

20 years of single market in Europe: achievements, challenges and recommendations



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The European single market is the cornerstone of European integration. It adds €600 billion a year to our economy, and since 1992 it has helped create almost 3 million new jobs in Europe. With a market comprising 30 countries and 500 million citizens, annual cross-border investment flows of €430 billion and 70% of member states' exports being destined for other EU countries, the benefits from closer integration are undeniable.

Nevertheless, barriers to the free movement of people, goods, services and capital still represent an untapped economic potential of between €275 and €350 billion. As an example, services account for more than 65% of EU GDP and 70% of total employment, with 9 out of 10 jobs created in services sectors. Yet, cross-border services only account for 5% of EU GDP, compared with 17% for goods. The current difficult economic situation has also created serious challenges coming from protectionism trends, weaker political support and disenchantment among citizens. This could put at risk the benefits achieved and stall further progress.

The single market is the most important driver for renewed growth, innovation and job creation. BUSINESSEUROPE has always been fully committed to making it work better for a more competitive Europe. However, the EU needs to remove remaining barriers and address decisively outstanding challenges to unleash its full potential.

Recent EU actions

In 2012, the European Commission launched a round of initiatives to improve the functioning of the single market on the occasion of its 20th anniversary. The Communication on a *Better Governance for the Single Market* (COM(2012) 259 final)¹ presents a wide action plan to make the existing single market *aquis* work better in practice. The Communication sets out a course of action to achieve swift progress in areas with the highest growth potential, to be set and reviewed on a regular basis, based on economic indicators.

The priority areas identified for 2012-2013 are key services sectors (wholesale and retail trade, business services, construction and financial intermediation), the digital economy, energy and transport. Within these areas, Commission and member states should ensure proper implementation of relevant pieces of legislation, in particular by adhering to a number of procedural checks and

commitments. Another aspect of the strategy consists of analysing the state of integration and concrete functioning of the single market.

BUSINESSEUROPE believes that the European Commission approach to concentrate on the areas with the highest potential for growth is the right one. The selection of specific measures to be consequently undertaken must be based on economic evidence and have the greatest positive impact on growth and global competitiveness, while improving the overall functioning of the single market.

As a follow-up to the Communication on Governance, in early November 2012 the European Commission published for the first time Country Reports² describing the “single market performance” for the 27 EU member states taking into account a number of selected indicators, based on Eurostat³ and other sources. Among others, they assess values related to:

The fundamental freedoms of movement (of goods, services, capital, labour)

Government effectiveness (quality of public administration in general)
Implementation (transposition and compliance deficit, etc.)

Use of single market tools (Points of Single Contact, Internal Market Information system, Solvit, etc.)

Workers' free movement (eg. recognition of professional qualifications)

A final section is devoted to the results of a Eurobarometer survey to measure the public's awareness and perceptions of the single market.

At the end of November 2012 the Commission also adopted the first *Annual Report on the State of the Single Market Integration* (COM (2012) 752/2)⁴, aimed at measuring through concrete benchmarks how well the single market functions. The Report presents data on intra-EU exchange in goods, services, capital and labour. Consistent with the objectives of the Governance Communication, it also describes the market performance and obstacles to EU integration in areas with a

high potential for creating growth and jobs, namely services, energy, transport and digital markets. Here, the Commission also provides member states with policy recommendations, generally related to improving transposition, high-quality implementation, removal of national regulatory barriers and opening to competition.

One of the overall outcomes of these initiatives is the availability of more concrete, factual indicators on how single market rules are applied in practice, which was underdeveloped so far. This is an improvement from a business perspective as it helps compare the member states' performance, thereby increasing peer pressure. These indicators will also make it easier for the Commission to monitor progress and define remedial actions.

Building strong political support is however crucial to make a success of these initiatives, and requires strong cooperation and continuous dialogue among member states, EU institutions and stakeholders. Respecting smart regulation principles, early stakeholder involvement and comprehensive impact assessments are essential in this respect.

Business views and recommendations

BUSINESSEUROPE stands firmly behind the single market, as Europe's primary tool to get out of the crisis and increase its worldwide competitiveness. The single market is an asset which should be used as a springboard to meet the challenges and seize the opportunities of the global market.

Focus on what is needed to further integrate the single market and improve its functioning often does not require introducing new legislative measures, but rather ensuring that the rules in place work better in practice and are correctly applied in all member states. Therefore, the right balance should be struck between measures to further improve the

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implementation and enforcement of existing rules and new policy initiatives.

Ensuring good governance of the single market is another fundamental element. It implies ensuring timely transposition and effective implementation of well designed legislation, but also better monitoring and showing results in a transparent fashion. The Internal Market Scoreboard, as well as the new annual integration reports and country specific recommendations can be extremely helpful, if they are followed up by strong EU intervention when necessary.

In the global context, swift action on the measures that can improve the EU's global competitiveness is needed. As the EU is facing challenges with market access, IPR protection, services liberalisation and the proliferation of subsidies in areas like procurement or big infrastructure projects, BUSINESSEUROPE strongly supports further regulatory cooperation with EU's main trading partners. In terms of dialogue, cooperation with the US should be stepped up not only to promote bilateral trade but also to strengthen global rules vis-à-vis emerging markets. Cooperation with the large emerging markets and the neighbourhood countries is also important.

When looking at the specific areas with a high potential for growth and job creation, BUSINESSEUROPE presented the following, more detailed recommendations:



“Completing the digital single market by 2020 will boost EU GDP by more than 4%”

- Establish a well-functioning single market for all service sectors:

Fully implement, apply and enforce the services directive in all member states, which alone can bring additional gains up to 1.8% of EU GDP (about €330 billion).

