development of the securitisation market in Denmark and in the EU based on transparency and simple products can potentially strengthen access to financing for example for SMEs. Securitisation can contribute to improving financial institutions' balance sheets and, consequently, better opportunities for lending to the business community. Increased use of securitisation of bank loans may, similarly, contribute to ensuring a more robust loan market that is less sensitive to fluctuations in the markets for banks' traditional funding sources.

Parts of the securitisation area have already been regulated in the EU. The current Capital Requirements Regulation (CRR) controls capital requirements and addresses some of the most urgent lessons learned from the financial crisis, for example by requiring that the original bank responsible for the securitisation retains the risks.

Member States and the European Commission are already working on the development of a robust, transparent and sustainable market for securitisations at European level. The Danish Government will attach importance to the development of a securitisation market with simple products, common standards, and transparency that makes risks transparent to investors. The Danish Government also finds it important that rules should be harmonised, to the extent possible, across regulatory frameworks so that e.g. transactions that qualify for achieving favourable treatment in the insurance area also achieve favourable treatment in, for example, the banking area.

The Danish Government seeks to ensure that the securitisation market develops with products, common standards and transparency that make risks transparent to investors, and that rules are harmonised to the extent possible across the diversity of regulatory frameworks in the EU.

1.3 EXPLOIT THE OPPORTUNITIES IN PUBLIC-PRIVATE PARTNERSHIPS

The new European Commission has presented an investment plan which implies that efforts will be made to mobilise up to EUR 315 billion, including EUR 21 billion in EU funds, etc., for investments in Europe over the next three years.

The European Commission will establish a new fund, European Fund for Strategic Investments (EFSI), where EU funds and funds from the European Investment Bank (EIB) totalling EUR 21 billion are to mobilise 15 times that amount in private capital. Similarly, the European Commission will establish a portfolio of projects that are to result in specific investments. Out of the total investment of EUR 315 billion, the European Commission predicts that EUR 240 billion will target long-term investments within transport, energy and digital infrastructure, education, research and the environment. The European Commission predicts that EUR 75 billion will be allocated for investments in SMEs and larger companies, known as Mid-Cap companies.

The European Commission's investment package depends on the establishment of public-private partnerships in a number of areas where relevant investments can be financed through a combination of EU funds and private funds. This is also the case in Denmark.

The Danish Government seeks to ensure that the opportunities which the new investment plan presents are exploited in terms of establishing public-private partnerships that can foster long-term, profitable investments and capital for new and small enterprises.

1.4 USE OF REPRESENTATIVES REGARDING BOND ISSUES

Owners of bonds are often dispersed, which makes it difficult for them to coordinate their negotiating position. It means that bondholders in connection with for example a bankruptcy case often leave the negotiations to the other creditors. In general, the use of representatives implies that the interests of bondholders can be coordinated and, consequently, better pursued. The representatives can for example represent the bondholders in connection with bankruptcy or other negotiations with the issuer. The representative will typically be companies that specialise in financial services.

Such representatives are already used in Denmark and a number of other EU Member States, but national rules on the rights and duties of the representatives differ to a great extent.

The possibility of pan-European regulation of these representatives should be included in the work on long-term financing and it should be examined whether it would be expedient to oblige Member States to ensure that representatives in connection with bond issues are guaranteed a special legal status in terms of e.g. entitlement to hold and register security on behalf of the bondholders; the representative's possibility to act for the bondholders in the case of the insolvency of the issuer; etc. Similarly, it should be examined whether it would be expedient to establish a pan-European register of representatives that are associated with various issues.

The Danish Government seeks to ensure that steps are taken to establish whether there is a basis for pan-European regulation of representatives regarding bond issues as well as the establishment of a pan-European register of representatives.

1.5 CLEARER CROWDFUNDING REGULATION

Increased opportunities for crowdfunding may contribute to ensuring additional venture capital for entrepreneurs and SMEs as well as to making them less dependent on traditional bank financing. EU rules are of great importance to the opportunities for using crowdfunding in the EU. Depending on its form, crowdfunding may be subject to EU legislation, such as the rules on intellectual property rights, the e-commerce Directive, the Misleading and Comparative Advertising Directive, the Unfair Commercial Practices Directive, the Unfair Contract Terms Directive, the EU Prospectus Directive, the MiFID directive, the Payment Services Directive, the EU Capital Requirements Regulation and Directive (CRR/CRD), and the alternative investment fund managers directive (AIFMD). The European Commission has drawn up a communication on crowdfunding and is expected to conduct a mapping of measures and developments in the area.

The European Commission should examine the possibility of removing inexpedient barriers to crowdfunding and over time introduce clear and simple regulation of crowdfunding to facilitate the start-up of crowdfunding activities and thereby boost the volume of accessible venture capital for entrepreneurs and SMEs. In this effort, consideration for

securing better opportunities for companies to raise venture capital should be balanced against regard for appropriate investor protection which is a prerequisite for the development of a market in the long term.

The Danish Government seeks to ensure that inexpedient barriers in the EU regulation of crowdfunding are removed with a view to creating a more transparent framework, thereby enabling the development of this form of financing.

1.6 THE EUROPEAN INVESTMENT BANK MUST SUPPORT GROWTH AND EMPLOYMENT

Increased investments are to contribute to supporting growth and job creation in Europe. The European Investment Bank plays a key role by providing long-term financing for healthy investment projects that may find it difficult to obtain similar long-term financing in the private markets. The bank plays an essential role in the financing of e.g. energy and climate projects, infrastructure and, in recent years, also in the financing of SMEs.

In order to ensure maximum value of the bank's activities, the bank must render assistance in areas for profitable investments where the market is not sufficient. It is crucial that the bank should prioritise the effort and select its projects with great care in order to ensure maximum added value of the bank's activities.

