Thierry Breton

Internal Market

Hearing due to be held on Thursday 14 November at 13.00 hours.

European Parliament committees responsible: Internal Market and Consumer Protection (IMCO) and Industry, Research and Energy (ITRE).

Thierry Breton has most recently been chairman and CEO of the international information technology services company, Atos. He resigned from this position on 31 October 2019. Previously, he served as vice-chairman and CEO of Groupe Bull, chairman and CEO of Thomson-RCA, and chairman and CEO of France Télécom (now Orange).


Breton has been named one of ‘the 100 Best-Performing CEOs in the World’ (2010 and 2017) by the Harvard Business Review and was awarded the Montgelas Prize (2015) for outstanding action in favour of Franco-German cooperation. He was elected President of the French National Association for Research and Technology (2015) and a member of the French Academy of Technologies (2016).

Born in 1955, Breton received a Master's degree in electrical engineering and computer science from the Ecole Supérieure d'Électricité (Supelec), and graduated from the Institut des Hautes Études de Défense Nationale (IHEDN). He began his career in 1979 as a teacher of IT and mathematics at the Lycée Français de New York.

Thierry Breton is the author of several books about information technology and cyberspace, including the novel Softwar – La Guerre douce, and also on economics and budgets (Antidette).
Background

The idea behind the internal market is the creation of one territory without any internal borders or regulatory obstacles, in which goods, services, capital and people are able to move freely. It is an ongoing policy project, built on a substantial body of legislation and deep-rooted economic relations. Currently, the single market comprises 24 million companies and over 512 million customers, making it the largest of its kind in the world. Almost two thirds of total EU trade in goods (imports plus exports) takes place within the internal market, with a total value of just under €7 trillion. The strength of the market is also reflected in the fact that the EU accounts for around 15% of the world’s trade in goods, with exports amounting to just under €2 trillion. Taken together, its members have an annual GDP of €15.3 trillion.

EU policy focuses on removing technical, legal and bureaucratic barriers and modernising this large market, with the aim of unleashing its full potential. Some of the effects of the single market for businesses are increased competition and economies of scale, reduced transaction and trade costs, easier expansion of the customer base and improved allocation of resources. Consumers can benefit from wider availability of products and lower prices. The impact on the economy is also positive, with numerous studies confirming significant increases in GDP, jobs, per capita income, capital flows and inward investment, all contributing to EU market integration. Furthermore, the number of Europeans residing in another Member State on a permanent basis has reached 17 million, as opposed to 4.6 million in 1995. The April 2019 Mapping the Cost of Non-Europe study estimated that completing the single market would add €713 billion to the economy.

The Union has also been making efforts to help enterprises and citizens embrace these changes, and benefit from the creation and deepening of the digital single market, which dates back to the mid-1990s, when the liberalisation of the telecoms market in Europe began. The outgoing Commission proposed the digital single market strategy in May 2015, with 16 key measures for action. EPRS’s Mapping the Cost of Non Europe study estimates that actions in the broad field of the digital economy could contribute €178 billion per year to the EU in the 2019-2024 period.

Furthermore, the EU has increasingly been focusing on strengthening its defence and space industries. Developments in these fields are likely to have positive spill-over effects to other branches of industry and research, and as such they are of strategic importance for the Union.

Recent developments

Advancing the single market requires action in multiple policy fields, for instance in the areas of innovation and research, industrial transformation, digitalisation, space policies, and funding opportunities, in particular for small and medium-sized enterprises (SMEs). At the same time, the EU is looking to ensure fairness, robust consumer protection and environmental sustainability and to establish a future-oriented framework. Furthermore, policies focused on the internal market have strong links with other Commission priorities. As a result of this complex setting and the cross-cutting nature of policy-making, the deepening of the single market has tended to be addressed in broad packages, grouping together legislative and non-legislative initiatives.

