BRIEFING
European Council in Action

The European Council and the completion of the single market

At the March 2019 European Council, the Heads of State or Government will discuss the future development of the single market in all its dimensions. Building on a European Commission communication on the internal market in a changing world, which highlighted the need for renewed political commitment to the project, they will prepare the ground for the next strategic agenda in view of progress on the single market, European digital policy, capital markets union and industrial policy. This briefing looks at how the European Council has set the deadlines for the completion of the single market in all its dimensions, pushed for increased efforts to deliver on the various legislative proposals and analyses, and identifies the single market issues on which it has more specifically focused during the current legislative cycle.

1. Introduction

The single market has been a crucial pillar of the European Union over the last 30 years, allowing the free movement of people, goods, services and capital throughout the continent. The EU is the largest market in the world, generating €14 trillion in annual gross domestic product (GDP), yet its internal market is far from complete. Changing economic circumstances and technological progress have constantly presented new challenges that have had to be met with appropriate legislation to guarantee frictionless trade and a conducive business environment.

This is especially important when the economic situation deteriorates and profits fall, thus making the cost of barriers to doing business across borders more tangible and visible. The Heads of State or Government, meeting as the European Council, have always considered that the single market project needed an impetus from the highest level of government, if it is to guarantee the economic and social well-being of European citizens and companies.

'With economic activity in Europe not growing as fast as we had hoped and with a slow-down in the world economy and in international trade, it becomes more and more important that the competitive edge of industry in the Community should be sharpened. The only way that this can be done is if [the people of Europe] deploy the full resources and opportunities of an internal market [...] The political will is clearly there. The challenge lies in translating that political will into positive action.'

These words could have been spoken at any of the recent, post-crisis European Councils, but their author is in fact Lord Arthur Cockfield, the European Commissioner for internal market and services under the Commission President Jacques Delors, speaking in 1987, more than three decades ago. Lord Cockfield was also the author of a white paper, Completing the Internal Market, a compendium of 300 legislative proposals aimed at the elimination of physical, technical and fiscal non-tariff barriers between Member States of the then European Economic Community (EEC).

The white paper was requested by the European Council in March 1985 and was the culmination of debates and analyses that dealt with the causes of Eurosclerosis, a period of persistent low economic growth and high unemployment, stretching from the middle of the 1970s far into the 1980s. It built on the concept of the cost of non-Europe, introduced by the Albert-Ball report of 1983, drafted for

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Author: Marko Vukovic
European Council Oversight Unit
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the European Parliament and which identified and quantified potentially significant economic benefits to be achieved through the completion of the single market in Europe.

The European Council endorsed the Cockfield white paper in June 1985, setting a deadline for the completion of the internal market by 1992 at the latest. The internal market project received an additional push in 1986, when Heads of State or Government adopted the Single European Act, which introduced qualified majority voting in the Council to speed up the legislative process, thus further cementing the deadline for the completion of the single market by the end of 1992.

In the meantime, another landmark analysis of the cost of non-Europe, the Cecchini Report of 1988, estimated the likely gain to Community-wide GDP from implementation of the measures proposed by Lord Cockfield to possibly reach as much as 4.5 %. The economic rationale behind the project seemed unassailable, and the single market was formally launched on 1 January 1993.

Over the last couple of decades, the initial enthusiasm that drove the establishment of the single market seems to have abated. The fallout from the economic and financial crisis of 2008 has contributed to the rise of populist parties, which tend to contest the European project. It is therefore all the more important to continue showcasing the significant potential economic gains that could be achieved by fully completing the European single market. This is exactly what the European Parliament has been doing since 2014, in its Mapping the Cost of Non-Europe exercise and with other initiatives.

The figures provide a powerful economic rationale for continuing efforts to integrate European markets: according to the European Parliament's estimates published in December 2017, the potential GDP gain from a series of policy actions advocated by the Parliament - including further action to complete the single market - at European level would be at least €1.75 trillion.