It may, for example, be a matter of strengthening credit facilities for raw materials projects in the Arctic regions. EU industry's supply of mineral raw materials, especially unprocessed minerals and metals, depends primarily on international markets. These markets are, at the same time, dominated by few governmental and private actors.

Technological developments, world market prices of raw materials, and climate change may facilitate access to raw materials in the Arctic regions and, consequently, open up new business opportunities, both in the Arctic regions and in the EU. The subsoil in the Arctic regions may, consequently, contribute to Europe's future access to raw materials and benefit the industrial development and competitiveness of European companies and companies located in the Arctic.

However, it remains expensive to extract raw materials in the Arctic regions where the establishment of mining in many cases requires huge start-up costs by way of capital and infrastructure investments in often uninhabited and non-accessible terrain. There is, therefore, a need for supporting the EU's access to raw materials in these areas, for example by adjusting the European Investment Bank's mandates for lending to non-EU Member States.

The Danish Government seeks to ensure that the European Investment Bank places increased focus on the added value of the bank's lending to ensure that the bank's investments supplement the other financing markets optimally in order to benefit growth and employment. The Danish Government also works towards enabling the European Investment Bank to provide loans for the extraction of raw materials in the Arctic, which will give the EU the best opportunities for obtaining relevant raw materials from the region.



2. DIGITAL MARKETS AND CONSUMERS

In recent years, Europe has seen increased digitisation which affects almost all areas of the business community and society. This development is expected to continue in the years ahead. This is expected to contribute to innovative production methods and consumption patterns; bringing markets closer together; changing consumer behaviour; and opening up new business models and workplaces. However, Europe has not reaped the productivity gains of the new digital opportunities to the same extent as, for example, the USA, so it is necessary to perform better. The digital opportunities will contribute to creating future growth.

Digitisation offers new opportunities for developing innovative products and services and is, consequently, a driver for new growth of huge importance to the economy. Trading online is increasing: from transport services to private accommodation, and the so-called collaborative economy is rapidly developing. At the same time, companies and consumers can more easily sell and buy physical and digital products and services online, including across borders. There is a huge potential for the creation of growth if the digital single market is made to function optimally i.e. with as few barriers to digital trade as possible and with maximum development of new digital products and services.

At European level, a number of ambitious digital initiatives have been launched under the digital agenda, including for example the introduction of common rules for e-identification, e-invoicing, access to public data, and the reduction of roaming charges. Through digitisation and, for example, the use of standards in the ICT area, the business community can gain access to new markets. Similarly, increased digital communication and data re-use can ensure that companies are able to create new business models while ensuring sufficient protection of citizens' privacy and data.

It is of key importance to a well-functioning digital single market that the consumers feel safe and can make informed choices. There is a need for improving the enforcement of the rules governing marketing on digital platforms, for example on Facebook or in apps, especially with regard to the younger generation. At the same time, it is important that the consumers can make use of the digital opportunities – including across borders. This is not the case today, partly due to the costs of calls, data use, or SMS messages abroad. Roaming charges do not belong in an integrated single market.

In addition, European consumers should have easy access to legitimate digital content. According to a European survey⁴, a total of 22 per cent of all respondents, including 42 per cent of the 15-24-year-olds consider it acceptable to download illegally if there is no immediate, legal alternative. It is therefore important to ensure that legitimate and innovative digital services can be developed and used in the EU.

⁴ European Citizens and Intellectual Property: Perception, Awareness and Behaviour, Office for Harmonization in the Single market (OHIM), November 2013.

Box 2. Initiatives for a well-functioning digital single market with active consumers

European companies and consumers should be able to take advantage of the digital opportunities in the single market. The Danish Government seeks to ensure that:

- pan-European standards are developed for electronic procurement in order to make the EU e-procurement single market transparent.
- common deadlines for case handling times and rules on the publication of pending cases are introduced in the regulation that establishes the framework for the European Consumer Protection Cooperation. This will make the application of the rules more effective, especially regarding online activities when the trader is located in another EU Member State.
- roaming charges are abolished in the EU, so that consumers and companies can exploit the digital cross-border opportunities at low cost.
- in the discussions in the EU on the need for a modernisation of the European copyright rules, a balance is struck between effective protection of the rights holders and society's legitimate interest in access to creative content on the Internet in a non-bureaucratic manner.
- new and more nuanced cookie regulation is introduced that primarily limits the use of cookies that can interfere in people's digital privacy.
- an EU labelling scheme is introduced for the quality of mobile phone antennas in order to make a product's performance more apparent for the consumer, and to sharpen competition among producers.

2.1 COMMON STANDARDS FOR ELECTRONIC PROCUREMENT

Electronic procurement can contribute to creating growth in the single market. Experience shows that electronic procurement may lead to lower transaction costs; greater transparency regarding tasks in the single market; and better conditions for SMEs. Greater transparency is expected to contribute to better competition within the public sector.

The adoption of the new Procurement Directive has established that the Member States must implement all public procurement procedures electronically by 2018. In order to ensure a well-functioning single market, national solutions for electronic procurement must be able to interact across the Member States. Therefore calls should be made for the development of pan-European standards for electronic procurement on the basis of the work that is in progress under the auspices of the European Standardisation Organisation as well as OpenPEPPOL with a focus on deploying trade processes and formats.

The Danish Government seeks to ensure that pan-European standards are developed for electronic procurement in order to make the EU e-procurement single market transparent.

2.2 IMPROVED USE OF RULES FOR DIGITAL MARKETING

Children and young people today spend much of their time on digital platforms, social media and apps, where they are exposed to marketing, hidden advertising and the opportunity to buy services. The rules for marketing targeted at children and young people have been harmonised to a great extent at EU level, but they do not take into account all the digital opportunities and challenges. At the same time, the rules for misleading

marketing and spam on digital platforms and for purchases made through apps is not sufficiently enforced.

