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# A strategy for completing the Single Market: the trillion euro bonus

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Report of the High-Level  
Panel of Experts  
to the IMCO Committee

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STUDY

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## **ABOUT THE PUBLISHER**

This paper has been drawn up by the European Added Value Unit of the Directorate for Impact Assessment and European Added Value, within the Directorate-General for Parliamentary Research Services of the Secretariat General of the European Parliament.

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## **LINGUISTIC VERSIONS**

Original: EN

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Manuscript completed in January 2016. Brussels © European Union, 2016.

PE 558.772

ISBN: 978-92-823-7915-8

DOI: 10.2861/006735

CAT: QA-01-15-609-EN-N

# **A strategy for completing the Single Market: “the trillion euro bonus”**

## **Summary Report of the High-Level Panel of Experts to the IMCO Committee**

The High-level Panel was created at the request of the Committee on Internal Market and Consumer Protection (IMCO) (decision of the IMCO Coordinators of 20 February 2015). Its mandate was to prepare a strategic report for the Committee on practical measures to tap into the potential of the Single Market described in the Cost of Non-Europe report (September 2014, PE 510.981).

The Panel met in Brussels on 18 March, 20 April, 27 May and 17 June 2015.

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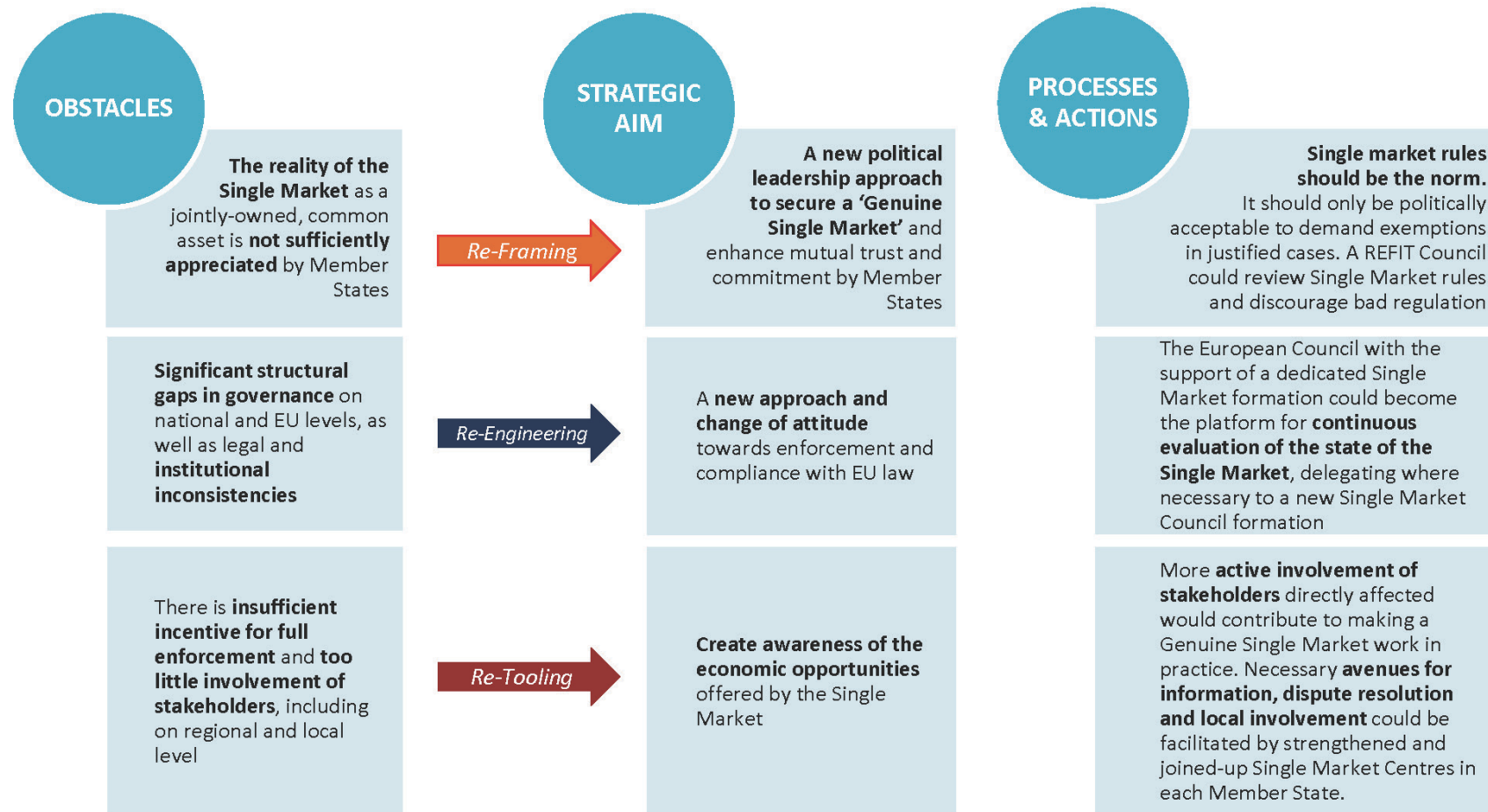
The meetings of the High-level Panel of experts were structured as facilitated brainstorming sessions (focussing successively on users, analysts and practitioners). Each session included two impulse presentations by invited external experts followed by an open discussion between the Panel members and the invited experts. While discussions in the panel were in principle not restricted to specific topics, the starting point for debate were the issues identified in the Cost of Non-Europe report, and included, among other themes, governance of the Single Market, implementation and enforcement.

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## A STRATEGY FOR THE SINGLE MARKET

**Case for Action:** The unrealised opportunity in the Single Market is a cost of some 1 trillion euro per year. A successful strategy will unlock major potential for economic growth.



## 6 KEY RECOMMENDATIONS TO ENHANCE THE FUNCTIONING OF THE SINGLE MARKET

### REFRAMING

A dedicated regular **Single Market Council** formation with active involvement of **Member States** is needed as a focal point, with guidance given at the level of the **European Council**.

A '**Five Presidents'**-type report mapping the road to a **Genuine Single Market** could be agreed at the highest level.

A systematic annual review of single market integration combined with the development of scientifically-based **indicators** on the performance of the Single Market, to support the annual review mechanism, as part of the **European Semester** process.

Make the Single Market **innovation-friendly**, **encourage entrepreneurship** and facilitate start-ups.

### REENGINEERING

A more **integrated approach** to EU-level actions as well as strengthening the **enforcement** of the current legislative framework through:

- a reform of the Notification Directive 98/34/EC;
- a revision of the Mutual Recognition Regulation 764/2008 by mainstreaming and enforcing the principle and providing cost-efficient mechanisms of dispute settlement
- adapting the provisions of the Services Directive in relation to notifications, certification and professional insurance
- adapting remedies in public procurement,
- making the framework for standardisation more efficient and fit for purpose
- adapting the existing legal framework to economic and technological trends and new business models, including possible regulation of the collaborative/ sharing economy

Investing resources **in training** at all levels of Member States to enhance the commitment to proper enforcement of EU law.

### RETOOLING

Develop a **set of incentives** for active involvement of all stakeholders in monitoring and enforcement of the Single Market with a specific focus on SMEs, business associations, trade unions and regional and local governments. The development of an **integrated**, accessible, low-cost, electronic platform, a **Single Digital Gateway** should be encouraged as a fast-track system to receive information, submit complains and provide avenues for non-judicial mechanisms for dispute resolution.

## Introduction

### New Leadership and New Politics for the Single Market

All Member States recognise that the Single Market is under-performing in almost all areas - in stimulating a market driven by digital, in encouraging start-ups, in integrating into global supply-chains, in dealing with new business models, and is falling down on market facilitation, standardisation and the licensing of professionals. The potential economic gain in respect of the Single Market could, according to research carried out by the European Parliament<sup>1</sup>, amount to as much as one trillion euro per annum<sup>2</sup>. This "bonus" has not yet materialised. The European Commission has recently demonstrated that the average economic value added of the Services Directive between 2012 and 2014 has been + 0.1 % of GDP over five to ten years, when between + 0.8 and 1.8% could have been expected.<sup>3</sup> If *impact* rather than *implementation* is the criterion for assessing the success of the Single Market, then it has not delivered as it should and has fallen short.

The Single Market is still far from complete. Former Commissioner Bolkestein once said, when presenting a relaunch of the Single market in 2003: *"The Internal Market has been a tremendous force for economic and social good. But much of its potential is being wasted: it's as if we are **driving a Ferrari in second gear**. Back in 1985 everybody agreed Europe needed an Internal Market. Then they went ahead and did it, sorting out the nitty-gritty without losing sight of the big political picture. We need that sort of consensus and determination again now, to meet the challenge of enlargement and to kick-start the economy."*<sup>4</sup> We cannot say that the design of the Single Market has been up-dated and optimised in the same way as Ferrari! A market where the borderline between goods and services becomes ever more blurred needs updated rules.

The immediate causes of the under-performance are not hard to find. The OECD has pointed out the growth impediment caused by diverging product market regulation and the often adverse effect on foreign direct investment of regulatory heterogeneity.<sup>5</sup> Poor enforcement of EU legislation, especially Directives,<sup>6</sup> is a major factor, as the most efficient mechanisms (trade and competition) depend on regulation at EU rather than at Member State level.<sup>7</sup> Mutual recognition is often not respected<sup>8</sup>

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<sup>1</sup> "Cecchini Revisited' An overview of the potential economic gains from further completion of the European Single Market", European Parliament Research Services, September 2014.

<sup>2</sup> Cf. Chapter 1 below.

<sup>3</sup> European Commission, State of the Single Market Integration 2013, COM (2012) 752 final; see also European Commission, Update of the 2012 assessment of the economic impact of the Services Directive, presentation from 17 September 2015.

<sup>4</sup> European Commission Press statement IP/03/645 Brussels, 7th May 2003 Internal Market: Commission presents ten-point plan for making Europe better off

<sup>5</sup> Fournier, Jean-Marc, Reinvigorating the EU Single Market, OECD Economics Department Working Papers No. 1159, ECO/WKP(2014)55.

<sup>6</sup> For overview of transposition and compliance deficit of Single Market Directives see 2015 European Commission Scoreboard available at [http://ec.europa.eu/internal\\_market/scoreboard/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/index_en.htm) . According to the European Commission data as of 10 May 2015, there were 1 115 directives in force regulating functioning of the Single Market. In absolute terms, 46 directives have not been transposed on time in at least 1 Member State. The main problem areas are: financial services, environment, employment and social policy and transport.

<sup>7</sup> Pelkmans, J. and A. Correia de Brito (2012), "Enforcement in the EU Single Market", Center for European Policy Studies;

<sup>8</sup> Evidence given by Mrs Dragsdahl, Confederation of Danish Industry, 18 March 2015.



Members States need to fully assume their share of responsibility for implementation and enforcement of EU law, no longer limiting the effectiveness of a fully-functioning Single Market through national restrictions or certification or testing procedures. Every time a Member State resiles from Mutual Recognition or introduces measures which help to 'balkanise' the internal market, it should be held to account. Only in that way can a self-correcting mechanism be provided for, endorsed by the prime ministers, enforced in deed and properly monitored.

To complement the drive for Genuine Economic and Monetary Union, the EU should strive for a Genuine Single Market. It would be less an adjustment of existing policies than a reform.

It is time for the European Council, which has frequently adopted conclusions on, but much less often debated, the Single Market<sup>9</sup> to take an active interest, and to effectively carry out what has already been agreed but only very imperfectly carried out. It would make sense for the European Council to examine, at every meeting, a report on the state of the single market.

In an event in the European Parliament on 5 May 2015, Herman Van Rompuy, reflecting on his term as the first President of the European Council, concluded by saying that for the European Council ...*"the big issue for the upcoming years, I am really convinced, is the fragmentation of the Single Market. [...] Of course I know that gradualism is the law of the EU, but we have to do much, much more. If we maintain this low structural economic growth, we just cannot make our social models sustainable. So much is at stake! At the European level, the Single Market is the main instrument. Fragmentation of the Single Market is one of the major impediments to higher structural economic growth. But can we convince the leaders - and there the Commission can also play an important role - can we convince the leaders that they have to take that kind of step?"*

Two essential requirements would follow from a new and energetic engagement by the Prime Ministers in the European Council context. The European Semester process would be adapted to explicitly cover the Single Market<sup>10</sup> and to be a usable and credible instrument, this process would need to be accompanied by regular monitoring of the state of integration of the Single Market, providing regular evaluation of the implementation of policies.