The 2015 single market strategy led to the adoption of several important legislative files. These include the revision of the regulation on mutual recognition, and new laws on compliance and enforcement regarding harmonised EU rules. Furthermore, new rules on the digitalisation of company law have been agreed. Only slight progress has been made on harmonising the rules for services – just one legislative proposal has been adopted, the proportionality test to precede the adoption of new regulations on professions, while the reform of the services notification procedure proposal is blocked, as is the services e-card proposal. However, the EU has agreed on the revision of the Posting of Workers Directive, and the Commission adopted its implementing regulation on the European Professional Card in 2015. In the area of SMEs, the EU has agreed new rules on business insolvency and launched a strategy to help start-ups and scale-ups grow.
Further initiatives were agreed under the 2015 digital single market strategy. These included, among other things: new rules to end unjustified geo-blocking (which prevents online customers from purchasing products or services from a website based in another Member State) as well as new rules on cross-border online content allowing access to subscription-content when travelling across the EU; the single digital gateway; and an end to roaming charges for mobile phone users throughout the EU. Finally, the cybersecurity package, presented in September 2018, included new initiatives to further improve EU cyber-resilience, deterrence and defence. In particular, the Cybersecurity Act adopted in March 2019 will strengthen the EU Agency for Network Information Security (ENISA) and will create a voluntary EU cybersecurity certification framework.

In September 2017, the Commission launched its new industrial policy strategy, which consolidated existing and new initiatives with a view to supporting a smart, innovative and sustainable industrial base. To monitor progress and identify further action, the strategy formalised a high-level industrial roundtable and an annual European industry day bringing all relevant stakeholders together. Creating a business-friendly environment for all enterprises, especially SMEs and new entrepreneurs, has remained a key objective. Central to the Commission’s better regulation policy has been the updating of the ‘SME test’ in 2017; the test assesses the costs and benefits of policy options and analyses the possible effects of EU proposals on European SMEs.

Creation of jobs and growth has also been central to the Commission’s initiatives over the last term. The new skills agenda for Europe, adopted in June 2016, set out key actions for upgrading skills in Europe, ranging from initiatives to tackle the basic skills gap to measures that support the development and anticipation of high-level skills in emerging fields. Investment and financing have also been recognised by the EU as a precondition for European industry to drive industrial transformation. To this end, the European Fund for Strategic Investments (EFSI) was launched in 2015 and has since triggered financing for strategic projects. It has contributed to reducing the investment gap, which has meant investment levels are estimated to be 15% lower than pre-crisis levels. As of June 2019, EFSI financing was expected to mobilise €408.4 billion in total investment.

In June 2017, the Commission proposed a regulation on a European defence industrial development programme (EDIDP) under the European Defence Action Plan. The proposal aims at fostering the competitiveness and innovative capacity of the EU defence industry, by supporting cooperation in the development phase of defence products and technologies, including on prototyping, testing and certification of new and updated defence products and on feasibility studies. Adopted in July 2018, following agreement between Parliament and Council negotiators, the programme has a budget of €500 million for 2019-2020, which will mainly be provided in grant form. Consortia must include at least three entities from three Member States, and may also include an entity from outside the EU. Funding may not be used for products prohibited under international law.

In June 2018, the European Commission published its legislative proposal for the European Defence Fund (EDF) in the 2021-2027 multiannual financial framework (MFF). The EDF would contribute to the EU’s strategic autonomy in defence by coordinating and amplifying national investment in the field. The Commission proposes to allocate €13 billion to the EDF. A partial agreement (excluding the budgetary aspects) negotiated between Parliament’s Industry, Research and Energy (ITRE) committee and the Council was adopted at first reading in April 2019. The new programme would thus provide support throughout the entire industrial development lifecycle of defence products, and SMEs and mid-cap firms will have higher financing rates to encourage their participation.

In June 2018, the Commission also published a proposal for the new EU space programme. For the 2021-2027 MFF, the Commission intends to allocate €16 billion to the space programme. Its main aims are to foster an innovative space industry and to establish a simplified system of governance. Galileo, the European global satellite-based navigation system, and Copernicus, the European earth observation programme, are the EU’s two main space projects. The partial agreement (excluding the budgetary aspects) negotiated between Parliament’s Industry, Research and Energy (ITRE) committee and the Council was adopted in plenary at first reading in April 2019. The EU Agency for
the Space Programme will replace and succeed the European Global Navigation Satellite Systems (GNSS) Agency. An agreement will define the roles, responsibilities and obligations of the Commission, the Agency and the inter-governmental European Space Agency with regard to each component of the space programme. Measures would also be included to foster SME participation.