Digital platforms are of a cross-border nature. If a trader from another EU Member State violates Danish or pan-European rules governing e.g. misleading marketing on digital platforms and purchases made through apps, it will be more difficult for local authorities to take action. Formal and binding cooperation exists between European enforcement authorities. However, in practice the cooperation is subject to challenges as there are e.g. no deadlines to case-handling times and no common rules for the publication of pending cases. There is, consequently, a need for strengthening the enforcement of consumer protection at EU level, which will also lead to more uniform terms of competition for companies across the EU.

The Danish Government seeks to ensure that common deadlines for case handling times and rules on the publication of pending cases are introduced in the regulation that establishes the framework for the cooperation of European enforcement authorities. This will make the application of the rules more effective, especially regarding online activities when the trader is located in another EU Member State.

2.3 ROAM LIKE AT HOME

Expensive charges for calls, data download and text messages do not belong in a well-functioning single market for telecommunications. Low-cost mobile phone service is of great importance when Europeans travel abroad on holiday, but in particular also in a work-related context. Consumers and companies should have no reason to fear sky-rocketing bills in other EU Member States. During the Danish EU Presidency, successful steps were taken in that an agreement was concluded on gradual reduction of roaming charges in the EU, where the last reduction in prices was implemented on 1 July 2014. Today, it costs approx. EUR 250 to use 1 GB data in another EU Member State; approx. EUR 20 to be on the phone for an hour; and approx. EUR 7 to send 100 SMS messages. The current regulation does not envisage further cuts in prices. The consumption of data is increasing steadily and rose from 2012 to 2013 by 68 per cent in Denmark. Prices of data are, therefore, becoming increasingly important.

A so-called “roam-like-at-home-model” for all operators in the EU will put an end to the high roaming prices and mean that voice calls, SMS messages and data are to cost the same, irrespective of whether the person is staying in another EU Member State or in the country.

The Danish Government seeks to ensure that roaming charges are abolished in the EU, so that consumers and companies can exploit the digital cross-border opportunities at a low cost.

2.4 MODERNISATION OF EUROPEAN COPYRIGHT RULES

The number of legitimate digital services that consumers have access to in the single market has never been greater. There are, however, differences from Member State to Member State in terms of access to services in the form of digital content e.g. music and films. Due to the shortage of, among other things, legitimate services that provide the service that is in demand, consumers often download and stream illegally, which is harmful to the rights holders.

This will, furthermore, contribute to Europe's growth strategy by boosting digital, data-driven innovation across all sectors of the economy in the EU. The European Commission has indicated that initiatives will be taken at EU level to consider the need for modernisation of copyright rules. The Danish Government will participate actively in this and, particularly attach importance to ensuring that a balance is struck between effective protection of rights holders and society's legitimate interest in access to creative content on the Internet in a non-bureaucratic manner. This may increase consumers' access to digital content for the benefit of the economy and the development of new business models in the EU.

The Danish Government seeks to ensure that in the discussions in the EU on the need for a modernisation of the European copyright rules, a balance is struck between effective protection of the rights holders and society's legitimate interest in access to creative content on the Internet in a non-bureaucratic manner.

2.5 END-USER FOCUS IN RELATION TO A REVISION OF THE COOKIE REGULATION

The present cookie rules that are part of the European legislative framework for data protection have proved less suitable for achieving the objective of control of private information in the digital world than expected.

The rules are based on a real concern for the protection of privacy on the Internet, but they are not sufficiently nuanced as companies and citizens need to give their consent to allow a given website to use cookies very regularly – including cookies used solely for web statistics on user behaviour. Therefore, the rules do not work as intended and they illustrate that the consent requirement in its present form is not suitable for resolving the issue of trust and confidence on the Internet.

The Danish Government seeks to ensure that new and more nuanced cookie regulation is introduced that primarily makes demands on the types of cookies that can interfere with people's digital privacy.

2.6 LABELLING SCHEME FOR QUALITY OF MOBILE PHONE ANTENNAS

The quality of mobile phone antennas varies a great deal from one model to another. Today, consumers have no means of assessing whether the quality of the mobile phone antenna is good or bad before they buy the phone. And the performance of mobile phones differs very much in places where the signal from mobile phone masts is weak.

It is a precondition for the realisation of a dynamic digital single market that the digital infrastructure is used optimally. Smartphones and mobile broadband play a key role in this regard. A solution should be found at EU level to ensure that consumers can be confident of the quality of the antenna when buying a mobile phone.

The Danish Government seeks to ensure that an EU labelling scheme is introduced for quality of mobile phone antennas in order to make a product's performance more transparent to the consumer, and to sharpen competition among producers.



3. OPEN AND WELL-FUNCTIONING MARKETS

The single market is the largest domestic market in the Western world and one of the greatest successes of the EU, contributing to the creation of 2.8 million new jobs from 1992 to 2008⁵ and to increased trade between EU Member States.

Denmark has also benefited from the single market. A study of the significance of European integration for growth among “old” Member States showed that Denmark over 20 years has benefited most from the integration of the single market measured by growth in income per inhabitant. The survey showed that Denmark’s GDP per capita has increased by EUR 500 a year since 1993 as a result of European integration⁶. Due to increased competition, consumers benefit from a broader range of products and services and lower prices. Furthermore, a considerable number of Danish jobs are believed to be directly or indirectly dependent on the development of the economy in the EU.

But even if the single market is a success in many ways, it can become even better. The British Department for Business, Innovation & Skills estimates that full exploitation of the single market potential may raise European GDP by up to 14 per cent.⁷ The Danish Government is therefore of the opinion that it is important to make the single market function better, both in terms of goods and services - otherwise, companies and citizens cannot fully enjoy their rights.