A dedicated Council formation working on Single Market issues, in tandem with an Innovation and Research Council would give important policy stimulus and feed issues through to the European Council as appropriate.

Awareness of the benefits can also create pressure from below to improve and reform the Single Market. Communication activities at the micro-level, by local authorities, and training of member state officials, are all necessary to align action on the ground with policy formulation at the level of the EU institutions.

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<sup>9</sup> see Annex V below.

<sup>10</sup> See most recently European Parliament resolution of 11 march 2015 on Single Market governance within the European Semester 2015 (2014/2212(INI)) and report prepared by the Ildiko Gall-Pelcz; European Parliament, Committee on the Internal Market and Consumer Protection, Report on Towards improved single market regulation of 1 October 2015 (A8-0278/2015) prepared by Anneleen Van Bossuyt, European Parliament, Committee on the Internal Market and Consumer Protection, Draft Report on the Single Market governance within the European Semester 2016 of 24 November 2015 (2015/2256 (INI) prepared by Catherine Stihler.

It is generally agreed that an *integrated* policy is needed going forward, embedded in industrial policy, based on trust and confidence between Member States.<sup>11</sup> It is also possible to move forward with sector-based initiatives which not be all legislative, in e.g. the services sector, piloting an integrated approach.

*Transparency* is key. Notifications should be subject to a peer-review process.

A successful strategy will encourage innovation, entrepreneurship and facilitate start-ups. This entails a choice for a less static environment, and not only better regulation, but common regulation where possible, in areas such as telecoms, certification, public procurement, energy and rail. The EU needs to develop a "fifth freedom" for knowledge.<sup>12</sup> Innovation can be inhibited by regulation, so it is crucial to find the optimal level of regulation. Free movement is a necessary but not sufficient condition for economic growth, and access to credit can be a major factor.<sup>13</sup> Scaling-up is vital, and flanking measures and complementary policies in e.g. the area of education and improved work-force skills, will be needed.<sup>14</sup>

Equally, better regulation is important, but there is a need to provide for identifying and remedying 'bad' regulation. In terms of governance, implementation and enforcement in the single market are notoriously weak. Enforcement requires recourse to infringement procedures, but the length and cost of the Court proceedings means it is effective in highly selected instances. An instrument of easier and more general application is needed. A dedicated chamber in the Court, to fast-track and arbitrate on single market issues, would be a possibility. Investigations, to establish the market facts, could help. A "productivity council" as in Australia, or a central monitoring board, a responsive appeal system for manufacturers or a single market authority could all be considered.<sup>15</sup> What is clear is that a fast-track extra-judicial arbitration procedure for dealing with mutual recognition disputes is badly needed. The existing and regrettably under-funded SOLVIT network could be made the gateway to an arbitration mechanism. Ultimately, every Member State will need its own Single Market centre, or Single Market Delivery office, bring together the different points of single contact<sup>16</sup> and fronting an internal information network.

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<sup>11</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, For a European Industrial Renaissance, 22.01.2014, COM(2014) 14 final.

<sup>12</sup> Council of the European Union, Presidency Conclusions, 20 May 2008, 7652/1/08; see also most recently European Commission, Communication from the Commission to the Council and the European Parliament, European Research Area: Progress Report 2014, COM (2014) 575 final. European Parliament Research Service, Cost of Non-Europe Report - European Research Area, (forthcoming spring 2016).

<sup>13</sup> See for example data and analysis by World Bank, available at [data.worldbank.org/topic/financial-sector](http://data.worldbank.org/topic/financial-sector)

<sup>14</sup> Mariniello, M., A. Sapir & A. Terzi (2015), The long road towards the European Single Market, *Bruegel Working Paper* 2015/01, March

<sup>15</sup> Additional information on the mission and services of the Australian Productivity Council available here [http://www.apcouncil.com.au/background\\_full.html](http://www.apcouncil.com.au/background_full.html).

<sup>16</sup> See for example, the proposal by the European Commission to combine the Points of Single Contact, Product Contact Points and Contact Points for Construction Products in a 'Single Digital Gateway' in the European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, 28.10.2015, COM(2015) 550 final;

Learning the lessons and evaluating ex-post the results of policy action, as the REFIT mechanism seeks to do, is not always done. Much available information on the application of EU law is not used.<sup>17</sup>

Mutual recognition needs to be applied. In the New Legislative Framework adopted in 2008, companies were given the right to challenge decisions, and put the onus on the Member State to demonstrate incompatibility, reversing the burden of proof. This right needs to be re-asserted and communicated to stakeholders.

A shortlist of legislation which may need to be reviewed or complemented with flanking actions:

- a reform of the Notification Directive 98/34/EC;
- a revision of the Mutual Recognition Regulation 764/2008 by mainstreaming and enforcing the principle and providing cost-efficient mechanisms of dispute settlement
- adapting the provisions of the Services Directive in relation to notifications, certification and professional insurance (Articles 15 (7), 39 (5) 20 and 23)
- adapting remedies in public procurement,
- making the framework for standardisation more efficient and fit for purpose
- adapting the existing legal framework to economic and technological trends and new business models, including possible regulation of the collaborative/ sharing economy.

A genuinely strategic approach is called for.<sup>18</sup> If it is to have any more success than the four major relaunches since 1992, the new strategy will need to be more than a list of discrete policy actions, patchwork fixes and tools. The strategy will need to avoid the fate of the 2010 Monti report. Many of the Monti report's recommendations were implemented in the Single Market Acts which followed, but the central recommendation, the 'political bargain' the report advocated, was never tackled. Key recommendations on the infringement procedure and the structural problem of weak enforcement mechanisms did not elicit a policy response. The new strategy should not be defeated by fatigue. The response will need to be political, as much as technical.

To progress towards structural economic growth benefitting all, Member States can no longer afford to treat the single market so casually, subordinating their own interest to short-term advantage. A programme of actions cannot of itself comprise a strategy and will inevitably fail to fully achieve its aims if it is not underpinned by an overall, coherent, policy vision and a sense of ownership on the part of the Member States. This will require nothing less than a

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<sup>17</sup> European Parliament, Study, Tools for ensuring implementation and application of EU law and evaluation of its effectiveness, 2013, PE 493.014; see also European Parliament Report of 23.7.2015 on the 30th and 31st annual reports on monitoring the application of EU Law, A8-0242/2015; European Commission, Report of 9.7.2015 Monitoring the application of Union law, 2014 Annual Report, COM(2015) 329 final

<sup>18</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, 28.10.2015, COM(2015) 550 final; and several contributions have been put forward by Member States (see e.g. non-paper by France, Italy, Sweden and UK).

change of mind-set at the top, at the level of the Heads of Government or State. It will require institutional adjustment and changes at Member State interfaces.

The Single Market is a shared asset which Member States feel they are free to do with as they will, as if they did not own or have a stake in it. An effective Single Market “will benefit every Member State, but to secure these benefits, every Member States must be willing to make reforms and to take on vested interests”.<sup>19</sup>

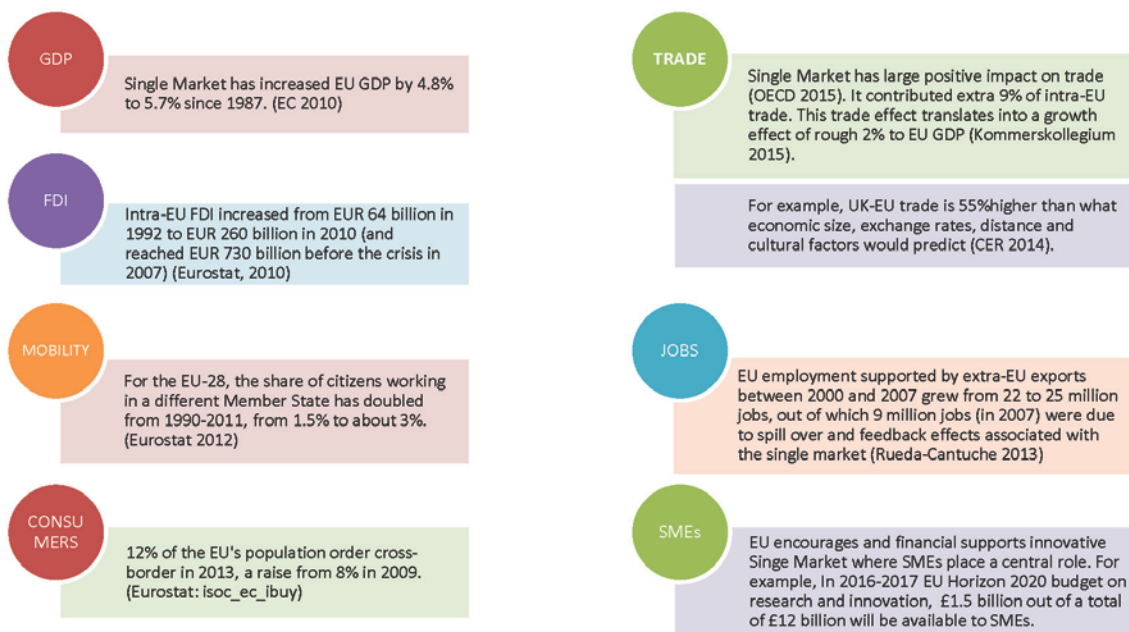
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<sup>19</sup> UK non-paper: Deepening the single market in goods and services

## Chapter 1: A Strategy for Completing the Single Market

The EU Single Market is one of the greatest European achievements and benefits millions of businesses, consumers and citizens.<sup>20</sup>

### BENEFITS OF THE SINGLE MARKET: RECENT EMPIRICAL EVIDENCE



However, the Single Market can perform dramatically better<sup>21</sup> if its full in-built potential were to be realised. In this paper, we seek to address three main dimensions, political, economic and policy, of the strategy needed to unleash the potential of the Single market. The paper starts with a call for action on political level based on the work of the High-Level Panel,<sup>22</sup> followed by a Chapter 1 outlining the methodology for enhancing the performance of the single market. These was supported by Chapter 2 contributed by Professor Jacques Pelkmans, suggesting a vision and policy action plan to achieve a 'genuine single market', and an economic analysis in Chapter 3 contributed by Professor Fabrizio Coricelli. Additional information on the proceedings of the Panel and data on aspects related to the performance and shortcoming of the functioning of the Single Market is contained in the Annexes.

<sup>20</sup> See for example Study by Europe Economics, Measuring the Benefits to UK Consumers from the Creation of the European Single Market: Feasibility Study and Test Case, 2014.

<sup>21</sup> The cost of non-Europe in the Single Market is estimated to be 615 billion per year, and at 415 billion euro per annum for the Digital Single Market, see EAVA Cost of non-Europe Report; see Chapter 3 and Annex I on estimates on Single Market gains down the years.

<sup>22</sup> cf. Annex I

### *Political commitment and strategic vision*

A new Single Market Strategy presented by the European Commission on 28 October 2015 provides a list of measures necessary to deliver a deeper and fairer single market.<sup>23</sup> The Commission strategy provides an important list of necessary actions to improve functioning of the Single market, however, it does not sufficiently address the need for a new strategic vision. The core argument developed in this paper is that the **EU needs strategic vision and political leadership to re-frame the Single Market discourse**.

The urgent question that needs to be addressed at the **highest political level** is: why, despite clear diagnosis of problems, identification of obstacles and regular acknowledgement of the need for reform, action on national and EU levels has so often lagged behind in the past? It is remarkable therefore that calls for action made in the 2010 Monti Report, or even in the 1956 Spaak report, are still unanswered and valid today.<sup>24</sup>

### *Action Plan*

Further progress on achieving a true Single Market hinges mainly on the Member States themselves, and rectifying the institutional ‘mismatch’ hindering moves to closer cooperation. Thus, devising an EU strategy must first be based on understanding the underlying reasons for Member States lack of ownership. An EU action plan and supporting governance tools should be predicated on a shared understanding by Member States that their own best interest is served by compliance with EU law. It could usefully **focus on better implementation of existing rules** rather than making new rules; **improve the communication strategy** to better convey the benefits of the Single Market to citizens, business and Member States; further develop **incentive structures encourage innovation and entrepreneurship** as well as facilitating **greater involvement of all stakeholders** in governance structures and enforcement of Single Market rules. Better inter-institutional cooperation and better regulation at EU level would also make a significant contribution.