With the entry into force of the Lisbon Treaty in December 2009, the European Council became an EU institution in its own right. Building on its experience in fighting the economic crisis, where solutions were preferably negotiated at the highest institutional level, Heads of State or Government have moved to adopt a more hands-on approach in the field of the single market also.

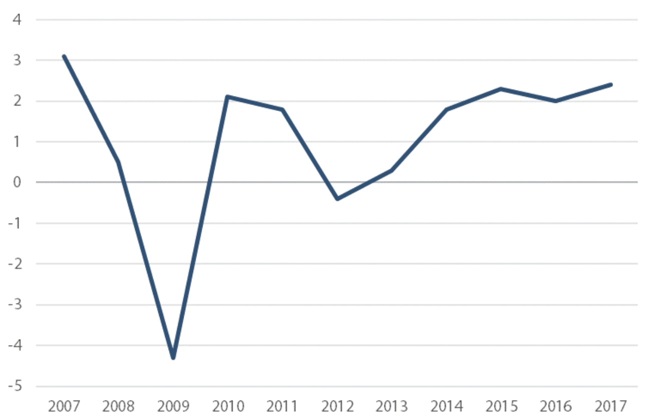
2. European Council identifies the single market as the key driver of growth

The global financial and economic crisis, which began in 2008, resulted in recession, a steep fall in investment, and consequently high unemployment rates across most of the EU. Although the European economy started to pick up in 2013, the pace of recovery was relatively uneven, with high unemployment still present in a number of Member States.

In June 2014, at the start of the current institutional cycle, the European Council, in its strategic agenda for the EU in times of change, emphasised that 'the Union need[ed] bold steps to foster growth, increase investments, create more and better jobs and encourage reforms for competitiveness.'

The Heads of State or Government left no doubt as to what the EU should do to kick-start the economy and set it on a growth trajectory. The first and arguably the most important priority they included in their agenda was to 'fully exploit the potential of the single market in all its dimensions: by completing the internal market in products and services; [and] by completing the digital single market by 2015'.

Figure 1 – GDP growth (EU-28)



Source: Eurostat.

3. Commission proposes a plan to deepen and strengthen the single market

The European Commission responded to the European Council's orientations by presenting three single market strategies in the course of 2015. The first, the digital single market strategy, focuses on measures to make it easier for businesses and consumers to trade online goods and services across Europe. It also makes the case for investment in secure, high-speed communications networks and underlines the importance of supporting the growth of data economy.

In the single market strategy, the Commission proposed measures to help companies, especially SMEs and innovative businesses, grow. This was to be done by establishing a simpler VAT regime, removing barriers to service provision across borders, including easier recognition of professional qualifications, as well as by modernising standards, preventing discrimination in business dealings based on nationality, and efficiently enforcing single market rules.

The post-crisis credit crunch, where battered banks refused to extend credit to businesses, exacerbated the recession. For this reason, the European Council highlighted the need to facilitate access to finance and investment in its strategic agenda. One of the main goals of the Commission's capital markets union action plan is thus to end businesses', especially SMEs' dependence on banks by helping them raise money for investment on capital markets.

At the end of 2015, the Heads of State or Government endorsed all three strategies as a package of proposals to strengthen and deepen the single market. They insisted on ambition in their implementation, reiterating that 'the internal market is Europe's main engine for growth and job creation and a key to investment and increasing European competitiveness'.

The European Council's 2014 strategic agenda also calls for measures to address the lack of investment in the EU and to make the economic and monetary union, especially the euro area, more resilient to shocks. Both long-term investment (through e.g. the European Fund for Strategic Investments), and a robust financial system (by implementing e.g. the single rulebook for banks and the banking union), are essential for the functioning of the single market. These initiatives are not however the subject of this briefing.