Full and effective implementation of the single market for energy is an important part of the development of the EU’s global core strength through its contribution to growth, employment and competitiveness. In February 2011, the European Council set 2014 as the year in which the single market for energy is to be fully implemented and this ambition was reaffirmed most recently in October 2014. It is clear, however, that at the end of 2014 there are still many real outstanding questions both in relation to rulemaking and the establishment of the necessary infrastructure. There is, consequently, still a need for applying and enforcing rules on trade in energy across borders; for prioritising the development of energy infrastructure; for ensuring that the introduction of capacity markets does not distort competition; and for developing retail markets so that the consumer side can be involved and contribute to increased market functionality.

5 Commission, October 2012, http://ec.europa.eu/internal_market/smact/docs/single-market-act2-citsummary_da.pdf.

6 Bertelsmann Stiftung, policy brief # 2014/02, juli 2014, http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-66FB679A-9C1E8BF4/bst_engl/xcms_bst_dms_40210_40211_2.pdf - Luxembourg is not included in the survey due to lack of figures.

7 Aussilloux, V., Bourmellassa, H., Emlinger, C. & Fontagné, L. (February 2011), The economic consequences for the UK and the EU of completing the Single Market, BIS Economics Paper No. 11.

Box 3. Initiatives for open and well-functioning markets

For companies to exploit the opportunities for creating growth in Europe, it is of key importance that the market is well-functioning and open to the surrounding world.

The Danish Government seeks to ensure that:

- an ambitious free trade agreement is concluded with the USA. At the same time, Member States' right to apply national immigration and labour market regulation as well as environmental, health and consumer protection standards should be respected.
- services are included in EGA (Environmental Goods Agreement), so that the entire value chain is reflected and the markets are opened to the maximum extent for both green products and services in order to benefit the dissemination of green technology.
- EU measures against third countries' dumping and subsidies effectively remove the injury to European companies, but that they do not become a tool for punishment at the expense of European companies' competitiveness.
- European standards for services are developed in collaboration with the companies to ensure that the single market for services becomes transparent without the use of harmonisation and new legislation.
- minimum requirements are introduced regarding the guidance provided by authorities for businesses in the single market so that this service becomes uniform across borders, and the establishment of a single point of contact in each country to enable companies to operate in the single market with a minimum of administrative inconvenience.

3.1 FREE TRADE AGREEMENT WITH THE USA

The objective of a free trade agreement between the EU and the USA is to lower trade barriers and increasingly facilitate trade in goods and services across the Atlantic.

The European Commission's analysis of expected effects for the EU as such indicates that an ambitious free trade agreement may boost the EU economy by up to 0.5 per cent and boost EU exports to the USA by up to 28 per cent.⁸

An agreement with the USA is to strengthen the role of the EU as a key actor in the global economy and may set a number of global standards within the trade policy area. This is to be achieved without the EU compromising its high regulatory standards in e.g. key service sectors such as health and education. Lastly, it is important for the Government that the negotiations are conducted as transparently as possible and in close dialogue with all interested parties.

It is also an objective of the Danish Government that a free trade agreement between the EU and the USA is to contribute to a strengthening of global standards in sustainable development, including environmental standards, the working environment and workers' rights, which also appears from the European Commission's negotiating mandate. A higher degree of common standards in these areas will also contribute to strengthening European companies' opportunities in the global markets.

The Danish Government seeks to ensure that an ambitious free trade agreement is concluded with the USA. At the same time, Member States' right to decide national immigration and labour market regulation as well as environmental, health and consumer protection standards should be respected.

⁸ The figure has been calculated on the basis of a benchmark in 2027, with and without a free trade agreement, respectively.

3.2 SERVICES TO BE INCLUDED IN ENVIRONMENTAL GOODS AGREEMENT NEGOTIATIONS

The ongoing Environmental Goods Agreement (EGA) negotiations, which include among others the EU, the USA, China and Japan, focus on lowering tariffs on a number of green goods.

Several reports e.g. from the OECD have, however, documented that a number of services such as construction, installation, repair and maintenance are of key importance to the development, sale and export of green products. Services that are linked to green products should, therefore, be included in the negotiations.

The Danish Government will work towards including services in EGA, making them part of the trade liberalisation in the green area. This will raise the level of ambition and the economic and environmental effect of the final agreement.

The Danish Government seeks to ensure that services are included in EGA, so that the entire value chain is reflected and the markets are opened to the maximum extent for both green products and services in order to benefit the dissemination of green technology.

3.3 RESTRICTIVE USE OF ANTI-DUMPING AND ANTI-SUBSIDY TARIFFS

EU rules on the use of protective tariffs or quotas (“defensive trade instruments”) on goods from third countries are being revised. The objective of the revision is to adjust the rules to developments in international trade patterns and to the needs of the European economy, as well as to make the rules more effective and predictable for European companies.

The increased dependence on imports of goods and semi-manufactured products from third countries has, however, implied that companies have become more vulnerable when the EU for example imposes protective tariffs or introduces quotas on goods from third countries. Companies with production in third countries may therefore be affected by protective tariffs on their own products when these are imported into the EU.

Until now, EU rules have rested on a sound principle implying that protective tariffs are to be used in a manner that takes into consideration all relevant business interests in the EU. Several of the changes which the European Commission is planning to introduce are, however, inconsistent with this principle in key areas. This applies among other things to the proposal that the EU should impose higher protective tariff rates on imported goods than is the case today. Companies that understand how to utilise the opportunities of globalisation therefore risk being unfairly affected. At the same time, less transparency and predictability regarding EU practice will be the result.

The Danish Government seeks to ensure that EU measures against third countries’ dumping and subsidies effectively remove the harm to European companies, but that they do not become a tool for punishment at the expense of European companies’ competitiveness.

3.4 STANDARDISATION AS A LEVER FOR GROWTH

The EU single market remains characterised by fragmented national rules. Especially with regard to services, the majority of national technical regulations are to be found in sector specific legislation. This creates considerable barriers to intra-EU trade especially for SMEs. The barriers lead to less competition and higher prices, which is detrimental to consumers.