### *Economic Potential*

As indicated above, it has been estimated that additional economic gains of **one trillion euro** annually can be achieved through enhanced cooperation in the Single Market. According to the Cost of Non-Europe reports, the breakdown by major contributing sectors is as follows: € 615 billion would come from the completion of the Single Market for consumers and citizens, and € 415 billion would be injected through the Digital Single Market. The economic rationale and potential of the Single Market are enormous.<sup>25</sup>

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<sup>23</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, 28.10.2015, COM(2015) 550 final.

<sup>24</sup> There is a wealth of policy papers and economic diagnosis on the reasons why the European Union Single or Internal Market is not performing to its full potential. Most recently, see e.g. Mariniello et.al., Bruegel Working Paper 2015/01, The Long Road towards the European Single Market.

<sup>25</sup> The economic rationale and potential of the single market are well discussed in the literature. For review and novel accounts on the issue see for example later chapters in this report.

Available data suggests that European Integration and creation of the internal market has already substantially benefitted economies of the Member States.<sup>26</sup> While the range of estimates on the benefits diverge, all studies tend to agree that relationship between European integration and economic benefits for Member States is strong and positive (for a comparative overview of available studies see Annex II). Chapter 3 aims to measure empirically the costs and benefits of the completion of the Single Market for EU Member States. Using an innovative methodology, the synthetic counter-factual, it suggests that a deeper Single Market could potentially have significant and large growth effects.

Addressing the political, economic and policy dimensions of the Single Market strategy requires **re-framing, re-engineering** and **re-tooling** of the current Single Market regulation.

## 1. Re-framing our understanding of the Single Market as a "Common Asset"

The Single Market is fundamentally grounded in the idea of an open market economy with free competition.<sup>27</sup> It is achieved through enforcement of the four fundamental freedoms, removal of barriers to free movement of goods, persons, services and capital and free competition. The European Union has achieved considerable results by facilitating the removal of regulatory obstacles. This includes success in the removal of physical, technical and other obstacles to the four fundamental freedoms. However, the current reluctance of many Member States to, e.g. enforce Single Market rules, or to apply mutual recognition, or to create new obstacles thorough 'gold-plating', is intimately linked to another type of the highly important obstacle which is perhaps not yet sufficiently targeted by the EU. This obstacle is neither physical nor technical in nature but rather **conceptual**. This obstacle seems to cause the (in-)action of actors involved in managing the Single Market, and appears increasingly present in the policy formation process. As a result, the **strategic nature and economic growth potential of the Single Market** is systematically underestimated or under-valued by policy-makers.

The Treaty on the Functioning of the European Union (TFEU) establishes the objective of "a highly competitive social market economy" and defines the main elements of the internal market. It is however silent on the operational management or the optimal organizational form of the Single Market in order to achieve full economic efficiency, effectiveness, sustainability and social justice.<sup>28</sup> The Treaty also makes explicit reference to the joint responsibility of Union and Member States to work towards achieving Single Market objectives. Thus, the main objectives and responsible actors are defined by the Treaty, but the nature of the resource or the governance mechanisms to manage the resource are not explicitly spelled out. This arrangement provides necessary flexibility, but equally, as the data on the application of EU law by Member States suggests, can contribute to problems of inaction.

In practical terms, to facilitate the performance of the **Single Market as a common asset**, and thus contribute to the building of mutual confidence and trust, EU policy actions should focus on (a) enhancing the structural institutional set-up to achieve continuous review of obstacles and

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<sup>26</sup> Campos et.al. 2014, Coricelli 2015

<sup>27</sup> Articles 2, 3, 119, 120 and 127 TFEU.

<sup>28</sup> The Treaty on the Functioning of the European Union (TFEU) defines the main elements of the internal market "free movement of goods, persons, services and capital". Art. 26 (2) TFEU "the internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured...".

achievements of the Single Market [*institutional infrastructure*]; (b) providing transparent, participatory, accountable and evidence-based monitoring and evaluation mechanisms for measuring performance and compliance of all stakeholders [*measurement instruments/tools*]; (c) developing mechanisms to enhance mutual responsibility and accountability among all actors involved [*governance tools*]. Re-building trust among Member States, facilitated through enhancement of the current institutional infrastructure, measurement instruments and governance tools, is necessary to overcome the current conceptual obstacles.

The three strategic aims outlined above may be achieved through following strategic objectives: (1) the European Semester as an institutional mechanism for continuous review and adjustment of Single Market policy; (2) Single Market indicators as measurement instruments to facilitate evidence-based policy making.

### 1.1. The Institutional framework: The Single Market Pillar of the European Semester

Member States are regularly criticised for a lack of commitment to the Single Market,<sup>29</sup> implementation of EU legislation or for a reluctance to remove obstacles to the four fundamental freedoms. However, as data on Single Market integration shows, this criticism, even if voiced on the highest political level, in the European Council, and supported by calls for action in well-drafted strategy papers and built into new sets of legal rules, is not sufficient of itself to bring about a fully-integrated Single Market.<sup>30</sup> There is a mistaken assumption, often repeated in Single Market policy reform suggestions, that the economic power of the Single Market and the governance mechanisms that are already in place are strong enough to generate trust and commitment between Member States. This assumption leads to reform proposals which tend to focus on specific tools or instruments that need to be changed or adapted. Trust is however not automatic. Trust needs a clear institutional framework in which it can thrive and concrete instruments to measure compliance and governance tools to facilitate inter-action. Building on the extensive IAD framework<sup>31</sup> research, we suggest that, in designing and reforming Single Market policy, we need to critically assess and answer the question - *Does the EU provide a well-structured institutional framework that facilitate mutual trust and common responsibility between Member States?*<sup>32</sup> The role of such an institutional framework is central to understanding and explaining why even the best tools and instruments do not yield expected outcomes.

The institutional setting provides a systemic framework for structuring a single action policy field. A poorly-defined and poorly-coordinated institutional framework leads to mistrust among actors and to policy action failures. This is so because institutions<sup>33</sup> are "*intentional constructions that*

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<sup>29</sup> "The Single Market: Wallflower or Dancing Partner? Volume II: Evidence"; House of Lords; European Union Committee; 2008

<sup>30</sup> see eg. findings of the Single Market Observatory (SMO), Obstacles to the European Single Market, European Economic and Social Committee, July 2012.

<sup>31</sup> Institutional analysis and development framework

<sup>32</sup> Ostrom convincingly shows that "Policy reform that ignores an existing institutional context is doomed to failure." Ostrom has successfully advanced and tested the Institutional Analysis and Development Framework (IAD), a systemic method to understand the sustainability and failures of the governance systems.

<sup>33</sup> Institutions not to be confused with organizations. Institution should be understood here as institutional framework or institutional arrangement.



*structure information and create incentives to act or not to act in a particular situation, thereby imposing constraints on the range of possible behaviour and feasible reforms."*<sup>34</sup>

The Single Market is both a complex regulatory process and an outcome defined by numerous cross-cutting policy fields. This means that regulation of the Single Market in the EU currently lacks a well-defined and clearly-framed single action policy field. The lack of a single action policy field creates regulatory inefficiencies and inconsistencies which generate mistrust between the actors involved. Consequently, in order to enhance feeling of ownership and responsibility of Member States towards the Single Market, and thus to enhance the management and performance of the EU's best asset, **an institutional framework setting up single action policy field on the Single Market** is necessary<sup>35</sup>.

**The European Semester**, the governance mechanism developed in response to the economic crisis is relevant as a starting point for creating this single action policy field for the Single Market. The underlying regulatory idea of the European Semester is to provide an annual cycle for holistic review, monitoring and adjustment of national policies to ensure timely and effective policy coordination in the EU area. This coordinated action among Member States has been shown to positively affect EU Member States' regulatory actions and to facilitate an understanding of economic and, particularly, budgetary policy as a common concern.

The integration of Single Market governance within the European Semester can provide a necessary institutional framework for Single Market policy. This can be achieved provided two important limitations in the current design of the European Semester are addressed. First, the scope of the issues covered by the European Semester must be extended to include the Single Market as a third 'pillar' of the European Semester. Single Market issues are not outside the European Semester process. However Single Market policy is not structurally framed as an integral and separate pillar of the European Semester. In terms of the institutional framework the current design does not facilitate full compliance and trust building among Member States.

In this context, European Parliament has repeatedly stressed *"the need to use the Single Market as the third pillar of the European Semester in order to cover a clear set of priorities related to the real economy, while fully respecting the principles of subsidiarity and proportionality within the EU."*<sup>36</sup> Moreover, the European Parliament has on numerous occasions reiterated *"the need to strengthen the governance of the Single Market within the European Semester as a horizontal priority of the Union's different policies"*.<sup>37</sup> The European Commission response of June 2015 to the European Parliament's most recent resolution from March 2015 does not explicitly address the issue of building of Single Market pillar

<sup>34</sup> Polski and Ostrom, 1999, <http://mason.gmu.edu/~mpolski/documents/PolskiOstromIAD.pdf>

<sup>35</sup> See "Restarting the EU's growth engine. A new method for the Internal Market"; LU non paper

<sup>36</sup> European Parliament resolution of 11 march 2015 on Single Market governance within the European Semester 2015 (2014/2212(INI)), para 10.

<sup>37</sup> European Parliament resolution of 11 march 2015 on Single Market governance within the European Semester 2015 (2014/2212(INI)); see also draft opinion of the Committee on the Internal Market and Consumer Protection for the Committee on Economic and Monetary Affairs on the European Semester for economic policy coordination: implementation of 2015 priorities, PE565.061v01-00, from 28.7.2015 which calls the Committee on Economic and Monetary Affairs to incorporate following suggestions into its motion for a resolution "calls on the Commission and the MS to honour their commitments and to safeguard the revival of the single market as on the Union's main priorities; Reiterates its call on the Commission to put forward proposals for classifying the single market as a specific pillar of the European Semester, including dedicated guidelines and country-specific recommendations (CSRs)..."

of the European Semester.<sup>38</sup> However, the 2013 European Commission follow-up to the European Parliament 2013 Resolution states *"The idea of a specific Single Market Governance cycle separate from the existing European Semester goes against the idea of integrated economic governance in the EU and the idea of combining national and EU level actions. The Commission is committed to maintaining the existing Single Market dimension of the present European Semester and to strengthening this where required."*<sup>39</sup>

Secondly, the European Semester process, especially as it applies to Single Market policy, should be re-adjusted to introduce more democratic accountability and oversight. The European Semester as a governance tool was developed in response to the crisis. The urgency of the crisis measures justified shortcuts in the institutional legitimacy structures.<sup>40</sup> A sustainable European Semester policy framework must address the democratic representation and accountability criticism and provide for greater involvement of the European Parliament, national parliaments and social partners.<sup>41</sup>

Enhancing the European Semester process in the way described above would not be enough to provide a complete institutional infrastructure for continuous review of obstacles and achievements of the Single Market in the EU. The institutional framework is necessary but not sufficient in itself to facilitate trust. Equally, standalone set of indicators not linked to the systemic institutional framework, subject to annual review, would not be sufficient. This is indeed understood by the European Parliament. In 11 March 2015 a European Parliament Resolution stated *"... while many tools, chiefly specific indicators, exist to measure economic performance of the Single Market in the European Semester, so far they have not yet triggered any clear impact on the policy."*<sup>42</sup> Both elements must be reinforcing and support each other in order to have policy impact.

## 1.2. Measurement tools in Evidence-based Policy Making: Instruments for measuring performance

To facilitate trust and responsibility of Member States the Single Market pillar of the European Semester should be based on transparent, participatory and evidence-based monitoring and evaluation mechanisms. Annual and continuous review of performance and compliance of all stakeholders based on the measurable indicators is necessary to create the 'habit' of compliance and expose in more structural and comparable way the persistent compliance failures in Member States.