4. Deadline for the completion of the single market strategies set at the end of 2018

At their March 2016 meeting, the Heads of State or Government committed to establishing an agenda for the implementation of all aspects of the single market, essentially treating the single market and the digital single market strategies, as well as the capital markets union action plan, as one package.

The June 2016 European Council showed that the leaders preferred a hands-on approach to single market issues, and wished to focus on concrete legislation. They:

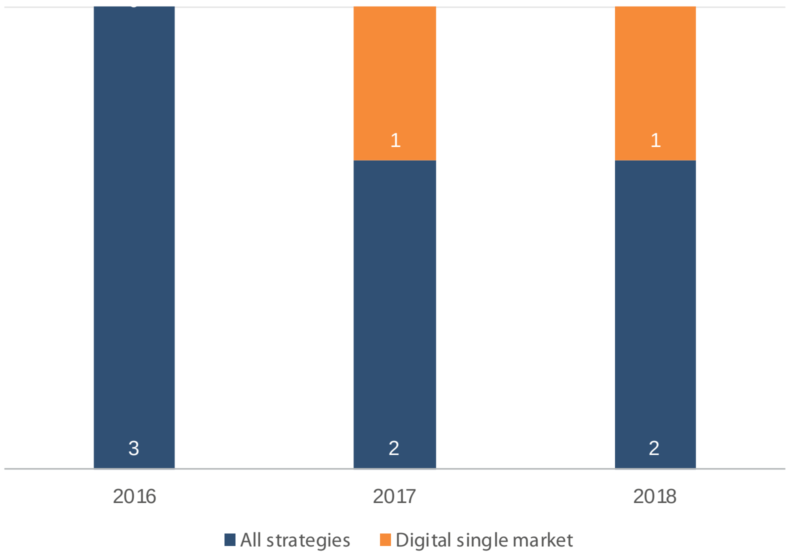
- set **the deadline** for completion of the single market **by the end of 2018**;
- established **an agenda for the implementation** of concrete single market proposals;
- requested **annual reports** from the Council on progress in implementation.

The European Council has repeatedly pushed for delivery on the three internal market strategies and, since June 2016, mentioned a deadline for their completion nine times in its conclusions.

The Heads of State or Government thus opted to fully exploit the role and competences conferred upon the European Council by the EU Treaties. By establishing the strategic agenda for growth and jobs in 2014, they first determined the broad outlines of EU action and priorities over the legislative period. Two years later, based on legislative proposals in various agendas and action plans put forward by the Commission, they identified specific issues considered the most instrumental to achieving the EU's strategic aims. Finally, to lend some urgency to the issue, the leaders imposed a clear deadline for the implementation of legislative proposals in all aspects of the single market on co-legislators, which they reiterated repeatedly.

In this way, the European Council established itself as the key driver of the single market policy process. However, as it has no legislative functions, the European Council has to rely on the co-legislators, Council and the European Parliament, to hash out compromises in complex and often protracted negotiations. A political commitment on an issue at the strategic, European Council level, embodied in firm deadlines, therefore runs the risk of being unravelled at the legislative level, where sectoral and institutional interests can clash.

Figure 2 – Mentions of deadlines for completion of single market strategies



Source: EPRS.