International standards contribute to enhancing the efficiency of production processes; to documenting competitive advantages with regard to e.g. sustainability; and to facilitating access to foreign markets. Surveys show that companies that use standards have 9-15 per cent higher productivity than companies not using standards⁹.

Standards have contributed to a well-functioning single market for goods and can therefore also be an effective tool to use in relation to services. European companies themselves participate in the drawing up of the standards and are subject to uniform requirements in the single market. The use of international standards can therefore be a method to streamline the market and reduce the effect of national technical regulations without resorting to harmonisation based on legislation. This will make it easier for companies to operate and grow in the EU single market, for example in areas such as environmental friendliness, recycling, and with regard to e-commerce that can offer companies new opportunities.

The Danish Government seeks to ensure that European standards for services are developed in collaboration with the companies to ensure that the single market for services becomes transparent without any use of harmonisation and new legislation.

3.5 STRENGTHENED ADVICE PROVIDED BY AUTHORITIES IN THE SINGLE MARKET

The governance tools at EU level that aim to help companies access the single market, and to remove barriers to the sale and supply of goods and services across borders are characterised by great differences in quality. This is the case regarding for example SOLVIT, Single Points of Contact in the service area as well as the Product Contact Points.

The governance tools suffer for instance from a shortage of resources and low prioritisation in the individual Member States. This leads to poor service vis-à-vis companies by way of e.g. long case-processing times, insufficient advice, and a lack of information. At the same time, there is sometimes uncertainty as to where and how to make inquiries.

Enforcement is an important area and the Danish Government would like to see an EU legislative act that strengthens authorities' cooperation in the single market and at the same time ensures that the various governance tools in the individual Member States supply the same high service.

The Danish Government seeks to ensure that minimum requirements are introduced regarding the advice authorities provide for businesses in the single market so that this service becomes uniform across borders, and that one entry point is established in each country to enable companies to operate everywhere in the single market with a minimum of administrative inconvenience.

⁹ http://erhvervsstyrelsen.dk/file/174639/Effektanalyse_standarder.pdf



4. ADVANCED PRODUCTION

Global competition is increasing. Goods and services are produced where the production can take place more efficiently. This contributes to further specialisation with production companies focusing on their core competencies. Open markets and investments across borders have resulted in production being often organised in global value chains where various phases of the value chain take place on several continents.

This development makes the world richer and benefits the individual countries. However, it also increases the demands on companies. European countries have experienced a development towards less production and more services and have seen a considerable decrease in the number of production jobs. Since 2000, industrial employment has decreased by 15 per cent in the EU-28 and by approx. 30 per cent in Denmark¹⁰. In the same period, employment in the services sector has increased.

Production remains of great importance to the European economy. The manufacturing industry is a driver for productivity growth and many jobs are linked to production – not just in industry, but also in research and knowledge-intensive trades. There is also a focus on the conditions of industry at European level, and the European Commission, at the request of the European Council, is working on an action plan to improve industrial competitiveness. The action plan is to indicate the direction of the European Commission's industry strategy for an industrial renaissance in Europe, which aims at improving the coordination among Member States and at integrating a consideration for the effects on competitiveness in other policy areas.

Outsourcing production may imply that jobs in downstream sectors such as transport, construction and other service trades are affected. Developments in automation, ICT and advanced production technologies create new opportunities for production. By means of robots and 3D printing for industrial use, companies will swiftly and cost-effectively be able to develop and produce customer-specific products. As prices are falling on e.g. robot technology, small-scale production will become more competitive because of decreasing payroll costs. This presents new opportunities for Europe's many SMEs. Therefore, it is important to secure a close link between knowledge and production. Knowledge contributes to enabling companies to exploit the opportunities and, consequently, keep up production in Denmark.

Enhanced resource and energy efficiency can also strengthen competitiveness. Scarcity and increasing prices of e.g. raw materials make resource-efficient production more profitable due to reduced consumption of materials, more recycling, and lower pollution. Globally, there is at the same time a trend that products and services are being integrated. By linking consultancy, education and service to a physical product, value creation is increased. The distinction between production and service activities will therefore narrow. This applies to e.g. green products such as wind turbines and in the maritime industry.

For European industry to be able to contribute to growth and value creation in future, it is therefore important that companies should have access to advanced technology and raw materials for their production – including across borders.

¹⁰ Source: Eurostat.

Box 4. Initiatives for more resource-efficient and advanced production

In order to future proof European industry, focus must be placed on the dissemination of new technology, resource-efficiency and green solutions as well as on streamlining the single market for goods and services. The Danish Government seeks to ensure that:

- barriers to digitisation and automation in production are removed at EU level by developing standards that will enable also SMEs to easily use new technology in their production.
- barriers to collaboration on industrial symbioses are removed at EU level by streamlining the reclassification of waste for use in other production. In this way, the potential for collaboration between companies using each other's residual products, so-called industrial symbioses, can be strengthened across borders.
- the dissemination of Key Enabling Technologies is strengthened by enhanced co-ordination of European, national and regional initiatives with a view to developing European industry.
- the Directive on Safety Rules and Standards for Passenger Ships is adjusted so that passenger ships can be built in both steel and similar safe materials. In this way, the conditions for developing new green solutions will also be improved within shipping.
- the European Commission brings together individual countries' initiatives to promote trade in knowledge through the establishment of a European electronic platform for trade in Intellectual Property Rights (IPR), where it is possible to both buy and sell IPR and obtain new knowledge and assistance for trade in IPR.
- common procedures are introduced for the notification of specific regulations in the goods and services area in order to achieve uniform rules and transparency in both the market for goods and the market for services.

4.1 STRENGTHENED DIGITISATION AND AUTOMATION IN MANUFACTURING

European companies are not as good as e.g. American companies at taking up new technology and using digital tools and processes in their production. It means that companies from third countries have an advantage over European companies and that Europe misses out on a growth gain generated by more innovative and cost-effective production.