The former mayor of New York famously said: *"If you cannot measure it, you cannot manage it"*<sup>43</sup>. The current Single Market Scoreboard is useful for measuring transposition but is not a measure of the degree of integration in the Single Market. There is a consensus among scholars that, currently, the EU lacks indicators capable of measuring integration.<sup>44</sup>

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<sup>38</sup> See Part I of the EP Resolution of 11 March 2015, P8\_TA-PROV(2015)0069; The Commission follow up however includes references to country specific recommendations, implementation of country specific recommendations and single market integration report.

<sup>39</sup> Follow up to the European Parliament resolution with recommendation to the Commission on better governance for the Single Market, adopted by the European Commission on 8 May 2013.

<sup>40</sup> "How effective and legitimate is the European Semester? Increasing the role of the European Parliament"; European Parliament, Policy Department A; 2011

<sup>41</sup> See, for instance, [P8\\_TA-\(2014\)0038](#)

<sup>42</sup> P8\_TA-PROV (2015) 0069

<sup>43</sup> quoted in Gillian Tett: "The Silo Effect", 2015

<sup>44</sup> 2014 Pelkmans et.al. Policy Department A Report

The European Parliament has repeatedly expressed its concern and called for coherence and methodological clarity on the Single Market Integration measurement.<sup>45</sup> The European Parliament has called on Commission to "*improve governance of the Single Market by developing a set of analytical tools to more properly measure the economic and regulatory performance...*"<sup>46</sup> In response to the European Parliament Resolution of March 2015, the European Commission stated that current monitoring tools are based on the Single Market Scoreboard, the annual Competitiveness Report and Single Market Integration Reports of Member States.<sup>47</sup> The Commission also acknowledged that there is an ongoing methodological reflection and a new approach to the monitoring and performance of the Single Market which could be beneficial. The position of the Commission is however not developed any further in the follow-up to the EP Resolution.<sup>48</sup>

In this context, it would seem appropriate for the European Parliament to take an initiative to organise, if possible in collaboration with other institutions and stakeholders, a scientific expert group in to elaborate methodologically sound, measurable criteria necessary to assess the degree of Single Market integration.<sup>49</sup>

## 2. Re-engineering the Single Market: addressing governance and structural lacunae

In addition to adjusting the institutional framework and perfecting measurement tools for Single Market integration, there is the issue of governance in general, the responsibility of the Member States for implementation, and particularly, the question of compliance. The Single Market has long laboured under the constraint that, unlike competition policy, enforcing Single Market rules can be a cumbersome, lengthy and ultimately ineffectual process (set out in chart-form in Annex III). This pessimistic approach is partly responsible for "the internal market fatigue" diagnosed in 2010 by M. Monti. The potential of the Single Market is nevertheless exceptional, as it has already been pointed out above; so one must now fight all that contributes to the depreciation and decline of the Single Market. Instead, one have to activate all the levers that promote the proper functioning and effectiveness of the Single Market; a better governance is one of these key instruments.<sup>50</sup>

### 2.1 Implementation

#### *a) Impact assessment*

It is well established that a weak link in EU policy formation is the gap between the goals set out by policy-makers and their actual realisation on the ground<sup>51</sup>. The systematic use of *ex-ante* impact

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<sup>45</sup> 2013, 2015, 2015 Resolutions of the EP

<sup>46</sup> P8\_TA-PROV (2015) 0069

<sup>47</sup> Follow up adopted by the Commission on 3 June 2015.

<sup>48</sup> Follow up adopted by the Commission on 3 June 2015.

<sup>49</sup> The difficulties of the developing such an indicator are well outlined in the report and findings of the Pelkmans et.al. According to the authors, it is essential that expert group entrusted with the task of developing indicators receives a well-thought-out mandate with allows some freedom to develop indicators in various ways.

<sup>50</sup> See "Single Market 2.0: exploring new sources of research"; NL non paper

<sup>51</sup> COM(2014) 612 final; Report from the Commission - 31th annual report on monitoring the application of EU law (2013); 1.10.2014

assessment of new policy proposals by the European Commission<sup>52</sup> in the last ten years has however contributed significantly to improving the evidence-base on which policies are developed<sup>53</sup>. Today, **monitoring and evaluation** have become equally crucial, with the new and growing importance of *ex-post* evaluation in the EU policy cycle. The emphasis on *ex-post* evaluation<sup>54</sup> is likely to help boost the Single Market by facilitating implementation efforts, or at least by allowing policy-makers to obtain a better understanding of the outcomes of policy decisions, including unintended effects.

At the level of the European Commission, a joined-up approach in the assessment of impacts on the Single Market could provide a positive feedback loop between *ex-post* evaluation and *ex-ante* analysis of amending legislation. In this respect, the newly-created Regulatory Scrutiny Board<sup>55</sup> and the recent re-organisation of the Commission services integrating goods and services together<sup>56</sup> with a possible revision of the Interinstitutional Agreement on Better Law-making<sup>57</sup> could all contribute to greater consistency in the formulation and processing of proposals for the legislator.

At the level of the Member States - perhaps the bottleneck in the system when it comes to the Single Market - an "adoption-implementation" gap has been observed<sup>58</sup>. Here too, monitoring and evaluation are essential ingredients of policy evaluation and should be of primary concern.

That is why the Panel felt that it was important for Member States to generalise the use of impact assessment, both in terms of better understanding the impact on their own jurisdictions of the European legislation they adopt, and in applying the instrument of impact assessment to national regulatory decisions which could potentially impact trade or free movement.

Similar arguments apply to the phenomenon of 'gold-plating'<sup>59</sup>, the practice of adding additional national requirements in the process of transposing European legislation in the form of directives, to take account of national specificities, national standards, the existing body of law or national legal concepts. This is a procedure which can result in, for example, a thousand-page national adaptation of the Directives on public procurement, or the introduction of an additional well-intentioned safeguard which can later be found to impede cross-border economic activity. The logic of adopting Regulations at EU level, rather than Directives, in order to reduce regulatory heterogeneity and gold-plating, and thereby greatly increase legal certainty, is well-understood, but has proved difficult to do in many cases.

Another shortcoming stems from the fact that individual rules and policies have long been appraised in isolation. The REFIT programme and 'fitness checks'<sup>60</sup> were put into place to cut across policy boundaries and provide a more accurate reflection of the actual consequences of policies. Yet

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<sup>52</sup> COM(2002) 276 final - Communication from the Commission on impact assessment; 5.6.2002

<sup>53</sup> CEPS & Economisti Associati - Assessing the costs and benefits of regulation; 2013

<sup>54</sup> "Policy evaluation in the EU. Linking ex ante and ex post evaluation"; Cardiff University, UK; Centre for European law and governance; 2014

<sup>55</sup> C(2015) 3263 final - Decision of the President of the European Commission on the establishment of an independent Regulatory Scrutiny Board; 19.5.2015

<sup>56</sup> PV(2014) 2014 final - Minutes of the 2014th meeting of the Commission held in Brussels; 12.11.2014

<sup>57</sup> COM(2015) 216 final - Communication from the Commission to the European parliament and the Council: proposal for an Interinstitutional Agreement on Better Regulation; 19.5.2015

<sup>58</sup> [ec.europa.eu/internal\\_market/scoreboard/performance\\_by\\_governance\\_tool/transposition/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/transposition/index_en.htm)

<sup>59</sup> Cf. Michael Keating: Towards an effective European Single Market: implementing the various forms of European Policy Instruments across Member States; Springer Science & Business Media; 2012

<sup>60</sup> SWD(2015) 111 final - Commission staff working document: Better regulation guidelines; 19.5.2015

these tools can only work well if there is enough evidence collected at national or sectoral level. Chapter 3 sets out a compelling case for an integrated and holistic approach to Single Market legislation, describing a combined approach of cluster strategies (packages of complementary proposals such as Digital Single Market or Energy Union etc.) which should be dealt with in a joined-up way by the legislator; cross-cutting economic activities which require a tailored, 'multi-disciplinary' approach (e.g logistics or retail), and horizontal approaches, such as is needed for consumer protection or public procurement legislation.

***b) The reform of the Notification procedure: Member State peer-review and communication strategies as an instrument to enhance mutual responsibility of all actors***

Directive 98/34/CE has proved an important correction to regulatory heterogeneity in the non-harmonised goods sector. The gross prevention indicator lies at 15%<sup>61</sup> and statistics on the detection and effective prevention of barriers is “firm proof of the value of a credible and intrusive mechanism such as procedure 98/34, to prevent the steady erosion of the internal market for goods”<sup>62</sup>. As a result, the level of regulatory heterogeneity is perhaps a third less than it would otherwise be. However, the non-harmonised good sector only accounts for about 25% of trade<sup>63</sup>.

Despite the recent adoption of Directive 2015/1535 (replacing Directive 98/34), there is still a strong case for revising this text in the near future to include services in the same notification process. The internal process of the services of the European Commission on notifications suffers from a lack of peer review. The opacity of the notification procedure prevents stakeholders from monitoring new Member State regulation at a sufficiently early stage, and from alerting their own Member States to their potential impact. In the short term, it would be helpful to obtain a commitment from Member States that the process of adopting new regulatory measures on the Single Market would take into account considerations of impact, proportionality, perhaps even including a “Single Market test”.

***c) A Single Market platform***

Another possible way to improve the governance of the Single Market which was considered by the Panel would be to build on the platform established under REFIT<sup>64</sup> to create a platform specifically devoted to dialogue with Member States and stakeholders on improving EU legislation in the context of the Single Market.

This platform would draw on international best practice and lessons learned from past EU experience. It would bring together Member State experts and a balanced representation of experts from business, social partners and civil society appointed through an open call for proposals to support an inclusive, transparent and pragmatic process. The European Economic and Social Committee and the Committee of the Regions would also be represented, as well as SOLVIT<sup>65</sup> and Single Points of Contact networks<sup>66</sup>. The Commission could give a political commitment to publish the comments of its services on the Platform's suggestions. It could commit itself to taking action

<sup>61</sup>[http://www.nordicinnovation.org/Global/\\_Publications/Reports/2012/2012\\_11%20Delivering%20a%20stronger%20Single%20Market.pdf](http://www.nordicinnovation.org/Global/_Publications/Reports/2012/2012_11%20Delivering%20a%20stronger%20Single%20Market.pdf)

<sup>62</sup> Anabela Correia de Brito and Jacques Pelkmans: “Pre-empting Technical Barriers in the Single Market”, CEPS Policy Brief No. 277, 11 July 2012.

<sup>63</sup> [http://ec.europa.eu/internal\\_market/publications/docs/20years/achievements-web\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/20years/achievements-web_en.pdf)

<sup>64</sup> C(2015) 3261 final - Commission decision of 19.5.2015 establishing the REFIT platform; 19.5.2015

<sup>65</sup> See Part 4, section 4.1

<sup>66</sup> See part 4, section 4.3

where appropriate, possibly indicating its policy planning, or explaining why it intends to take no action. Member States should do the same for any suggestions the Platform might address to them.

## 2.2 Compliance

Ensuring the proper functioning of the Single Market is an essential prerequisite of its 'ownership', ensuring that there is a level playing-field, correct application, fair control mechanisms, penalties for poor application and easy access to redress. In the absence of scientific indicators<sup>67</sup> and systematic collection of data, it is impossible to be absolutely categorical, but there is ample anecdotal evidence that mutual recognition is flouted, national testing and certification is insisted on, and any number of small technical barriers add cost to, or otherwise impede, the free flow of goods, services and professional labour.

Citizens or businesses wishing to exercise their rights to free movement or to the mutual recognition of professional qualifications acquired in another Member State, face many cross-border obstacles. It might at first sight seem strange then that the number of cases brought to the ECJ or to national Courts on freedom of movement in the Single Market is relatively limited<sup>68</sup>, but seems to be due to a strong tendency to find out-of-court solutions, or simply a reluctance on the part of business to face the time and cost burden of taking a case<sup>69</sup>. Annex III shows how complex the process can be, moving from administrative help through SOLVIT, to EU Pilot<sup>70</sup> before legislating as a last resort. The Panel heard evidence of a Member State refusing to remove costly and redundant technical barriers, even after a Court finding against the Member State. On the available evidence, it is difficult not to conclude that businesses have not taken advantage of the provisions in the New Legislative Framework, obliging Member States to give reasons.