5. Strong political commitment to progress on difficult issues is often lacking

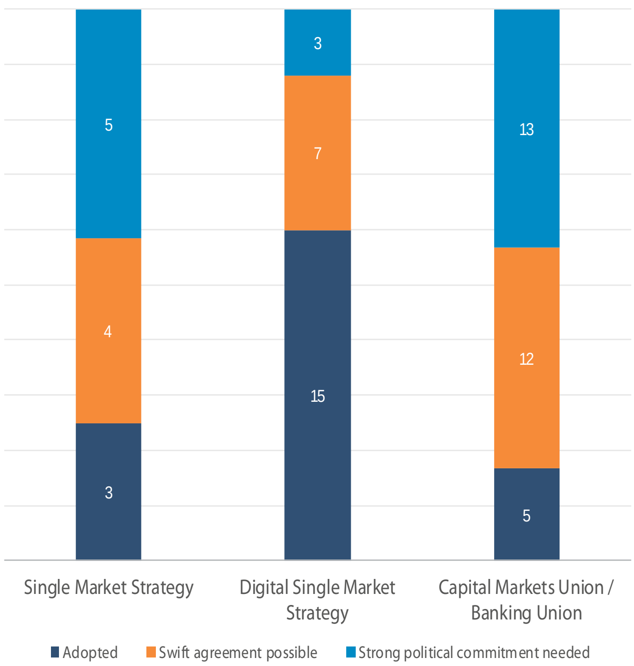
On March 2018, the European Council 'extended' the deadline for the completion of the single market from the end of 2018 to the end of the current legislature (the last plenary session of Parliament before the European elections in April 2019).

One of the reasons for this decision could be the difficulty to achieve compromises on a number of issues. The Commission's communication '[The single market in a changing world: A unique asset in need of renewed political commitment](#)', which was requested by the European Council to measure progress on single market strategies, listed 67 legislative proposals, of which only one third have been adopted (see Figure 3).

In its report, the Commission 'invites the European Council, building on this communication, to dedicate an in-depth discussion at leaders' level to the single market in all its dimensions to identify common priorities for action and appropriate mechanisms to match the much needed new political commitment to the single market with concrete delivery at all levels of governance'.

Heeding this call, the Heads of State or Government decided to discuss the single market in all its dimensions at the March

Figure 3 – Single market proposals: state of play



Data source: European Commission, November 2018.

2019 European Council and prepare the ground for the new strategic agenda for the EU after the European elections in May 2019.

6. European Council takes a hands-on approach to the digital single market

In contrast to the single market agenda and capital markets union action plan, the Heads of State or Government went into much more detail with regard to issues included in the digital single market strategy (see Table 1).

At the June 2016 European Council, EU leaders took stock of the progress achieved in the digital single market area and reiterated that the EU should focus primarily on the immediate benefits that the digital single market would bring to consumers and businesses.

For that purpose, the June 2016 European Council singled out specific legislative files and policies, on which it called for swift and determined progress to bring the full benefits of the digital single market to all stakeholders. It was at this time that the Heads of State of Government first set the deadline for the completion of single market strategies, including the digital single market, for the end of 2018.

Council and European Parliament adopted legislation on the following digital single market issues highlighted by the European Council:

- cross-border portability, so that EU residents can access abroad the digital content they have purchased or subscribed to at home (Regulation);
- removal of barriers to e-commerce, including unjustified geo-blocking, so that online customers can access and purchase a product or service from a website based in another Member State (Regulation);
- cross-border parcel delivery, so that it is easier for consumers and businesses to compare different delivery prices across the Union (Regulation);
- modernisation of VAT systems; one-stop shop for e-commerce VAT registration, so that it is easier to sell goods and services across borders (Directive);
- review of the wholesale roaming market; roaming surcharges were abolished in June 2017 (Regulation);
- electronic communications code, to make it easier for companies to roll out 5G services and invest in high-capacity networks (Directive);
- the establishment of the European High-Performance Computing Joint Undertaking to coordinate EU efforts in the field (Regulation);
- reform of the audio-visual framework to regulate traditional TV broadcasts and on-demand services (Directive).