Remove all remaining burdensome, discriminatory and unjustified national requirements applicable to service providers, such as residence or economic needs tests, and avoid the introduction of new ones.

Modernise and further simplify administrative procedures for service companies through better functioning Points of Single Contact, which positively affects the creation of new business and can provide gains up to 0.21% of EU GDP.

Reduce the number of regulated professions, prioritising professions and sectors which have the largest growth potential and are most regulated or only regulated in one Country, and ensure easier and faster recognition of professional qualifications.

- Create a true digital single market:

Tackle barriers preventing the digital economy from producing full benefits for consumers and businesses. Completing the digital single market by 2020 will boost EU GDP by more than 4%⁵.

Create a good digital environment which allows companies to create and offer products in a user-friendly manner throughout the EU, and improve accessibility through wide coverage of a robust high-speed broadband infrastructure.

Boost consumer and business confidence in cross-border e-commerce by addressing the excessive fragmentation of applicable rules (eg. different VAT regimes, data privacy, payment systems, consumer protection and product information), and apply an ‘e-commerce test’ to all relevant new legislation, both at EU and national level.

Tackle the challenges relating to online payments, delivery, interoperability and mutual trust simultaneously, including by ensuring the availability of efficient dispute-solving mechanisms.

Reform the copyright system in order to create a real single market in this area, including for cross-border licensing and collective management of rights.

Promote the development of e-procurement, to improve efficiency, transparency and competition. Its current take-up is slow with no more than 5% of EU procurement

procedures allowing for electronic processing.

- Complete the internal market for transport:

Build on market-based solutions to guarantee access to all transport markets and remove regulatory, administrative and technical barriers in all modes of transport.

Raise awareness of the importance of transport and ensure that European initiatives incentivise and not penalise industry to take the right steps towards the development of a sustainable and competitive transport system.

When choosing the type of initiatives to reduce transport emissions, take into account that the development of sustainable transport requires a mix of initiatives to work in combination with each other (liberalisation, connecting infrastructure networks, energy-efficient and clean transport, ICT solutions, administrative procedures...).

Ensure a high level of public commitment in infrastructure investment, including sufficient funding at both EU and national level.

- Develop a comprehensive, predictable and affordable energy policy:

Promote cross-border trade and investment, and enhance financial risk-sharing facilities to leverage the €200 billion investment in energy infrastructure needed by 2020.

Remove regulatory barriers, incentivise new entrants through the full implementation of the energy liberalisation packages and enforce coordination of market rules.

Ensure overall policy coherence by strengthening the coordination of energy and climate policies at EU level.

Conclusions

Based on the concrete experience of companies, BUSINESSEUROPE recommends that the way forward to further integrate the single market focuses on the following key aspects:

- **Smart regulation:** European laws should serve people and businesses. Smart regulation is about the whole policy cycle – including implementation, enforcement, evaluation and revision. The financial and economic crisis has shown that regulation has an important role to play. It must be well designed to reach its intended objectives and to deliver sustainable prosperity and consumer protection.
- **Implementation and enforcement:** the entry into force of a piece of EU law in some cases means that the national legal frameworks need to be adapted, and that additional steps - like for example the

creation or dismantling of agencies or the availability of new resources - are needed. This is an aspect of implementation where national practices vary widely. In case of crucial initiatives, where implementation requires more than pure legal transposition of rules, the 'mutual evaluation' process set out in the services directive should be applied.

This will encourage dialogue among member states on how certain rules are implemented, increase mutual trust between authorities and improve understanding of different legal systems. In addition, it will enhance peer pressure for specific implementation processes and persuade member states on the need to take more ownership of the single market.

- **Transposition:** when including EU directives into their national legal frameworks, member states should first of all ensure they respect the timing indicated for transposition. Even more importantly, they must respect the substance of the directive, avoid ambiguities or additional requirements ('gold-plating') which could lead to additional unnecessary costs for businesses.
- **Mutual recognition:** trust is a key element of a well-functioning single market. Whether we talk about goods, qualifications, services or people, true free movement entails an element of mutual trust and

recognition between member states. This principle should be respected and more widely applied in all areas of single market policy.

- **Problem solving:** despite the improvement, single market rules are often not applied correctly in specific cases. This is frequently due to their complexity and the fact that they apply in different legal systems. Thanks to their adaptability and flexibility, informal problem solving tools are usually the best way to tackle these situations.

A good example is SOLVIT, the EU on-line problem solving network aimed at solving problems that citizens and businesses encounter because of the misapplication of single market law by public authorities, without having recourse to legal proceedings. Also, non-judicial dispute resolution instruments can be of help to businesses and consumers when disagreements arise on the application of relevant single market rules, which can be particularly complex in case of cross-border transactions.

- **Information:** member states remain important actors in providing information about the EU. Information campaigns addressed to local authorities, companies and citizens throughout the European countries therefore need to be carried out at the national level. ■

1. http://ec.europa.eu/internal_market/strategy/docs/governance/com_2012_259_en.pdf

2. http://ec.europa.eu/internal_market/top_layer/monitoring/governance_en.htm

3. Eurostat is the EU statistical office, providing statistics that enable comparisons between European countries and regions.

4. http://ec.europa.eu/internal_market/top_layer/docs/monitoring/integration-reports/121128_integration-report-2013_en.pdf

5. Study by European Policy Centre and Copenhagen Economics, "The Economic Impact of a European Digital Single Market", March 2010.