Options looked at by the Panel included:

- suspending the legal deadline for appeal as long as the case is being dealt with by a SOLVIT centre. This would give more certainty to companies, and not put possible legal recourse at risk;
- putting in place fast-track procedure for handling complaints that remain unresolved within SOLVIT. An infringement procedure could then be automatically considered by the Commission as the norm, and EU Pilot only initiated when the Commission is convinced it can tackle the problem successfully;

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<sup>67</sup> "Towards indicators for measuring the performance of the Single Market"; European Parliament, DG IPOL; 2014

<sup>68</sup> According to the European Union Court of Justice's 2014 Annual Report, 622 new cases were brought in 2014 : 428 were preliminary questions (compare 385 in 2010) and 63 concerned the Internal Market (5 on free movement of capital, 10 on free movement of goods, 16 services, 6 free movement of persons and 26 on freedom of establishment).

<sup>69</sup> Eurocommerce, "Contribution to the forthcoming Commission Single Market Strategy 2015", 3 July 2015.

<sup>70</sup> Formally, the EU Pilot is a Commission initiative aimed at asking Member States to answer questions and to find solutions to problems related to the application of EU law obligations. Concretely, it is an online platform which Member States and Commission's services use to communicate and clarify the factual and legal background of problems arising in relation to the conformity of national law with EU law or the correct application of EU law. Originally put in place on a voluntary basis between Member States and the Commission, it now concerns all Member States.

- taking measures to ensure that the revised version of the European Small Claims procedure<sup>71</sup>, once adopted, is more used and better known than actually. Best practices should be shared among Member States; promoting the procedure to citizens should also be considered, for instance through the ECC-Net<sup>72</sup> and national business networks.

In the medium-term, in the context of reform of the European Court of Justice, the creation of a special Chamber arbitrating on questions of the free movement of goods and services could be considered.

Dedicated national Single Market centres, possibly combining the multiple Points of Single Contact, could encourage Member States to consider the possibility of giving these centres the status of national agencies, perhaps organised in a network on the model of European competition authorities or regulators.

A Single Market Authority at European level, however attractive in theory, was not considered a realistic alternative by the Panel.

## 2.3 Sector specific measures

### 2.3.1 Rethinking our approach to Services

The Services Directive adopted in 2006 was a major step forward in making the Single Market for services a reality. However, implementation of the Directive has been disappointing, despite its limited scope, covering some 40% of the services sector. The European Commission estimates that, in contrast to the anticipated gains of 0.8% of GDP growth as a result of the Directive, growth of only 0.1% has been achieved<sup>73</sup>. The OECD figure below illustrates the marginal impact the Services Directive had on the removal of trading barriers, showing as it does the modest progress made in removing barriers between 2008 and 2013.

Nevertheless, far-sighted provisions in the Directive on administrative cooperation and mutual evaluation set in motion major efforts by Member States to modernise their administrations and the legal framework for the provision of services, to facilitate establishment and exercise of service activities across borders. Its misfortune may have been the coincidence of its transposition with the economic and financial crisis, but reports on the implementation of the Services Directive show conclusively that the legislation has so far not delivered, only 22% of intra-EU trade being in services.

Seeking to remove the remaining indirect regulatory barriers was thus one of the main planks of the new Single Market Strategy unveiled by the European Commission on 28 October 2015. An alternative process presented to the Panel could be to focus on a number of specific service sectors until all the existing barriers are removed. By successfully focusing and addressing barriers of a key sector, the EU would have an example of success and also a blueprint on how to tackle barriers in other sectors. This approach would sever the actual policy for services followed by the European

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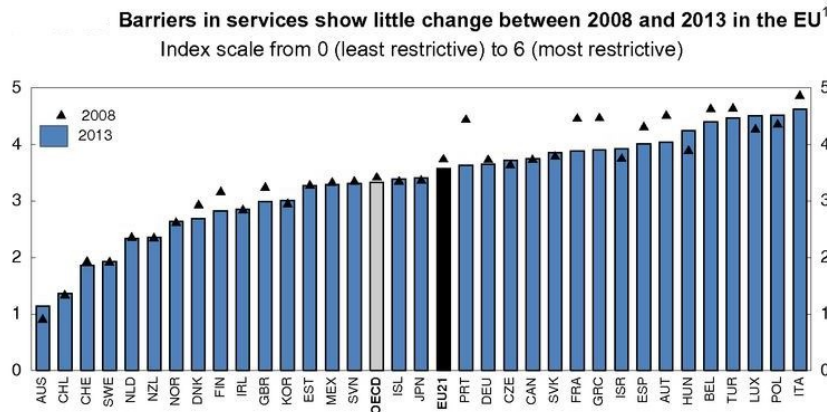
<sup>71</sup> Regulation (EC) 861/2007

<sup>72</sup> [http://ec.europa.eu/consumers/solving\\_consumer\\_disputes/non-judicial\\_redress/ecc-net/index\\_en.htm](http://ec.europa.eu/consumers/solving_consumer_disputes/non-judicial_redress/ecc-net/index_en.htm)

<sup>73</sup> Fedil Conference on the Single Market under the auspices of the Luxembourg Presidency, 21 July 2015.

Commission; however, it would deserve to be envisaged, since it would not exclude to combine with a more horizontal approach.

**Figure 1: Barriers in Services show little change between 2008 and 2013 in the EU**



1. The set of PMR indicators is calculated with a revised methodology. For more details, see *Source*. Data for Luxembourg, Mexico, Poland and Turkey are preliminary.

*Source:* OECD, *Product Market Regulation database*; OECD (2014), *Economic Policy Reform 2014: Going for Growth, Interim Report*, OECD Publishing, Paris; Koske, I. *et al.* (2014), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, OECD Publishing, Paris, forthcoming.

### 2.3.2 Public Procurement

One of the major areas of untapped potential in the Single Market highlighted in the Cost of Non-Europe reports is public procurement, covering 20 per cent of total public expenditure on goods and services<sup>74</sup> <sup>75</sup>. It is generally accepted that only 3 to 4% of this corresponds to cross-border tendering. However, as stated in the Green paper published by the European Commission in 2011<sup>76</sup>, public procurement might play a key role in supporting the European strategy for growth by, in particular, improving framework conditions for business to innovate, making full use of demand-side policy.

The new directives on public procurement adopted in early 2014 are intended to reform and eliminate shortcomings. In particular, the use of e-Procurement and e-Invoicing will be progressively generalised, which could not only save €50-75 billion annually<sup>77</sup> on public procurement but will also increase transparency and public accountability. The new directives have empowered too contracting authorities to engage in sustainable procurement and more specifically in green procurement. In addition, bringing regulation to the area of concessions was a major achievement.

There is certainly a strong argument for regulatory authorities regulating the procurement market. There remain major difficulties in the way of delivery for citizens and businesses, such as the

<sup>74</sup> EPRS (2014): The Cost of Non-Europe in the Single Market - IV Public Procurement and Concessions

<sup>75</sup> *idem*

<sup>76</sup> COM(2011)15 final

<sup>77</sup> European Commission (2011): Impact assessment accompanying the document proposal for a directive of the European Parliament and of the Council on Public Procurement



shortcomings of the Remedies Directive and, again, the lack of a horizontal, joined-up policy approach (see Chapter 3 below).

Thereby, the reform of the European public procurement rules is emblematic of the challenges, constraints and contradictions which are those of the Single Market as a whole. New provisions have made significant improvements; they are still not free of multiple complexities and burdens, probably inevitable<sup>78</sup>. To remedy these shortcomings, two actors have a major role to play: on one hand, the Commission is expected to lead in the implementation of the new directives even before poliving their application by and in the Member States; on the other hand, the burden of implementing the directives will be inevitably the responsibility of Member States.

### **2.3.3 Free Movement of Workers as an integral part of the Single Market**

Free movement of persons is one of the most tangible freedoms in the EU and lies at the heart of European integration. The four fundamental freedoms allow for more efficient allocation of resources within the EU. Free movement of EU citizens fosters economic growth by enabling people to travel, study and work in another Member State and by allowing employers to recruit from a larger pool. For the EU-15, GDP is estimated to have increased by almost 1 % in the long term as a result of post-enlargement mobility (2004-2009).<sup>79</sup> More specifically, free movement of workers also has a positive impact on economies and labour markets. Chapter 3 analyses how labour mobility and labour flexibility are key elements in achieving the benefits of the Single Market.

### **2.3.4 Enhancing the social market economy**

Today, the social economy represents 10% of all European businesses and the number of paid jobs in this sector increased from 11 million in 2002-03 to more than 14 million in 2009-10. Moreover, one in three companies which is created belongs to the social economy.<sup>80</sup> The Parliament would like the emerging sector to fulfil its unexploited potential and has called for taking measures to improve its visibility and a simplified regulatory environment.<sup>81</sup> Social enterprises do not always benefit from measures applicable to SMEs and this can create a situation in which they struggle to compete on the market. Moreover, most of the barriers faced by social enterprises correspond to the global problems encountered in the internal market.<sup>82</sup> Further development of the Social Business Initiative (SBI), mainstreaming social entrepreneurship and social economy enterprises into the Small Business Act<sup>83</sup>, and finally adopting the Statute for Mutuals would provide an important stimulus<sup>84</sup>.

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<sup>78</sup> Caranta, R, The changes of the public contract directives and the story they tell about how EU law works, Common Market Law review.

<sup>79</sup> European Commission Communication, COM(2013) 837, 25.11.2013, p. 2, referring to Employment and Social Developments in Europe 2011, intra-EU labour mobility and the impact of enlargement, p. 274.

<sup>80</sup> COM(2011) 682 final - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Social Business Initiative; 25.10.2011

<sup>81</sup> <http://www.socialeconomy.eu.org/social-economy-intergroup>

<sup>82</sup> poor visibility and recognition of the sector, constraints of current legal and regulatory frameworks, limited financial resources, difficult access to markets, under-development and fragmentation of support structures

<sup>83</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration\\_en.pdf](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf)

<sup>84</sup> [www.mutualite.fr/actualites/Nouveau-depart-pour-le-statut-de-mutuelle-europeenne](http://www.mutualite.fr/actualites/Nouveau-depart-pour-le-statut-de-mutuelle-europeenne)

### 2.3.5 Taking into account the expansion of the sharing economy

The use of digital platforms or portals to reduce the scale for viable hiring transactions or viable participation in consumer hiring markets has grown exponentially in the past few years.

In a study recently commissioned by EPRS,<sup>85</sup> it was estimated that the short-run higher utilisation of assets, facilitated by the economy, will be worth around €21bn per year and in the medium to longer term, that figure is expected to rise to €158bn. In a barrier-free scenario, the full potential reduction in the underutilisation of assets (including human capital) linked with the sharing economy across the EU28 amounts to €572bn.

Therefore, in order to ensure that the sharing economy reaches its full potential, there should be assurance from the EU level that no restrictions will be introduced that limit the growth prospects of digital platforms. New interventions concerning these platforms should be based on an application of existing competition rules that allows for the dynamism of the digital markets.

## 3. Re-tooling the Single Market: developing incentivising structures

### 3.1 Moving from SOLVIT centres to "Single Market Centres"

The SOLVIT<sup>86</sup> network was set up to seek amicable and informal solutions when there is a question of compliance with European Union law and no legal action has yet been brought<sup>87</sup>. In relative terms, there is an excellent resolution rate, somewhat lower for companies (83%) than for citizens (92%). Absolute numbers of queries however remain strikingly low.

The limited number of businesses turning to SOLVIT for assistance is generally explained<sup>88</sup> by the lack of awareness of the service<sup>89</sup>, a possible lack of legal certainty in the procedure, possible lack of expertise of the centre and doubt on the part of a business that a national authority would really help a non-national company. In most member States, the low level awareness of SOLVIT centres remains a problem. In addition, SOLVIT centres are, more often than not, understaffed or at the limit of their capabilities. However, SOLVIT experts can now refer problems to the legal services of the Commission<sup>90, 91, 92</sup>, which should go some way to enhancing the quality of advice.

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<sup>85</sup> Not yet published

<sup>86</sup> i.e. "Solve it"

<sup>87</sup> SOLVIT scope is large: SOLVIT centres can act in the field of recognition of professional qualifications, of family allowances, of the pension, goods and services, rights to unemployment benefits, taxation, driver's license, visas and vehicles and right of residence, insurance abroad and discrimination-related issues.