There is a particular potential for further dissemination of the best available techniques in industry and in SMEs. Small companies often have a disadvantage as regards to knowledge of the potential of automation and limited access to the financing of automation and digitisation solutions and competencies.

The Danish Government seeks to ensure that barriers to digitisation and automation in manufacturing are removed at EU level by developing standards that will enable business including SMEs to easily use new technology in their production.

4.2 RESOURCE-EFFICIENCY AND INDUSTRIAL SYMBIOSIS

Through a focus on resources and recycling, industry will be able to produce more for less and strengthen its competitiveness. Commercial collaboration in industry on utilising residual products for new production is a growing trend, which holds great potential.

When one company's residual products by way of e.g. water, energy, or materials are recycled as input for another company's production process, it will often be a less expensive alternative compared to new raw materials.

So-called industrial symbioses where companies collaborate on using residual products can contribute to exploiting existing resources more efficiently. This will support the competitiveness of companies and it will at the same time benefit the environment. Today, organic waste from e.g. Novozymes is used as fertilizer in the agricultural sector and gypsum, which is a by-product of DONG Energy's scrubbers, is used for new plasterboard products by the company Gyproc. In both cases, costs are reduced and the environmental and climate effects are positive in terms of e.g. reductions in CO2 emissions.

The Danish Government seeks to ensure that barriers to collaboration on industrial symbioses are removed at EU level by streamlining the reclassification of waste for use in other production. In this way, the potential for collaboration between companies on using each other's residual products, so-called industrial symbioses, can be strengthened across borders.

4.3 KEY ENABLING TECHNOLOGIES

Key Enabling Technologies (KETs) are of great importance to the future of European industry. KETs are e.g. advanced production technologies, new materials, nanotechnology, etc. which across various industries and sectors support innovation and, consequently, growth and new jobs. KETs support not only European companies' competitiveness, but can also be crucial to companies' transition to green and more resource-efficient production. Research and development regarding KETs is often capital intensive and needs the right framework conditions, including well-educated labour and good conditions for bringing new products to the market.

The Danish Government seeks to ensure that the dissemination of key Enabling Technologies is strengthened through enhanced coordination of European, national and regional initiatives with a view to developing European industry.

4.4 PROMOTION OF GREEN TRANSITION IN SHIPPING

If the transition to a green economy and the Danish growth potential in relation to exports of green products are to be realised, there is a need for creating better conditions in the EU for the development of new, green and innovative solutions. The application of the Directive on Safety Rules and Standards for Passenger Ships means that the single market for producing ships in lightweight materials – for example carbon fibre composites – is limited.

The construction of ships in these materials carries great environmental potential as there are considerable operational and environmental benefits to be gained from building lighter ships.

The Danish Government seeks to ensure that the Directive on Safety Rules and Standards for Passenger Ships is adjusted so that passenger ships can be built in both steel and similar safe materials. In this way, the conditions for developing new green solutions will also be improved within shipping.

4.5 STRENGTHENED TRADE IN KNOWLEDGE

Research-active companies are more productive than non-research active companies, and companies collaborating with knowledge institutions are even more productive¹¹. New Danish research shows that companies that trade in Intellectual Property Rights (IPR) (understood as patent, trademark, design, and utility model rights), do better on a number of economic parameters than companies that do not trade in IPR¹². These companies can strengthen their innovation ability by gaining access to the knowledge of others. Companies can, furthermore, make the sale of IPR an independent source of revenue. This means that there are benefits to be gained for both the individual company and the economy at large by strengthening trade in knowledge and IPR. With the forthcoming unitary patent, companies (and inventors) will have yet another possibility to apply for patent protection for their inventions in Europe. With the unitary patent, it will be simpler and less expensive to obtain patent protection in many European countries with one single application. A unitary patent will therefore cover a very large potential market in Europe. The holder of a unitary patent has the possibility of concluding licence agreements for one or several countries. This will benefit the companies that have an interest in a licence for the invention; the holder of the unitary patent who will then have the opportunity to receive licence income; and the economy in general as the invention will be widely used.

However, the global market for trade in IPR is fragmented and lacks transparency. An overview of what is offered for sale, who is interested in buying, and what the price range is, is not readily available. Several European countries focus on fostering trade in knowledge. As the effort is not coordinated, however, there is added value to be gained by joint efforts at European level as this will lead to a better position on the global market. The goal is to achieve greater volume and draw attention to the opportunities for trade in knowledge.

Denmark supports, therefore, the European Commission's plans to create a transparent market for trade in IPR, for example by focusing on the development of common and more useful valuation methods for IPR or by drawing attention to the advantages of trade in IPR. Other initiatives such as standard contracts for trade in IPR or the establishment of a European market place will also strengthen trade in IPR. It would be advantageous to bring together initiatives to strengthen trade on a portal at European level to make it easy for companies to find answers to the challenges they face and to swiftly find relevant knowledge and assistance.

The Danish Government seeks to ensure that the European Commission brings together individual countries' initiatives to promote trade in knowledge through the establishment of a European electronic platform for trade in IPR, where it is possible to both buy and sell IPR and obtain new knowledge and assistance for trade in IPR.

4.6 INTEGRATION OF GOODS AND SERVICES IN THE SINGLE MARKET

National technical regulations continue to constitute a barrier to intra-EU trade. Up to 25 per cent of the companies that do business in the single market have experienced problems in exporting due to national specific regulations. Every year, between 600 and 800 new national technical regulations are notified to the European Commission.

¹¹ Ministry of Higher Education and Science (2014): Den forsknings- og innovationspolitiske redegørelse (Research and innovation policy report).

¹² See www.styrkbundlinjen.dk.