Priorities and challenges

Public opinion

A 2019 Eurobarometer survey showed that the vast majority of EU citizens (81%) support ‘the free movement of EU citizens who can live, work, study and do business anywhere in the EU’. In an earlier survey, one in four Europeans were considering working in another EU country within the next 10 years. According to another poll, European citizens are satisfied with the possibilities offered by the single market, particularly the wider choice of products (74%), increased number of jobs (52%) and fair competition (47%). Furthermore, more than six in ten Europeans are in favour of a digital single market within the EU.

The 2019-2024 strategic agenda agreed by the European Council in June 2019 makes deepening and strengthening the single market a priority. It underlines the need for a more integrated approach to a future-proof industrial policy, development of the digital economy, and fair and effective taxation. Furthermore, the agenda also indicates a renewed focus on services. In May 2019, the Council invited the Commission to present a long-term action plan for better implementation of single market rules by March 2020. The Commission is to assess the remaining (non-)regulatory barriers and opportunities and propose further initiatives to strengthen the single market, which should be ‘digitally tested’ and technology-neutral (i.e. not favouring one technology over another).

This is in line with the vision presented by the Commission in May 2019, which saw the need to ‘upgrade, modernise and fully implement the single market in all its aspects, removing any artificial distinction between traditional “bricks and mortar” and digital markets’. The document recognises that services are a difficult area but states that efforts should be made to remove obstacles to their deeper integration. It remains to be seen whether the services e-card, which could boost key business and construction services, will be revived by the Commission in the new term.

Digitalisation, the emergence of new industrial sectors, growing competition from Asia and the increasing concern that other countries do not respect binding trade rules, have put a common industrial policy on the European agenda. In December 2018, 18 EU Member States issued a joint statement calling for the EU to adopt a comprehensive vision for its industrial policy, to strengthen its strategic autonomy and rise to the challenges ahead. In its June 2019 conclusions, the European Council called for a ‘more assertive, comprehensive and coordinated industrial policy’. An integrated approach may encompass a range of policy areas, including strengthening global trade rules, enhancing EU trade defence instruments and foreign direct investment screening, ensuring equal access and reciprocity in public procurement and protecting critical technologies and value chains.

Fostering digital transformation is also high on the EU’s political agenda, and has been identified as a priority for unlocking future growth in Europe. The Commission has identified further work needed in the years to come, in areas such as the data economy, online platforms, product liability and cybersecurity. Key challenges include adapting rules on safety and liability to new developments such as the internet of things, robotics and AI, and autonomous vehicles in particular (the Commission plans to issue guidance on interpretation of the Product Liability Directive). Fostering the data economy and research and innovation, to encourage the scaling-up of digital platforms, which lag behind in Europe (compared to the USA and China), and to support digital transformation in the private and public sectors, such as in health and mobility is another vital area for action. Increasing technological and industrial capabilities in cybersecurity, in particular to protect 5G networks has become a major priority, as has developing the digital skills and jobs coalition strategy, to address changes in the nature of work and labour markets due to digital transformation, as well as supporting SMEs needing digital talent and modernising education and training systems. Boosting energy efficiency, particularly in new technologies such as cloud computing and 5G, and
to diminish the risks that data centres pose to climate change, is a further priority issue, linked to the Commission’s environmental priorities.

In her political guidelines and her mission letter to Thierry Breton, Commission President-elect Ursula von der Leyen highlights the importance of a ‘future-ready’ single market for growth, job creation and welfare. Breton will be part of the thematic Commissioners’ Group on a Europe fit for the Digital Age (to be chaired by Margrethe Vestager). The new Commission hopes to enhance EU technological sovereignty through investing in new technologies such as blockchain, high-performance computing and data-usage tools. A coordinated approach to 5G network standards, artificial intelligence, cybersecurity and the new Digital Services Act is also needed. Importantly, that act will contain legislative proposals on much needed liability and safety rules for digital platforms, services and products. It should also address the working conditions of platform workers. One of the Commissioner’s main tasks will be to develop a long-term strategy for Europe's industrial future. This covers factors affecting industry and its competiveness, from investment and public procurement to trade, skills, innovation and supporting SMEs; an SME envoy is also to be appointed. Von der Leyen also stresses the need to achieve a climate-neutral economy by 2050. Other actions relate to the building of a ‘competitive’ European defence equipment market and a ‘strong’ space industry to maintain the Union’s autonomous access to space.