Table 1 – European Council conclusions per single market strategy or action plan/deadlines set by the European Council, if any/adoption of legislation

Digital single market	Single market	Capital markets union
Data protection (GDPR)/ end of 2015/April 2016	Services passport/no deadline	Securitisation/end of 2016/ December 2017
Roaming surcharges/ June 2017/May 2017	Industrial policy/no deadline/ September 2017	Prospectus/end of 2016/ June 2017
Audio-visual framework/ end of 2017/November 2018		
Geo-blocking/end of 2017/ February 2018		
Cross-border parcel delivery/ end of 2017/April 2018		
Electronic communications code/ June 2018/December 2018		
Free-flow of non-personal data/ June 2018/November 2018		
Cross-border digital content portability/no deadline/June 2017		
High-performance computing/no deadline/September 2018		
VAT for e-commerce/no deadline/December 2017		
Copyright directive/no deadline/		
Digital content directive/no deadline/		

(green = legislation adopted, yellow = legislation not adopted)

Source: EPRS

Case study: Geo-blocking Regulation

With no formal legislative role conferred upon it by the Treaties, the European Council, whilst setting objectives and deadlines, depends on the Commission, Council and Parliament (EP) to translate its political commitment into concrete legislation. The policy-making process in the EU is driven by negotiations between the European Parliament and the Council, in close contact with the Commission. All actors, in the course of negotiations and in their positioning, receive suggestions from interest groups. While European Council conclusions may convey a sense of urgency and political commitment with regard to a particular issue, these run the risk of being diluted or even seriously compromised as different, often conflicting, interests play out in legislative negotiations. The question is therefore to what extent the Heads of State or Government can drive the EU legislative process?

Geo-blocking regulation is a case in point. In June 2015, the European Council endorsed the digital single market strategy and demanded action to 'remove the remaining barriers to the free circulation of goods and services sold online and tackle unjustified discrimination on the grounds of geographic location'. The Commission followed-up on this commitment by proposing a geo-blocking regulation in May 2016. At their June 2016 summit, the Heads of State or Government then called for swift and determined progress in 'removing barriers to e-commerce, including unjustified geo-blocking which prevents online customers from accessing and purchasing a product or service from a website based in another Member State'.

However, at the September 2017 Tallinn Digital Summit, Commission President Jean-Claude Juncker expressed dismay over the inability of co-legislators to adopt legislative proposals for the digital single market at a sufficient pace. 'Not everything that we have agreed to do in our meetings has been implemented', he told EU leaders, adding that 'Some of your ministers are blocking. We should not let sectoral administrations contradict what we have decided at European Council meetings'.

In the case of the geo-blocking regulation, negotiations were also complicated by a request from the European Parliament to widen the scope of the directive to also cover sales of e-books and music-streaming services. The proposal drew criticism from industry associations, which warned that its adoption would jeopardise the financing and distribution of content as well as harm the economic viability of new services.

Responding to Jean-Claude Juncker's critique, at their October 2017 meeting, the Heads of State or Government decided to set a deadline of the end of 2017 for agreements between co-legislators to be reached on a number of digital single market files, including the geo-blocking regulation. They went even further, declaring their readiness to 'address issues that cannot be solved at the level of the Council'.

Parliament has reacted to similar pronouncements by warning that such practices go 'against the letter and the spirit of the Treaties, as described in Article 15(1) TEU, which stipulates that the European Council shall define the general political directions and priorities of the Union but shall not exercise legislative functions'.

It seems, however, that in the case of geo-blocking regulation, the European Council's efforts were successful. Co-legislators reached political agreement in November 2017; the regulation entered into force in March 2018, and applies since 3 December 2018.

7. The European Council highlights the importance of the data economy

One of the biggest economic disruptions in the coming years, on a par with the introduction of the internet in the 1990s, will be the deployment of machine learning and automation of jobs. A recent study estimates that 'between 400 million and 800 million individuals could be displaced by automation and need to find new jobs by 2030 around the world'. At the same time, the uptake of machine learning in industrial and service sectors holds the promise of faster innovation and productivity gains as business processes become more efficient.

At their informal summit in Sofia in May 2018, EU leaders discussed the challenges presented by the convergence of digital and physical technologies (e.g. digital manufacturing, genomics, the internet of things, artificial intelligence), and heavy reliance on science, engineering, data and high capacity digital networks. 'As emphasised in the leaders' agenda note on 'Innovation and Digital', prepared for that meeting, the development of artificial intelligence in particular raises not only hopes (e.g. for better healthcare, safer transport, more sustainable farming), but also ethical questions'. The debate also built on the report on artificial intelligence that the European Council requested from the Commission in October 2017.

