

Appendix – Competitiveness check

This Appendix provides a more detailed guidance for drafting the Competitiveness check (Annex 5 to an impact assessment). This assessment should reflect the analysis presented in the impact assessment report and/or its annexes.

The listed building blocks must be considered to the extent they are relevant for the analysis of the four competitiveness dimensions. However, the list is non-exhaustive and also other building blocks can be considered for a specific initiative⁹³².

How to analyse the four competitiveness dimensions
Cost and price competitiveness
<p><i>Tools #21 (Sectoral competitiveness), #24 (Competition), #25 (Internal Market), #56 (Typology of costs), #57 (Method to assess costs and benefits)</i></p> <p>Impacts on cost and price competitiveness can be expected if the initiative has an effect on:</p> <ul style="list-style-type: none"> • Production costs for companies: labour (workers protection legislation, social security contributions, labour taxes, etc.), capital (access and costs of financing), natural resources, intermediate goods and services, energy, price and availability of production factors, etc. • Compliance costs for companies (i.e. adjustment and administrative costs, other costs): time spent to comply with new policy requirements, adjustment in the production process, additional equipment, restructuring of the sector, etc. • Competition, market power in relevant markets: <ul style="list-style-type: none"> – Changes affecting the number of suppliers or producers (licenses, permits, authorisation, barriers to entry and exit...) and their ability and incentives to compete (price controls, bans or limits to marketing, standards favouring particular technologies...). – Changes affecting the choices and information available to consumers (licenced shops, limits to mobility of customers between suppliers or producers, transparency and comparability of information ...). • Free movement of goods, services, capital, and persons (self-employed and workers). <p>When assessing the impacts on price and competitiveness, the following questions should be considered:</p> <ul style="list-style-type: none"> • Would the sector need a major restructuring, such as closing of production lines, substitution of technologies, substitution of skills, etc.? • Would companies, including SMEs or microbusinesses, be able to meet the cost of restructuring? Might the initiative lead to closing down of enterprises, job redundancies, etc.? • Are there any sectors indirectly impacted? • Will the impacts on costs and prices be different in the short and the long term? Will the initiative help companies to improve their competitiveness in the long term (first-mover advantage)?

⁹³² In addition to the tools, additional information can be found in the operational guide on how to assess impacts on sectoral competitiveness ([SEC \(2012\) 91](#)) and the [OECD report 2021](#) “How do laws and regulations affect competitiveness: The role for regulatory impact assessment”, in particular Annex D.

International competitiveness
<i>Tools #21 (Sectoral competitiveness), #27 (External trade and investment)</i>
<p>Impacts on international competitiveness can be expected if the initiative has an effect on:</p> <ul style="list-style-type: none"> • Competitive position of EU firms with respect to non-EU competitors • Trade and trade barriers • An area in which international standards, common regulatory approaches or international regulatory dialogues exist • Cross-border investment flows, including the relocation of economic activity • Resilience of EU companies in case of shocks or international crisis • Market shares in international markets <p>When assessing the impacts on international competitiveness, the following question should be considered:</p> <ul style="list-style-type: none"> • What is the likely impact of the initiative on the competitive position of EU firms with respect to non-EU competitors (i.e. level-playing field)? <p>If the initiative is likely to increase the costs for EU producers (for instance, by introducing stricter product-safety requirements on the EU market), it may not affect EU manufacturers' relative prices and market shares if their competitors face the same requirements and there are no suitable cheaper substitutes. However, if a policy affects the production process (e.g. through stricter resource use or pollution standards), or raises labour costs (e.g. through new safety-at-work requirements), then European manufacturers may be at a competitive disadvantage vis-à-vis firms located elsewhere.</p>
Capacity to innovate
<i>Tools #21 (Sectoral competitiveness), #22 (Research and innovation)</i>
<p>Impacts on capacity to innovate can be expected if the initiative has an effect on:</p> <ul style="list-style-type: none"> • Capacity to carry out R&D: skills, protection of intellectual property rights... • Product innovation (new products or features): technical skills, new technologies, respect of technology neutrality... • Process innovation (production and distribution, marketing, after-sales services): management and organisational skills, "digital by default" • Access to risk capital and financing
SME competitiveness⁹³³
<i>Tool #23 (The 'SME test')</i>
<p>The impact of the initiative on the competitiveness of companies may differ depending on their size. When assessing the impacts on SME competitiveness, the following questions should be considered:</p> <ul style="list-style-type: none"> • Does the direct impact of the initiative on the competitiveness of SMEs differ substantially

⁹³³ For initiatives that are considered as relevant or highly relevant for SMEs, the executive summary should refer to the SME test. The impact assessment report could include a separate annex presenting in more detail the SME test.

from those of large companies?

- Are SMEs likely to be indirectly affected through their position in the value chain or through subcontracting?
- Is the impact on competitiveness of micro-companies likely to differ from the impact on small- and medium-sized ones?
- To what extent is the initiative designed to minimise negative impacts on SMEs? Does the initiative include mitigating measures such as simplified reporting, phasing-in obligations for SMEs, etc.?