

An EU New Year's resolution: Keep boosting the Single Market

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In November 2018, the European Commission published a [Communication on “the Single Market in a changing world”](#), that provides a comprehensive overview of the benefits of and the current legislation regulating the Single Market. The Communication does not, however, provide for concrete proposals on how to work towards a “future-proof and fair Single Market that is fit for the digital age and an enabler for competitiveness, innovation and sustainability”, as recalled by the European Council in March 2018.

Some may be disappointed by the Commission's lack of policy recommendations. However, this void echoes the Communication's main message that it is now up to the member states to lead the way. The Communication's subtitle - “A unique asset in need of renewed political commitment” – suggest that member states should do more to promote the Single Market and its benefits to their citizens. Furthermore, building the Single Market of the future will require strong leadership on services and digitalisation.

The EU's best asset

The Commission's assessment gives a masterful justification for the Single Market. In just 25 years of existence, the Single Market has become the EU's “beating heart” (if you are the emotional type) or its “best asset” (if you are a pragmatist). According to Commission estimates, the economic benefits of the Single Market account for 8.5% of the EU's GDP. In the last decade, the number of EU citizens living or working in another member state has more than doubled, while intra-EU trade in goods and services has grown from 27% to 33% of EU GDP. On the global stage, the EU's large “home-market” serves as the basis of its soft power. It is no exaggeration to say that the Single Market is one of the EU's greatest achievements.

But in need of care and commitment

Despite its achievements, the Single Market is in dire need of care – and above all from the member states. The real kick in the Communication sends a stark message to EU leaders:

“We are too often confronted with a situation where the consensus which appears to exist at the highest level on the need to deepen the Single Market is not matched by a political willingness to adopt the concrete measures [...] member states often promote only their domestic approaches as a basis for European rules.”

This refreshingly undiplomatic language is rarely encountered in official Commission documents. Thus, the fact that the wording has not been diluted in the finalisation of the document is in itself quite an achievement.

For at least a decade, the Commission and the Parliament have stressed the lack of political commitment from the member states. The proper enforcement of Single Market rules in the member states proves challenging (e.g. in public procurement, services). Meanwhile, the fact that EU leaders themselves tasked the Commission with preparing this assessment and that the Single Market is a crucial item on the agenda of the December EU Summit are both encouraging signs.

Boosting services

Building the Single Market of the future will require decisive action and leadership in two particular areas: services and digitalisation. In services, the implementation of EU rules by member states has proven particularly challenging. If the cost of goods in the Single Market has decreased by 20%, the price of services has diminished by only 7%. Services account for 70% of the European economy and are increasingly intertwined with manufacturing as a result of digitalisation. A full implementation of the Services Directive could boost the EU's GDP by 2%. While the primary responsibility for the lack of enforcement lies with member states, the Commission has also been [called upon to be bolder in referring cases to the European Court of Justice](#). Moreover, renewed efforts will be needed in ensuring that the Points of Single Contact (e-government portals for services providers) are up and running.

Free data flows

Since its launch, the Digital Single Market has delivered a wide array of initiatives aiming at creating an environment for online platforms, SMEs, and businesses to thrive: roaming charges, e-commerce and parcel delivery. On 3 December, a new EU regulation on geo-blocking will put an end to the practice that prevents online customers from purchasing products or services from a website based in another member state – much to the joy of online Christmas shoppers. However, in this new digital environment, the EU will have to be cautious to

not overregulate emerging technologies or limit the free flow of non-personal data. Voices are already calling for a review of GDPR to ensure that data protection rules do not impede the development of big data, machine learning, and artificial intelligence.

Engaging all EU institutions and stakeholders

Under the Austrian Presidency, the High-Level Group on Competitiveness and Growth produced a [working paper in November](#) that had a remarkable number of new ideas. The aim was to shift the Single Market debate to “opportunities rather than shortcomings”. Instead of a Digital Single Market, it suggested focusing on a *digitised* Single Market. The free flow of data will spur future growth and it should be seen alongside the four freedoms of movement (capital, good, services, people).

The working paper also suggested that “political ownership” be increased by involving member states on future Single Market measures at a high level “in the early stages of the decision-making process”. Furthermore, it calls on the Council to improve ‘better regulation’ processes by taking immediate actions. It cannot dodge this issue after the 2019 elections.

Arguably, there is a risk of taking the Single Market for granted because of its achievements. Single Market stakeholders – member states and economic operators – should feel a duty to contribute ideas and ensure that the global trend of responding to international competition with protectionism does not end up undermining the Single Market too. Beyond asking for a mere stock-taking exercise every now and then, the European Council should push member states to become more committed partners, with which the Commission and the Parliament could shape the Single Market of tomorrow. The December summit is a good place to start.