To compete successfully in the big data era, the EU needs to make it easier for companies to access vast amounts of data to train their algorithms; and huge computing power is needed to process and put this data to work. The European Council recognised both challenges in June 2016, when EU leaders called for the coordination of EU efforts in high-performance computing; they also repeatedly insisted on removing barriers to the free flow of data in the EU. Leaders again discussed both issues at the Sofia summit in May 2018.

Parliament and Council followed up on these commitments in November 2018, when they adopted legislation that will ban restrictions on data localisation, thereby removing barriers for data storage and processing services, such as cloud computing. The Commission, moreover, proposed to establish the European High-Performance Computing Joint Undertaking, a proposal that Parliament and Council adopted in 2018.

Inviting the co-legislators to examine the latest data package swiftly, the European Council stressed in its June 2018 conclusions that 'High-quality data are essential for the development of artificial intelligence'. In February 2019, the Council approved the agreement reached with Parliament on the directive on open data and re-use of public sector information, facilitating the exploitation of large data sets needed for successful deployment of machine learning and artificial intelligence.

8. Opting for a vaguer approach with regard to privacy and copyright

As applications and sensors hover up ever more data, and algorithms increasingly govern many aspects of citizens' lives, the questions of privacy as well as ethics are thrust into the foreground. The European Council thus recognised the need to 'foster trust through high data protection standards and full implementation and proportionate enforcement of the General Data Protection Regulation'.

This is especially important with regard to the fast-growing sector of digital advertising, which relies heavily on processing of personal data to better profile internet users. Leveraging their vast trove of user data, parsed by algorithms to generate behavioural insights, Google and Facebook are able to offer advertisers and publishers better targeted ad placement than their smaller competitors. These US corporations thus capture the lion's share of global digital advertising spending, boosting their profits.

The copyright directive aims at closing a value gap publishers face when copyrighted content is shared on platforms such as YouTube.

The content attracts users to platforms, where they are served advertisements and leave the data trail that platforms use to better target ads towards them in the future. Because advertisers are prepared to pay a premium for well-targeted ad placement, this boosts the platforms' profits. However, copyright owners often lose out: either platforms do not remunerate them fairly for their content, or users upload their content without their consent.

The copyright directive, on which Parliament is due to vote upon at its second plenary session of March 2019, requires platforms to remove unlicensed content and sets up mechanisms to allow copyright holders to obtain a fair share of the profit generated by exploitation of their content. In a joint statement following the conclusion of negotiations on the final text of the directive in February 2019, the Netherlands, Luxembourg, Poland, Italy and Finland rejected the compromise, saying it 'does not strike the right balance between the protection of right holders and the interests of EU citizens and companies'.

The European Council has largely left the issue of revenue-sharing in the digital ecosystem to co-legislators. EU leaders only mentioned the copyright directive once and, until now, have not referred to the e-privacy regulation, which has been in the legislative pipeline since the beginning of 2017. As the European Data Protection Supervisor, Giovanni Buttarelli, points out, the e-privacy regulation, in conjunction with the GDPR, has the potential to seriously limit the ability of tech companies to exploit users' personal data to drive advertising revenue.

9. Taxing problems

This notwithstanding, EU leaders have recognised another salient feature of the technology giants' business model, namely the siphoning of profits to jurisdictions with lower tax rates. In October 2017, they called on the Commission to prepare proposals for a digital tax, stressing that the EU needs 'an effective and fair taxation system fit for the digital era'. In line with the leaders' agenda note of March 2018, discussion on taxation of companies with a significant digital footprint (e.g. Google, Facebook and companies that are able to shift profits easily to low-tax jurisdictions like Ireland), was to continue, and the European Council to 'return the issue at its meeting in June [2018]'.