The connection between EU security and defence issues and space-related infrastructure, however, remains a contested topic among experts and also among Members of the European Parliament. More specifically, the mandate to strengthen EU defence policy may prove a controversial element in the portfolio. Furthermore, the expected withdrawal of the United Kingdom from the EU has triggered a discussion on UK companies’ direct involvement in the EU’s satellite navigation system and their participation in EDF-financed projects. Provisions on protection of security interests, ownership and licence rights, as well as budgetary issues have so far been left out of the scope of negotiations between Parliament and Council prior to agreement on the 2021-2027 MFF.

European Parliament

Treaty basis and European Parliament competence

Articles 4(2)(a), 21, 27, 28, 29, 114 and 115 of the Treaty on the Functioning of the European Union (TFEU) constitute the legal basis for the internal market. The EU has powers to act in this area by means of ‘shared competence’ between the EU and the Member States (Article 4(2)(a) TFEU). Articles 114 and 115 TFEU give the EU power to legislate on the single market. Further relevant TFEU provisions include: Articles 26 and 28-37 (free movement of goods); Articles 3(2), 4(2)(a), 20, 26 and 45-48 (free movement of workers); Articles 49-55 (establishment) and 56-62 (services); Articles 26 and 53 (mutual recognition of diplomas); and Article 6 (d) 195 (Title XXII) on tourism. The European Parliament is involved mainly under the ordinary legislative procedure.

During the eighth parliamentary term, the Parliament contributed systematically to the policy debate on industry, entrepreneurship and SMEs with resolutions and own initiative reports on key issues. Moreover, it continued to advocate the creation of favourable conditions for the private sector to grow and improve its competitiveness. To this end, in a 2017 resolution, Parliament called for an ambitious EU industrial strategy as a priority for growth, employment and innovation.

In February 2019, Parliament adopted an own-initiative resolution calling for a comprehensive European industrial policy on artificial intelligence (AI) and robotics to boost innovation and the free movement of AI-driven services and smart goods. The importance of SMEs for the success of new technologies, and AI in particular, has been systematically recognised by Parliament, which welcomed the Commission’s initiative to create an AI on-demand platform to boost technology transfer and catalyse the growth of start-ups and SMEs.

Regarding financing, in its resolution of March 2018 on guidelines for the 2019 budget, Parliament emphasised that the EU budget should play an appropriate part in supporting the digitalisation of European industry and the promotion of digital skills and entrepreneurship, as well as safeguarding fundamental rights and security, including supporting the fight against cybercrime.
Parliament has also highlighted the need to address the continued existence of non-tariff barriers to integration, and to put an end to the dual quality of products. Members also advocated stronger single market governance, in particular by establishing it as a separate and closely monitored pillar of the European Semester process. Parliament called for free movement of services and goods to be given the same priority. Parliament also asked for regular reviews of regulations on professional services, to take account of technical innovation and digitalisation.

Parliament called upon the European Council to make a new pledge to complete the single market by 2025, including a new public timetable for action. Completing the digital single market is also a key priority for the Parliament. In a 2016 resolution, 'Towards a Digital Single Market Act', it expressed concern over diverging national approaches to regulating the internet and the sharing economy. The Parliament therefore advocated swift implementation of the digital single market strategy. More specifically, it recommended eliminating the barriers experienced by businesses and consumers and the creation of a level playing field through the development of e-government, a future-proof regulatory and non-regulatory framework for the digital single market, a long-term digital investment strategy, and better access to finance and skills.

In its resolution on the space strategy for Europe, Parliament urged the Commission to simplify the complicated institutional landscape in European space governance and to make the programme more cost efficient. It also stressed that the successful development of downstream markets depends on the continuous evolution of the Galileo and Copernicus programmes. In its resolution on the EU’s common security and defence policy, Parliament meanwhile recognised the strategic dimension of the space sector and the need to improve synergies between civil and security aspects.

FURTHER READING


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