In 2014, at least 185 specific regulations concerning services were introduced in EU Member States¹³. The new technical regulations may constitute real barriers to Danish businessmen and companies that wish to operate in other EU Member States. National technical regulations in the area of services, for example new authorisation schemes, are not subject to the same notification procedure that applies to the area of goods, and there is no possibility of raising objections against such technical regulations. Consequently, this market is less transparent for companies. Information about national technical regulations concerning services is difficult for users to access i.e. authorities and the companies that operate in the single market.

An effective, transparent and binding procedure applying to both goods and services is therefore a precondition for enabling Member States and the European Commission to take steps against illegal or inexpedient specific regulations in the Member States before they are introduced.

The Danish Government seeks to ensure that common procedures are introduced for the notification of specific regulations in the goods and services area in order to achieve uniform rules and transparency in both the market for goods and the market for services.

¹³ The database: The Internal Market Information System (IMI)



5. BETTER REGULATION

It is of key importance to European companies that the regulatory frameworks they encounter when moving across borders are easily accessible, uniform and transparent. In this way, it will become easier for all companies to trade across the single market. It is important that the effort in better regulation benefits the companies. Therefore, companies should be involved systematically in a constructive and effective manner. At the same time, it is important to focus on whether new European level legislation creates added value. The level of detail in the individual legislative initiatives must also be carefully considered.

Better regulation has been an item highly placed on the EU agenda in recent years and the mapping of EU legislation conducted by the European Commission through the RE-FIT-programme has resulted in a list of new specific initiatives and proposals that are to simplify legislation, reduce administrative burdens, and ensure more effective attainment of political goals. The Danish Government supports the European Commission's effort to simplify rules while underlining that simplification of rules must not take place at the expense of basic protection standards, especially in the areas of health, the environment, and the working environment.

There is still unexploited potential in applying better regulation for companies. Efforts should, for example, be made to ensure that initiatives to simplify rules actually lead to specific administrative burden reduction for companies. We should have a platform that allows companies to speak and obliges the European Commission to seriously consider their proposals for administrative burden reduction. At the same time, it is of key importance that legislation and rules encourage and do not curb the desire to exploit and develop new digital opportunities or to move into the digital market. This is altogether fundamental and must be integrated across all legislative areas.

Nor is there always a need for EU regulation. And any proposed EU regulation must imply a minimum of administrative burdens and not be unnecessarily detailed. Unfortunately, there are many examples of proposed EU regulation with a degree of detail implying unintended consequences and heavy administrative burdens.

Box 5. Initiatives to better regulation

The regulatory frameworks that companies follow to in the single market should be simple and future proof. The Danish Government seeks to ensure that:

- the European Commission is placed under an obligation to adhere to a “comply or explain” principle with respect to specific proposals for simplifying rules that have come from end users through Member States or the European Parliament.
- the European Commission is placed under an obligation to make digital by default legislation a basic principle in new legislative initiatives so that legislation does not halt digitisation.
- the Port State Control Directive is adjusted so as to enhance the possibility of applying a risk-based and resource-efficient approach.
- a platform for exchange of maritime data across the EU is introduced and that the reporting requirements that shipping is subject to are harmonised with a view to reducing the administrative burdens on shipping in the EU.
- flexibility for Member States is maintained in connection with the adjustment of the interchange fee regulation to national conditions so that low-cost national debit cards, such as the Danish debit card - Dankortet, can be used in future.
- EU regulation regarding shareholder rights is simple and encourages active ownership in listed companies without upsetting the balance of the responsibilities between shareholders and the Board.
- the new money laundering directive achieves effective supervision with great flexibility in relation to the establishment of a register of beneficial owners.

5.1 COMPLY OR EXPLAIN AS A PRINCIPLE IN THE EFFORT TO SIMPLIFY RULES

The effort to simplify rules is a focal area for the new European Commission and for the first time a Commissioner has been appointed with responsibility for better regulation. The Commissioner has been charged with managing the European Commission's effort in the so-called REFIT programme. European Commission initiatives have often suffered from insufficient focus on engaging stakeholders. This has implied that many simplifications have been perceived as only existing on paper, but not in reality. Similarly, the work on simplifying rules has suffered from a lack of legitimacy among companies and employees.

In Denmark, the Government set up Business Forum for Simpler Rules in 2012. It has proved a successful tool to engage end users in the effort to simplify rules and, in that way, register what end users experience as burdens that would otherwise not have been in focus.

Measures to simplify EU regulation should be taken in the areas that are of greatest importance to companies' day-to-day activity. In this way, burden reductions will be real and noticeable in practice; compliance will increase; and companies will have more time to do business. Such an initiative at EU level is expected to create noticeable improvements for European companies. Furthermore, it will add increased legitimacy to the simplification effort by bringing the EU closer to end users and end users closer to the EU.

The Danish Government seeks to ensure that the European Commission is placed under an obligation to adhere to a "comply or explain" principle with respect to specific proposals for better regulation that have come from end users through Member States or the European Parliament.

5.2 DIGITAL BY DEFAULT LEGISLATION IN THE EU

The digital age is not sufficiently incorporated in horizontal legislation or initiatives that are launched in the EU. First of all, there is today no requirement that digitisation must be addressed in the preparatory phases of the European Commission's new legislation. This means that regulation in some cases requires the submission and storage of data in physical form (paper copies).

Secondly, it is of key importance that all new initiatives, including EU legislation, is designed as digital by default so that there is no risk that initiatives will hamper or reduce companies' potential for the development and application of innovative digital solutions. The legislation must, therefore, be designed with a view to holding and promoting digital solutions.

A principle in the European Commission's impact assessments to the effect that new EU legislative acts or the revision of existing legislation must be made digital by default will oblige the European Commission – in connection with the assessment of the administrative impact of a given regulation – to make specific observations on whether the regulation meets the criteria of digital by default legislation.