The aim is to make companies pay tax on revenue in countries where users of their services are based, rather than in the country where their headquarters are located. However, there are significant differences between Member States as to whether such tax is desirable, or how it should be implemented. In November 2018, Sweden, Denmark, Finland and Ireland blocked the proposal in the Council. Trying to break the deadlock, the Franco-German joint declaration of December 2018 then proposed to base the tax solely on revenues from digital advertising and urged the Council to agree on the directive by March 2019 at the latest. Although 24 Member States supported the compromise text in March 2019, Sweden, Denmark, Finland and Ireland remained firm in their opposition. Citing the lack of progress on European and international levels (OECD), however, Austria, France, Italy, Spain and the United Kingdom (UK), have moved to set up national digital taxes.

Weaning companies off bank credit

As the EU's capital markets are fragmented and relatively underdeveloped, European companies are heavily reliant on banks to fund their investments. This makes them more vulnerable at a time when banks are reluctant to lend, as was the case during the financial crisis. The crisis led to a precipitous fall in investment, hurting jobs and growth.

The European Council has therefore called repeatedly for the creation of a capital markets union (CMU). This would help businesses to tap into more diverse sources of capital from anywhere within the EU. In December 2018, therefore, EU leaders called 'for ambitious progress by spring 2019 on the capital markets union, as outlined in the Eurogroup report'.

The June 2016 European Council urged the co-legislators to agree on securitisation proposals (to free up some of the banks' capital for further lending to the economy) and on the simplification of prospectus requirements (to facilitate access to financial markets for companies). Council and Parliament adopted the proposals in May and November 2017, respectively. The co-legislators also reached an agreement on new rules for venture capital (to boost investment in start-ups and innovation).

10. Services unchained

The European Council's involvement in single market areas other than the digital single market have not been as detailed. At their December 2018 summit meeting, the Heads of State or Government stressed that it was 'important to remove remaining unjustified barriers, in particular in the field of services'. This came almost two and a half years after they called for 'swift and determined progress to support service providers seeking to expand across borders' via the introduction of the services passport.

Nevertheless, the case for making the single market for services work better is gaining momentum. In his June 2018 speech on the future of Europe before the European Parliament, the Dutch Prime Minister, Mark Rutte, chided the 'larger Member States that are in no hurry to open up the market for services', adding that services are 'the elephant in the room' when it comes to single market discussions. His Estonian counterpart, Juri Ratas, warned Members of the European Parliament in

October 2018 that the single market remains unfinished, especially in the field of services: 'While the sector continues to grow unlike anything else, especially in the digital domain, we are far from using its full cross-border potential'. The same sentiment was voiced by Danish Prime Minister, Lars Løkke Rasmussen, in November 2018.

Another marked contribution to discussion on services is the report 'Making EU trade in services work for all'. Commissioned by the Czech Republic, Denmark, Finland and Ireland and published in November 2018. It argues for more ambitious measures to remove obstacles to cross-border provision of services in the EU. The report calls for full implementation and enforcement of the Services Directive which could, on a conservative estimate, add at least 2 percent to the EU's GDP.

Writing to the president of the European Council, Donald Tusk, in February 2019, 17 Heads of State or Government from predominantly smaller Member States, also called for a proper implementation and enforcement of the Services Directive. Professional qualifications should be guaranteed and Member States should commit to improving their performance in reducing service restrictiveness, they said in a letter, which is to be read as a contribution to discussions on the EU's strategic agenda after European elections in May 2019.

11. Championing the industrial policy

Rattled by the European Commission's decision to block the merger of rail businesses owned by Germany's Siemens and France's Alstom, the two countries, in a Manifesto for a European industrial policy fit for the 21st Century, called for a radical overhaul of the EU's competition policy to allow for the creation of European industrial champions. The letter from the 17, mentioned above, also pushes for an 'offensive industrial policy to innovate and remain globally competitive in key technologies and strategic value chains'. However, Berlin and Paris stand out as not being among the signatories of this letter.