<sup>88</sup> Jacques Pelkmans and Anabela Correia De Brito, Centre for European Policy Studies, 10 October 2012

<sup>89</sup> Eurocommerce, "Contribution to the forthcoming Commission Single Market Strategy 2015", 3 July 2015

<sup>90</sup> Commission Recommendation of 17 September 2013 of the principles governing SOLVIT

<sup>91</sup> "Your Europe" is an internet portal offering general advice to citizens and business wishing to make use of their freedom of movement. This site works in cascade and visitors wishing to obtain more accurate information are sending to the nearest business organization, the national consumer centre or to a form which determines if according to the situation of the business it should ask SOLVIT or Your Europe Advice

<sup>92</sup> "Europe Direct" is a network offering free answer to general questions of European citizens within 3 days. This network can be accessed via phone, but also through physical centres deployed in all Member States. No indication of this network was found in the "Your Europe" portal

Organising the help-services together under a common banner of "Single Market Centre" in each Member State would make them more visible to their potential users, perhaps combined with the Points of Single Contact.

A number of Member States have already developed a model of Single Market Delivery offices, which can be seen as examples of best practice. The UK example can incentivize business and focus on 'delivery'. *Europa Decentraal* in the Netherlands has an equally valuable role and provides knowledge, information and advice to officials in local and regional authorities. Providing information of this sort on European legislation, case law and transposition would close what has so often been the weak link in implementation in the past.

### **3.2 IMI: a well-designed tool which deserves to be generalized**

Every market needs its nervous system, and a promising start has been made with the development in recent years of the Internal Market Information system (IMI), connecting 7,712 administrative authorities throughout the Union<sup>93</sup>. The performances of the IMI show that no matter how well a tool is designed, to work properly in a system made of 31 States<sup>94</sup>, participants must be trained and committed. Initially designed for cross-border services as well as for the recognition of professional qualifications, its success is such that several pilot projects for posted workers, train drivers licenses and public procurements are ongoing. Using this online service to avoid concealment of cultural property will also be tested in December 2015. Nevertheless, a major limitation remains currently the range of services, which will need to be upgraded significantly to provide the connections for a network of Single Market Centres to work effectively.

### **3.3 Points of Single Contact**

The Services Directive set an important precedent, followed in other Directives, with the establishment of Points of Single Contact (PSCs). These are e-government portals designed for service providers to obtain all relevant information on the formalities they need to comply with to provide their services in another EU Member State, using by electronic means via one single point of contact<sup>95</sup>.

It is now apparent that the Points of Single Contact have helped Member States to simplify their administrative procedures or better inform their own citizens, but have not served as a means of facilitating freedom of establishment or provision of services<sup>96</sup>. Improvements could be made by renaming these portals and improving their ranking on internet search engines.

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<sup>93</sup> 31 December 2014

<sup>94</sup> IMI is also used by Member States in the Single Market which includes the EFTA states in the European Economic Area

<sup>95</sup> Indeed, the lack of awareness and understanding about legal requirements in other countries means that retailers and wholesalers often do not have the confidence to trade across borders, for example 63 % of companies seeking to sell online consider not knowing which rules to follow is a problem when trying to sell to another country : European Commission, Flash Eurobarometer 413, 2015

<sup>96</sup> This can also be argued by the fact that foreign language information is considered too imprecise and not enough adapted to their needs by business see for example : Business EUROPE, "Remaining obstacles to a true single market for services, strategy paper, 15 December 2014

A more far-reaching innovation could be to use the Points of Single Contact less as a portal to regulate incoming would-be service providers and more as a platform to help national business or citizens to compete in other EU Member States.

### **3.4 Legitimacy**

In a context where citizens are increasingly reluctant toward the European Union, the EU needs to better promote its action to citizens and to encourage bottom-up support for the Single Market project. To make the Single Market users its promoters would be a winning strategy (Cf. Chapter 3 below). This means convincing EU citizens that the EU eases their life. Indeed, if the proper functioning of the Single Market becomes an expectation from EU citizens, then there will be a real and long incentive to maintain a high degree of market convergence. In this respect, the Digital Single Market could be a strong mean to get real good outcome for all EU citizen. As just seen above, a greater support and pressure from citizens to a better functioning of the Single Market can be raised also by a better adaptation of existing technical tools.

## Chapter 2: Towards a “Genuine Single Market” <sup>97</sup>

The core problem of any single market regulatory approach is to overcome the cleavage between the attractive economic potential of a ‘genuine single market’ and the overwhelming, though ill-considered, tendency to search for what is politically ‘feasible’. The aim of the present paper is to address this divide. <sup>98</sup> The core argument developed here is that the EU should pursue a “genuine single market”, and treat it as a common ‘asset’ of all citizens, economic operators and Member States. The potential gains as reflected in the Costs of Non Europe project and the already realised gains, are the central motivations for the proposals in this paper.

### 1. Purpose and thrust of the single market

The basic idea of the single market is simple: it consists of the Europeanisation of the five types of markets, which together<sup>99</sup> are the foundation of every modern economy. In other words, goods, services and factors of production (labour, capital and knowledge & codified technology) should be free, allowing for actual and credible potential mobility across intra-EU borders. Since markets are often regulated, in different degrees, and other interventions take place at the national (or even regional) level, a single market requires (i) that free movement and the right of establishment have to be unrestricted, (ii) that EU regulation takes over, where appropriate and justified by market failures, or mutual recognition is accepted, and that other interventions in ‘national’ markets either have to be non-distortive or trivial for the EU economy, or ought to be combined in some effective way at EU level, whatever is appropriate.

In the EU, even after nearly six decades of market integration, this basic idea has come closer gradually, but it is nevertheless still quite far away. This is not always understood. The famous 1985 Commission White Paper ‘Completing the internal market’ <sup>100</sup>, setting in motion the EC-1992 process, has rightly been praised at the time as a courageous strategy, but its flaw was hardly ever pointed out: the title. As the paper did not even comprise a definition of what a ‘completed’ internal market was, how could it suggest that EC-1992 was all about ‘completing’ it? Nowadays, more than two decades after the successful ‘completion’ of EC-1992 – *not* of the internal market! –, many citizens and journalists still think the single market was then ‘completed’ <sup>101</sup> and no longer a leading problem after 1992. Since the early 1990s, single market policy proposals are perceived as ‘technical maintenance’ or slight modernisation of highly specific areas, rarely as EU issues of prime

<sup>97</sup> Jacques PELKMANS, CEPS & College of Europe

<sup>98</sup> The present paper is not, first of all, an ‘economic’ paper. The economic case for such a ‘genuine single market’ has received a lot of attention recently, also from the present author. The main source is the wide-ranging EP’s Costs of Non-Europe project (see further). See also Pelkmans (2006), Pelkmans (2011b), Straathof, Linders, Lejour & Moehlmann (2008), Campos, Coricelli & Moretti (2014) and Mariniello, Sapir & Terzi (2015).

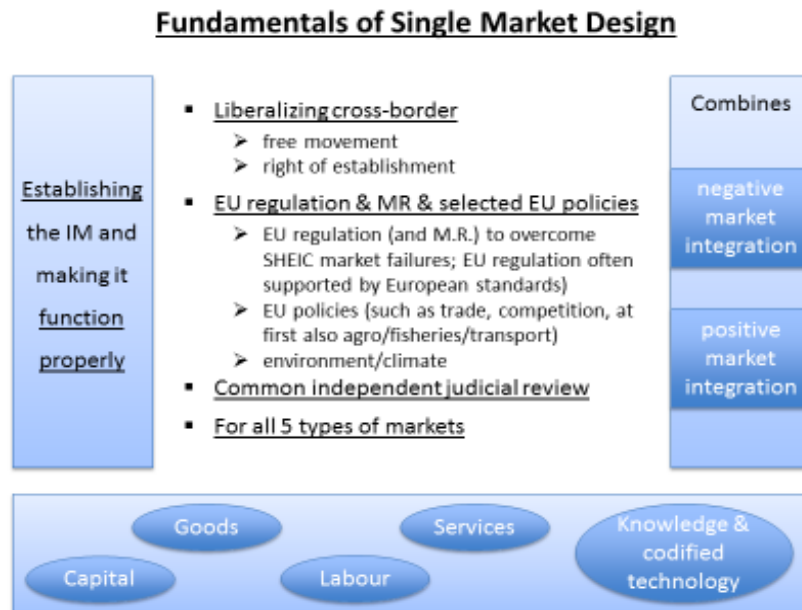
<sup>99</sup> The market for land is not included here, as it is of course not mobile. But it matters for the free movement of persons and for the right of establishment of companies. Ignoring transition periods, in the EU this market is essentially free.

<sup>100</sup> COM (1985) 314 of 14 June 1985, Completing the internal market.

<sup>101</sup> In fact, these mistaken perceptions are bolstered by seminars and other activities, carrying titles referring to 20 years of the single market (by the European Commission), and the like. Again, all that happened at the end of 1992 is the completion of the 1992 programme of more than seven years, a great accomplishment to be sure, but nothing like the ‘beginning’ of the single market. For (the many) details, see Pelkmans (1994) and Pelkmans & Sutherland (1990).

importance.<sup>102</sup> Neither has the EU, ever since 1993, provided a strategic vision on what the ultimate single market would eventually have to be, and why.

The single market route, started early in the 1980s<sup>103</sup>, is littered with plans and ‘strategies’ full of acts of cross-border liberalisation, initiatives for EU regulation and modest adaptations of EU governance. But between the gradual build-up of the internal market, piece by piece and for decades now, and a truly ‘single’ market, the distance is still very large. The single market has an intrinsic logic that is purely functional, not political. This is reflected in the basic design.<sup>104</sup> The fundamentals of the basic single market design are brought together in the Figure 1 below.<sup>105</sup>



<sup>102</sup> With the probably exception of the services directive, although most of the tumultuous debate was not on the single market virtues of the proposal but about fears of a social nature.

<sup>103</sup> When the EEC finally began to think of an internal market instead of a mere customs-union-plus, Commission work submitted to the newly erected Internal Market Council of ministers in 1982 and 1983 showed a serious lack of knowledge and facts. Another wake-up call was the Albert / Ball report (1983) for the European Parliament. These ‘discoveries’ inaugurated a tradition of regularly returning advocacy of deepening and widening (the scope) of the internal market based on long lists of measures.

<sup>104</sup> As Nobel Laureate Jan Tinbergen (1945; 1954) already clarified early on, modern market integration necessarily combines what he denoted as ‘negative’ and ‘positive’ integration. It is the proper combination of the two which will ultimately allow optimum market integration. ‘Negative’ integration refers to the removal of intra-EU border and other barriers which hinder or prevent free movement and the full exercise of the right of establishment. This is a necessary but insufficient condition for market integration, let alone, for the proper functioning of a single market. For the latter, also ‘positive’ integration is required, pre-empting or removing distortions in that single market by means of e.g. common competition policy and other common powers (such as a common trade policy), as well as by solving or overcoming market failures no longer at national but at EU level. What exactly is done in common and to what extent, is ideally determined by a functional (not a political) subsidiarity test (See Pelkmans (2005a ; 2005b). As with all markets, the appropriate market institutions will have to be common as well, where and insofar as justified. The treaty traditionally speaks, first, of the ‘establishment’ of the internal market, which refers to the realisation of free movement and the fully-fledged right of establishment, and, second, of its ‘proper functioning’. Nowadays in the TFEU, art. 26/1 the text simply reads “functioning”. The CJEU might therefore be somewhat less strict, in theory, but this textual approach still leaves much scope for ‘proper functioning’. This comes close to the Tinbergen approach and has proven to be extremely useful in the jurisprudence of the Court of Justice of the European Union.

<sup>105</sup> M.R. = mutual recognition ; SHEIC refers to market failures related to Safety, Health, Environment, Investor and saver’s protection, and Consumer protection.

Market integration ‘deficits’ remain if cross-border liberalisation is incomplete due to ‘carve-outs’ from free movement and the right of establishment, and if EU regulation, mutual recognition and common policies remain incomplete to pre-empt distortions and/or fail to overcome (all) market failures, and finally when EU institutions cannot fully exercise all required functions or remain incomplete in their remit to ensure proper single market functioning.