The Danish Government seeks to ensure that the European Commission is placed under an obligation to make digital by default legislation a basic principle in connection with new legislative initiatives so that legislation does not halt digitisation.

5.3 FLEXIBILITY WITH REGARD TO SMARTER PORT STATE CONTROL AND ENFORCEMENT

Member States are bound by EU rules to conduct port State control inspections of ships without an appropriate degree of flexibility – and without being able to optimise the value for money regarding safety. At the same time shipping faces great challenges in connection with stricter environmental requirements e.g. in terms of sulphur emissions. It requires a great many resources to adapt the ships in order to comply with the requirements, which in actual fact makes it a competition and growth variable whether the rules are complied with or not. A precondition for shipping to become increasingly green is therefore better and more resource-efficient enforcement of the requirements. The level of control is not to be lowered, but must ensure to at greater extent that resources are used both efficiently and where they provide most safety.

The Danish Government seeks to ensure that the port State control directive is adjusted so as to enhance the possibility of applying a risk-based approach and use the resources more efficiently.

5.4 FEWER ADMINISTRATIVE BURDENS ON SHIPPING IN THE VESSEL TRAFFIC MONITORING DIRECTIVE

Carriage of goods by sea is less environmentally harmful than transport of goods by land. This calls for increased growth in the maritime area where focus on the green transition with new, more stringent environmental requirements. However, the maritime sector's growth potential cannot be realised as long as it is much less of an administrative burden to transport goods across the EU by lorry than by sea. For example: due to customs rules, the captain of a container ship must complete more than 80 different forms, often carrying the same information, in order to operate a container ship between six ports in the Schengen area of the EU. Lorry drivers have far fewer forms to complete.

The European Commission's present initiatives, for example "Blue Belt", are not enough to ensure growth through reduced administrative burdens. Also other tools, such as the "SafeSeaNet" system for exchange of information between authorities in the EU should be used more effectively, and there is a need for a more holistic approach across the departments in the European Commission. This can be addressed in the forthcoming revision of the Vessel Traffic Monitoring Directive with a view to reducing the administrative burdens on Member States and shipping companies.

The Danish Government seeks to ensure that a platform for maritime exchange of data across the EU is introduced and that the reporting requirements that shipping is subject to are harmonised with a view to reducing the administrative burdens on shipping in the EU.

5.5 LOW-COST AND EFFECTIVE PAYMENT SOLUTIONS

The European Commission has pointed out that one of the most significant obstacles to attaining a well-functioning payment card market at EU level is the so-called interchange fees. The European Commission has therefore presented a proposal for interchange fee regulation, which is currently being negotiated. The proposal introduces for example specific maximum levels on these fees. The objective of the proposal is to further develop the single market for payment services in the EU with a view to fostering competition, efficiency and innovation.

The proposal a positive step for the payment card market at European level. However, the regulation may at the same time have potentially harmful and unintended consequences for national debit cards e.g. Dankortet, which is generally less expensive than international payment cards. Today, the costs of the Dankort are low and the average interchange fee for Dankortet is considerably lower than the ceiling proposed by the European Commission. It is of key importance to the Danish Government that Dankortet remains effective and inexpensive.

The Danish Government seeks to ensure that flexibility for Member States is maintained in connection with the adjustment of interchange fee regulation to national conditions so that low-cost national debit cards, such as Dankortet, can continue to be used in future.

5.6 AVOID DETAILED REGULATION OF SHAREHOLDER RIGHTS IN THE EU

The rules on shareholder engagement are being revised for the purpose of ensuring that shareholders also can participate actively in the development of the companies they have a stake in across the borders of the EU single market. A transparent, responsible and active investment environment is to contribute to promoting European companies' sustainable development and competitiveness. The European Commission has therefore proposed a number of measures concerning e.g. the identification of the individual shareholder; the development of policies in the area; openness regarding advice and voting; as well as shareholder engagement in relation to remuneration policy and transactions with, for example, controlling shareholders and subsidiaries.

The rules that the European Commission has proposed will in key areas imply that the balance of responsibilities between shareholders and the Board will be upset. This is particularly the case with regard to the so-called Related Party Transactions, e.g. with subsidiaries or companies within the same group. In this context, the European Commission is planning, among other things, to introduce a shareholder approval requirement in connection with transactions exceeding 5 per cent prior to the transaction being completed. This may imply that otherwise sensible transactions are delayed, which may lead to uncertainty about the future of the company and, consequently, the share price - to the detriment of shareholders. Furthermore, major shareholders who are engaged in such a transaction cannot participate in the vote, which will de facto mean that minority shareholders will have the greater number of votes in key decisions regarding the operations of the company.

The proposed rules are at the same time so detailed that they will imply considerable administrative burdens. This applies e.g. to the requirements that are to be met with respect to reporting, transmission of information, deadlines, etc. Complying with these rules will, therefore, require a great effort on the part of the individual company.

The Danish Government seeks to ensure that EU regulation regarding shareholder rights must be simple and encourage active ownership of listed companies without upsetting the balance of the division of responsibilities between shareholders and the Board.

5.7 EFFICIENT AND FLEXIBLE EUROPEAN ANTI-MONEY LAUNDERING SUPERVISION

In connection with the negotiations on the fourth anti-money laundering directive (AMLD4), it is important to lay down clear rules that can prevent tax evasion and money laundering. However, it is at the same time important that the new rules in the area do

not impose unnecessary administrative burdens on companies and erect barriers to the start-up of new companies and growth.

A proposal on the introduction of a register of beneficial owners is part of the draft fourth anti-money laundering directive, and developments in the negotiations indicate that a register will be required.

However, many outstanding questions still need to be addressed in the negotiations: how should such a register be designed; what kind of control should the register be subject to; and who should have access to the register.

The Danish Government seeks to ensure that the new money laundering directive achieves effective supervision with great flexibility in relation to the establishment of a register of beneficial owners.