Nevertheless, both the manifesto and the letter cover much of the same ground. They focus on the challenges of digitalisation, highlight the need for the EU to become a leader in artificial intelligence by unleashing the data economy and recognize the importance of integrated capital markets in the EU to finance investment and innovation.

While the 17 Heads of State or Government do not go into much detail with regard to tools that the EU will need to achieve these aims, the Franco-German alliance does not shy away from spelling them out. From the update of merger rules to better take into account of the situation on the global, not just European market, to allowing the Council to veto the Commission's merger decisions; these proposals require major changes to the EU competition law.

The EU's competition Commissioner, Margrethe Vestager, agreed that the time was right to have a more nuanced and more pragmatic approach to competition policy, but warned that watering down merger rules would mean a strategic choice to change Europe's economic model, based on fair competition. Nobel laureate in economics Jean Tirole was however blunter, saying there might still be room for industrial policy in Europe, provided this did not involve the traditional French practice of ministers picking winners.

12. Outlook

The focus of the European Council on digital single market issues seems to have paid off to a certain extent. The co-legislators have been galvanised into action, reaching agreement on more than half of the legislative files (see figure 3). In other areas, success has been more mixed; there has been some movement on services, yet the capital markets union remains unachieved, although EU leaders wanted to see ambitious progress in this area by spring 2019.

According to recent studies, it seems likely that the exit of the United Kingdom from the EU will have a negative economic impact on all parties. Trading relationships will be severely affected as the EU and UK re-establish customs controls. Despite preventive measures, disruptions could possibly occur in the aviation and pharmaceuticals sectors. The Heads of State or Government will have to prepare to deal with the consequences of any unexpected fallout from Brexit on the single market.

As the European Council meets on 21-22 March to discuss single market issues in preparation for the new strategic agenda, boosting EU industrial policy and reforming its competition regime will likely take centre stage. These questions are closely linked to the rise of China as the EU's competitor on the world market. With state-owned and financed Chinese companies buying up companies abroad, while domestic laws shield them from foreign competition in their home market, the EU now wants to level the playing field for European companies.

In its EU-China strategic outlook, prepared for the March 2019 European Council, the European Commission therefore proposes exploring changes to EU law to address these distortive effects on competition and calls for full implementation of the EU's mechanism for screening foreign investment. It also highlights security concerns with regard to Chinese companies, such as Huawei, that aim to take part in deployment of 5G networks in Europe.

EU Leaders will also have to look into the warnings of some Member States that the services single market is underperforming and that more attention should be paid to the full implementation and enforcement of the Services Directive.

However, a range of complaints expressed by some Eastern Member States when it comes to the distribution of benefits from the single market should not be ignored. Restrictions on the free movement of road hauliers and new limits on the employment of posted workers predominantly affect workers and companies from countries with lower labour costs. In the retail sector, consumers from the east often consume products of lesser quality, although they are advertised under the same brand as in the west.

Likewise, according to those complaints, when Eastern Member States adopt measures to protect small, local retailers against big multinationals, usually headquartered in the west, the Commission's infringement procedures often find that such measures breach the EU's state aid rules. On the contrary, origin-labelling schemes set-up to support local producers in France and Italy, for example, are looked upon more leniently.

Another point of concern raised is that farmers from 'new' Member States receive less farm support compared to their counterparts from 'old' Member States. In their 2018 joint declaration Estonia, Latvia, Lithuania and Poland called for equality and fairness in common agricultural policy, demanding the equalisation of direct payments across the EU.

'What is common to many new Member States is the feeling that the internal market has only benefited those who have technology and capital', Daniel Gros, Director of the Centre for European Policy Studies, a think-tank based in Brussels has remarked. The Heads of State or Government will surely have to address this discontent in the future.

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