The ‘Costs-of-Non-Europe’ project of the EP is inspired by these fundamentals and has successfully identified, in a series of in-depth reports, many market integration deficits and their approximate costs for the EU (where quantifiable) as well as various qualitative drawbacks of these deficits <sup>106</sup>. The assembled empirical economic evidence is impressive, qualitative and quantitative. The compelling inference is that a “genuine single market” would generate enormous economic gains. If it were possible – but that is a very tall order – to introduce all these quantified gains in a suitable CGE model, the general equilibrium economic effects are likely to be (much) greater still. Never mind the qualitative aspects that would also benefit the EU economy.

The proper functioning of the single market has received increasing attention over time from EU decision-makers. Treaty revisions, the rise of EU regulation to jointly overcome market failures, the retreat of costly and distortive large-scale interventionism in areas such as agriculture and the six modes of transport, the much more liberal EU trade policy, the wider scope of EU competition policy and the single-market-promoting role of CJEU case law in many areas, including services, IPRs and of course mutual recognition, have all played their part. Undoubtedly, the single market today is much deeper and wider in scope as well as functioning more effectively than 30 or 40 years ago.

Nevertheless, the Costs of Non-Europe project and many other sources have shown that the enormous single market glass is at best half-full. Getting the most out of the single market for the EU economy requires a rethink and a preparedness to act as a good joint-asset manager. With 28 EU countries, of course, this is not easy. But formulation of regulatory approach should not be affected by whether it might be easy, but rather by the magnitude of the economic gains and the proper focus on what to do.

Making the best of the single market, and nothing less, is based on the powerful idea that the single market is a common ‘asset’ of all EU citizens and Member States. ‘Our’ asset. Our single market. And this potentially valuable, common asset is badly managed, it is seriously underperforming. Making the single market work (function) effectively as intended by its intrinsic logic and for its fundamental ‘aim’, amounts to nothing else than ‘joint asset-management’ by all Member States and the EU bodies together, rewarded by fine long-term economic and other gains.

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<sup>106</sup> A summary of the Costs of Non Europe project and the economic gains simulated or projected is found in Zsolt Pataki (2014), The Costs of Non-Europe in the Single Market, Cecchini revisited ; an overview of the potential economic gains from further completion of the European Single Market, [http://europarl.europa.eu/RegData/studies/STUD/2014/510981/EPRS\\_STU\(2014\)510981\\_REV1.EN.pdf](http://europarl.europa.eu/RegData/studies/STUD/2014/510981/EPRS_STU(2014)510981_REV1.EN.pdf) ; this refers to a series of research reports on the free movement of goods (by Marco Hafner, Enora Robin & Stijn Hoorens of RAND Europe ; study no. PE 536 353), on the EU consumer acquis (by Mark Peacock of GHK, study PE 536 357), on the Digital Single Market (by Wojciech Paczynski of GHK), on the single market for services ( by Jacques Pelkmans, Federica Mustilli & Jacopo Timini of CEPS, study PE 536 354), on public procurement and concessions ( by Chris Smith & Andrew Lilico of Europe Economics, study PE 536 355), and three studies on several modes of transport and tourism [summarised in Monika Nogaj (2014), Single Market in Transport and Tourism, study PE 510 985, October, European Value Added Unit, EPRS, European Parliament]. The easiest search for all these and related reports is via [www.europarl.eu/thinktank](http://www.europarl.eu/thinktank) .

Every time Member States or certain political forces pre-empt a fundamental deepening, they are damaging their 'own asset' and, in the process, also negatively affecting the value of the common asset for all others in the EU. And if all Member States act individually as if each one of them can find exceptions or define 'red lines' where not justified by single market logic (read: distortions or deficits), the single market would be hollowed out or erode quickly. Fortunately, 'free movement' is hard EU law, backed up by the Court of Justice of the European Union.. All EU countries want the single market, but then again they all act like trade negotiators trying to 'bring back something home' or define 'defensive interests', thereby reducing step by step the single market accomplishments or preventing those from being realised. Defensive interests against what? Against their 'own asset'? This makes no sense, whether from a long-term economic perspective or from a 'single-market-logic' one. All the common-asset holders jointly enhance the value of their shared asset. Of course, this asset is a very long run asset, yielding over time, not always a 'quick buck' tomorrow morning.

Since 2000 the European Council has declared numerous times that the internal market should be further improved in various ways. No doubt, something of these intentions has been accomplished<sup>107</sup> but there is a severe risk of undermining credibility, if not de facto allowing the fundamental priority of the single market to be dismissed or quietly shelved time and again, while acknowledging it on paper.

## 2. A 'genuine single market'

The core questions about the EU single market have always been and remain: (a) What is the single market actually? (b) How is it best used, as THE major means in the Treaties, for the effective pursuit of EU's leading economic aims? When posing the core questions, one finds a striking difference with the debate on the "genuine EMU", in that the latter has generated numerous papers and reports on what exactly is a genuine EMU and hence what it requires, whereas that is hardly or not the case for the single market. The report by Mario Monti revived the internal market debate in the EU but its follow-up in the two Single Market Acts was rather modest and selective.<sup>108</sup> Indeed, the single market is not discussed in terms of arriving at "a genuine single market". But it should. *Only the "genuine single market" can match the expectations about large economic gains* which have been calculated in many recent reports, not to speak of the qualitative but nonetheless important dynamic economic effects. These prospective economic gains of some 5 % - 8 % of EU GDP, if not higher still, *cannot* be extracted from weak or politically convenient so-called 'strategies'. These gains simply pre-suppose the 'genuine single market' in the form of assumptions about what the ideal scenario might be.

In contrast to the politically feasible far-from-single market, the "genuine single market" is a radical, highly productive idea, very similar to what it takes to enjoy the "genuine EMU". The deeper the single market is in the five component market types,<sup>109</sup> and the more numerous the overlapping and cross-cutting and horizontal links (see below), the more the "genuine single market" will assume the characteristics of a highly valuable "joint asset" that every Member State would want to yield as well as protect against erosion, bad management, or the search for exceptions or opt-outs or whatever. Why the current political ambitions of arriving at a "genuine EMU" (for 19 EU countries) and not very similar political ambitions of arriving at a "genuine single

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<sup>107</sup> An accessible overview of what has been achieved e.g. in the periods between 1985 and the end of 1992, as well as between 1993 and 2010, is provided in Pelkmans (2011a).

<sup>108</sup> See Monti (2010).

<sup>109</sup> See Figure 1 below.



market” (for all 28) in the longer run, based on a clear concept, performance-based designs and action plans? Not only that, a ‘genuine EMU’ implicitly builds on the single market (as part of the ‘E’). Indeed, a ‘genuine single market’ makes for a more superior EMU too.

The “genuine single market” needs a strategic paper of ‘the presidents’ of EU bodies (except perhaps the ECB president) just as much as EMU does. And a far more ambitious backing in the European Council than hitherto. That is a logical consequence of having and better managing ‘our’ single market, our joint asset. And just as – in the case of the euro – it took (what were seen by Member States as) radical measures such as centralising bank supervision and bank resolution (with EU money if bail-in is not enough), the “genuine single market” will require degrees of joint management that, today, may sound as hardly feasible or far-fetched. A ‘genuine single market’ goes to the hard core of European integration: the single market was, is and will remain the primary reason of attraction of the EU for members and candidates alike. Unlike EMU, it does concern *all* EU countries (and the EEA-3 countries).<sup>110</sup>

## 2.1. Types of action for the “genuine single market”

Moving towards a “genuine single market” which makes the most out of the internal market, requires ten types of policy action. The many market integration ‘deficits’, as identified in the Costs of Non Europe project and elsewhere, can all be addressed within these ten types of action.

The ten types of action are listed in Table 1.

Table 1 first distinguishes two blocks of actions, one for five actions at the EU level and another for four actions on the EU / Member States interface. In addition, a “genuine single market” requires legitimacy with and acceptance by the European citizenry, political forces and workers. Altogether, the ten types of action amount to a formidable agenda and major challenges of the Union’s leadership. One inference can be drawn already here: the potential gains of the “genuine single market” are enormous but what it takes to reap these gains is equally enormous, both for EU bodies and for Member States!

**Table 1**  
**Types of actions for a ‘genuine single market’**

<u>EU- level action</u>	<u>EU / MS interface</u>
1. policy-linkages / clusters	6. EU/MS power division may hinder
2. cross-cutting activities	7. justified centralisation
3. alternative designs	8. single market in MS
4. horizontal approaches	9. implementation, enforcement, market surveillance
5. EU regulation, maximising net benefits	
10. legitimacy and acceptance	

<sup>110</sup> Moreover, the single market is profoundly wanted by the UK, too, otherwise hesitating whether to stay in as EU member. This most explicit UK preference shows the joint asset value better than anything else. However, the single market the UK wishes to keep is, today, a very incomplete and underperforming single market. It could be so much more attractive for all, including the UK. Decisively enhancing this economic attractiveness is what a single market strategy should be all about.

### 2.1.1. EU level type of actions

The five types of action *at the EU level* are all driven by the overriding ambition of getting the most out of the single market and in this way serve the socio-economic objectives of the Union. Permanently. This is why EU countries are in the EU in the first place, so the paper merely elaborates what it takes!

#### 1) Policy-linkages/ clusters

*The first set of actions concerns cluster strategies or 'policy linkages'.* In some sub-markets or policy domains, for the single market to become effective and more deeply integrated, intra-EU barriers cannot effectively be addressed and common intervention cannot be effectively pursued if approached in a too fragmented fashion. In some instances, it is likely to be much more effective to set up policy strategies in a cluster or based on a well-coordinated linkage with one or more other areas.

This sounds abstract until one studies telling and significant examples such as the '**digital single market**' and the '**energy union**'. In the Costs of Non-Europe project, one 'digital single market' contribution has studied only three economic activities (cloud computing, payments, parcel delivery as a corollary of e-commerce) and it might yield between € 36 bn and € 75 bn gains <sup>111</sup>. However, the digital single market as a whole is regarded as a 'blockbuster' for economic gains (once said to generate an extra 4 % of GDP<sup>112</sup>) with recent research suggesting a possible economic gain of some € 415 bn.<sup>113</sup> Its substance is spread over many areas, in other words, it is not just about apples and pears but an entire fruit basket.<sup>114</sup> It comprises telecoms issues (where the market is fragmented and the industry cannot consolidate at EU level, not even when mergers are checked by DG COMP; but it is also about roaming, etc.), extended into wider and unnecessarily sensitive spectrum questions, new-generation infrastructures, cybersecurity questions (with many aspects), removing barriers to intra-EU e-commerce and enjoying wider choice, copyright (including geo-blocking, the antithesis of a single market for consumers, but also the remuneration model for content creators, yet in turn undermining competitiveness by fragmentation), financial services issues (e.g. paying with bankcards and credit cards), contract law, competition policy (e.g. the e-commerce Inquiry launched by DG COMP) and consumer redress across intra-EU borders.

Moreover, it is firmly linked with items 5., 6. and 7. in Table 1 which need to be approached much more with a view to the effective working of the (here, digital) single market – and that is not the case right now. Moreover, the digital single market also implies the transformation of e-markets and e-activities which is taking place. In other words, it is not only about integrating existing national markets but also about allowing if not facilitating disruptive innovation, the 'sharing economy' and new business models, to be exploited throughout the Union. This requires easy entry in markets and better access to venture capital, a perennial underperformer in Europe. These prospective dynamic gains (which, of course, do not solely depend on the single market) cannot be

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<sup>111</sup> Paczynski, op. cit. see footnote 106.

<sup>112</sup> Copenhagen Economics (2010)

<sup>113</sup> See Pataki (2014) as in footnote 106. For further work, see the SWD quoted in footnote 107.

<sup>114</sup> See e.g. COM (2015) 192 of 6 May 2015, A digital single market strategy for Europe; and the SWD on economic analysis and empirical evidence, see SWD (2015) 100 (same date). For a non-technical but enlightening comment, emphasizing the dynamics and wider economic context in which these proposals ought to be assessed, see Colin Blackman (2015).

estimated quantitatively, yet they are essential for the vitality of the European economy and indeed for visions like European Industry 4.0.

The 'energy union' combines three policy domains, namely energy, climate strategy and innovation. The Commission, in its proposal,<sup>115</sup> further distinguishes the three well-known components of the energy leg: energy security, the fully integrated European energy market, and energy efficiency (as a means to moderate demand), but of course these three are closely intertwined. Narrowing down the energy union to the single energy market, within the 'energy package', the simulated economic gains might still classify it as a blockbuster, with some € 70-plus bn. These 'narrow' gains are far from easy to acquire, as a single, telling quote from the Commission proposal shows: "Today, the EU has energy rules at the EU level, but in practice it has 28 national regulatory frameworks. This cannot continue." Nevertheless, difficult as one element might be, the notion of an Energy Union is precisely to go beyond the narrow single market set-up, and to approach these domains together. These policy-linkages would endow it with true blockbuster properties, with attention to the dynamics in these markets or induced by these policies, which unfortunately are exceedingly hard to quantify at this stage, if ever.

These two major examples of a policy-linkage approach are the fruit of an attempt by the Juncker Commission to work in teams-of-Commissioners: no less than eight for Digital and seven for the Energy Union. In the past, such 'joint ownership' of a cluster so crucial for the single market was absent. The Commission is therefore to be complimented. Of course, having a team does not automatically make it effective, and whether this 'joint ownership' is going to be matched in the Council and the EP with their splintered Committee structures, remains to be seen as well. Both have a great responsibility to think and act strategically, and avoid ripping the packages apart, eroding their utility.

## **2) Cross-cutting activities**

*A second set of actions relates to cross-cutting economic activities or markets.*<sup>116</sup> Cross-cutting market activities cannot easily be classified or addressed in a single area, but – unlike policy linkages – they require highly specific and targeted actions in the various areas, with a view to facilitate such economic activities. Examples include logistics – an important sector in Europe and for globalisation, but hardly recognised as such – and retail. Whereas retail is well organised in the EU and several plans have been pursued, a 'genuine single market' is not yet experienced in this sector. There is a strong link with items 6., 8. and 9. in Table 1. A revealing exercise recently undertaken in the Benelux found that, even in this micro-cosm of the single market, mutual retail market access via establishment is de facto, and partly de jure, made rather difficult and costly. The European logistics sector runs into more or less similar problems and it seems hard to tackle them in earnest. The 2012 EU High Level Group on Logistics apparently never really worked well and no final report was published. In both cases, and possibly in other such examples, what matters for exploiting commercially the single market is the option for European companies to employ their business model throughout the Union without any problem.

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<sup>115</sup> COM (2015) 80 of 25 February 2015, A framework strategy for a resilient Energy Union with a forward-looking Climate change policy

<sup>116</sup> Note that the Commission on its website employs the term 'cross-cutting' for policies such as sustainable development, better regulation and strategies to overcome the financial crisis. Our text refers to economic activities or markets which 'cut across' traditional divides in the internal market.

### 3) Horizontal approaches

*Horizontal approaches consist of related measures to be applied to a single area, which itself is horizontal in nature.* Typical examples include public procurement and consumer protection. Both are half-way houses in the EU. The new 2014 public procurement regime is less cumbersome and includes innovations such as ‘competitive dialogue’ between selected companies (focused on the quality, best-fit or innovativeness rather than merely a low price) and the ‘partnership’ procedure for new goods not available on the market. Also the new concessions directive may be seen as an improvement in transparency and bidding ‘for’ the market. But Member States flatly refuse (so far) to revise, tighten and largely harmonise national remedies and institutions under the 2007 Remedies procedure. Ironically, the legalistic reasons behind that refusal to improve enforcement and access-to-justice for bidders have the effect of continuing a hopelessly divergent, inefficient and ineffective system which de facto has a strong chilling effect on potential bidders from other Member States. This severely undermines the credibility of protecting new (especially foreign EU) entrants in public procurement. Even a simple overview of how public procurement enforcement and judicial review inside Member States takes place, and how dramatically it differs, demonstrates the failure of the last leg of the EU procurement regime <sup>117</sup>.

Consumer protection used to be dominated by disparate national measures and procedures. It happened that so-called consumer protection actually helped to keep foreign entrants out of the local market (e.g. retail banking; advertising). Recently, a greater Europeanisation has been witnessed, in part via the Consumer Rights directive. And much EU SHEIC regulation in fact protects consumers (and workers) on the basis of EU objectives in directives or regulations, complemented by European standards. Nevertheless, consumer protection still differs considerably between Member States and e.g. product liability – though based on strict liability due to a basic EU directive – procedures and outcomes are highly divergent. Consumer protection can be one reason why business models in (r)etail are prevented from being rolled out over the single market. After decades of experience, one wonders whether distinct details in national consumer policies reflect genuine variations in the level of protection, which would render harmonisation problematic. <sup>118</sup> More often than not, it is merely national traditions grown over decades that would have to be modified with harmonisation, without really affecting the level of consumer protection.

### 4) EU Regulation

*The most general and widely applied EU instrument for the single market is of course EU regulation.* The Union has embraced a Better Regulation philosophy and agenda since at least a decade, if not longer. <sup>119</sup> Although Better regulation has sound bureaucratic and political motives as well, the fundamental argument for Better (EU) Regulation of markets is that SHEIC regulation <sup>120</sup> should preferably maximise net benefits (where quantifiable). Regulation is always about ‘benefits first’ – it is impermissible, indeed, costly, to regulate when there is no market failure, hence no benefit in overcoming it. And benefits of EU regulation always have to be spelled out first, if necessary with

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<sup>117</sup> See Pelkmans & Correia de Brito (2012, ch. 7) for details

<sup>118</sup> As harmonisation in the presence of genuinely distinct preferences may well lead to a lowering of welfare for some in the Union.

<sup>119</sup> Already in Member States’ Declaration 18 of the Maastricht treaty, the costs and benefits are said to be taken into account when writing EU regulation. Impact assessment, a key element of Better Regulation, is formally applied to all Commission initiatives since mid-2003.

<sup>120</sup> The overwhelming majority of EU regulation is about SHEIC objectives, driven by market failures.

extensive field research or quantification efforts. If regulation is justified by benefits, one subsequently has to show that the costs are lower, preferably much lower. Even when not quantifiable, (EU) regulation should seek to minimise the costs for achieving well-specified objectives. Another fundamental premise is that (EU) regulation ought to be efficient and effective in pursuing the objective. Of course, this is another way of saying that the costs are minimised for *realising* a given objective. Without Better Regulation, there is a serious risk that the economic gains from deeper market integration would be eroded or eliminated by non-evidence-based regulation without regulatory disciplines, which, invariably, is unnecessarily costly.

EU Impact Assessment has become quite sophisticated, even when further improvements can be made. The Better Regulation package is a serious attempt of doing the latter.<sup>121</sup> But this is only about the Commission role. The roles of the Council (where impact assessment is absent and the Commission results are too little discussed) and the EP (where small-scale attempts are now being made, unclear still how little or much MEPs are committed) are not always geared to Better Regulation disciplines - when the going is hard, 'politics' reigns. Costly and overly complex EU regulation may actually emerge from the EU legislature, not necessarily the Commission.

Another major issue for 'good' EU regulation is how to get rid of 'bad' regulation. Bad regulation is not efficient or not effective (or both) in attaining the SHIEC objective(s), whilst generating high costs. Therefore, it lowers or annuls the net economic gains of the single market for all. However, one has to realise that bad regulation at one point in time had enough support to pass the EU legislature, in other words, such convictions might linger for many years. The question is whether empirical evidence may sway EU lawmakers to improve on it radically enough to generate net benefits. Although the REFIT programme has several purposes of a more technical nature, it is possible to 'read' in its (somewhat vague) remit that ex post evaluation, fitness tests, etc. should identify unsatisfactory, if not 'bad', regulation and improve on it or remove it where no solid case for maintaining it can be made.

Analytically, this seems the proper route, but that it is typically not what happens in the Brussels EU circuit. What happens is, first, that consortia of NGOs are founded e.g. the 'Better Regulation watchdog' as a network to protect citizens', workers and consumer rights<sup>122</sup> which tries to prevent certain parts of EU regulation to be the subject of scrutiny - which violates the very principle of evidence-based EU regulation in the first place. They do this not so much as an ordinary way of lobbying but starting from the premise that REFIT is an ideological instrument. Other networks act similarly with respect to the environment e.g. attempting to obstruct that the Habitat directive (an extremely problematic piece of EU regulation, and not because of its aims!) and the Birds' Life directive are scrutinised.

Yet another case is the very costly REACH (chemicals) regulation which pre-empts [already from 2007] any initiative to improve the regime until at least 2019 if not later, given its procedures about registration and costly testing. Again, this is not about the objectives of REACH which are widely shared in the EU. Preventing new EU laws to be 'bad' regulation is thus not the only issue of Better Regulation. Getting rid of *past* mistakes by practicing lessons from the EU recent experience of

<sup>121</sup> COM (2015) 215 of 19 May 2015, Better regulation for better results, and a host of accompanying documents with background evidence or ancillary proposals. For a detailed and authoritative comment, see A. Renda (2015).

<sup>122</sup> See [www.beuc.eu/publications/beuc-x-2015-047\\_upa\\_better\\_regulation\\_watchdog\\_founding\\_statement\\_and\\_members.pdf](http://www.beuc.eu/publications/beuc-x-2015-047_upa_better_regulation_watchdog_founding_statement_and_members.pdf); for an example how the European labour unions look at REFIT ('threat to the social acquis communautaire'), see Schoemann (2015).

Better Regulation seems far more difficult, even when the aims of such regulation are not at issue! One confuses *aims*, to which many are attached, with the techniques and *instruments* of regulating properly. This lowers the gains from the single market.

Another major obstacle to Better Regulation in the EU is the handling, or, rather the lack of handling properly, the Precautionary Principle (PP). For some in the EU, bringing this up is largely taboo. Calling for the application of the precautionary principle as a basis for EU regulation can be justified, but such calls must be very carefully assessed before accepting them. One important reason is that PP-based regulation tends to be costly, indeed possibly very costly.<sup>123</sup> Another reason rarely made explicit is that, once the PP has been accepted as the basis for EU regulation, the disciplines of 'good' regulatory practices typically weaken, as the evidence-base is by definition not available or insufficient. De facto, therefore, with the PP, it has turned out to be easier to make more extreme demands or impose extra costs on market participants precisely "because one cannot be sure". Schools of thought have emerged setting out what numerous operational consequences a 'good' application of the precautionary principle must imply which tend to raise costs even higher.

There are two ways of approaching this. One is to attempt to impose legal disciplines for the eventual application of PP, with tests. This is made extraordinarily difficult because some political forces do not primarily regard the PP as a principle with disciplines, and even resist its application being subjected to impact assessment (although the CJEU has insisted on this). More often than not, making the application of PP so difficult, is framed as tactics originating from business lobbies, rather than detached attempts to arrive at better EU regulation. Nevertheless, it would be great progress to ensure that the case for using the PP would have to be made on scientific grounds, as much as possible, and not on a priori political preferences. Such decisions should be scrutinised by competent independent outsiders, too.

The other way is to inspect how EU regulation based on the PP *actually works*. It is precisely where strong a-priori political preferences play a role, that EU regulation based on the PP has been badly crafted, with unnecessarily high costs, and/or (sometimes) without well-defined objectives. One of these purely political motives without any rationale is the tendency to favour hazards above risks as a basis for regulation: focusing regulation on hazards (rather than risks) is unlikely to bring any more SHEIC benefits, but it does augment costs hugely.

Of course, proponents do this because it may be very difficult to establish firmly 'the risks' in certain instances. In preparing regulation, one ought to narrow down what risks are or can be known and what not, and avoid assuming a wholesale approach *only* because some 'risks' are not (yet) identified. Ideas like (a) no-data-no-market (as in REACH, irrespective of whether or not there is any, even slight, indication of risk for many thousands of substances; for the large majority of substances, there are no indications of any risk or the risks are already known, hence there is no reason to subject them to heavy and costly testing <sup>124</sup>), (b) the extreme regulatory priority of renewables in electricity generation (after first having been subsidised as well for enormous sums),

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<sup>123</sup> See e.g. Gollier & Treich (2003) ; Majone (2002).

<sup>124</sup> Even if one were to modify REACH by subjecting as many as (say) 5000 chemical substances to testing, where possibly in some evidence or anecdotes a risk might be surmised or suspected, it would still mean that some 25 000 substances (of the famous 1981 list of existing substances) could merely register without such heavy testing, as no risks whatsoever exist. It is true that in the Classification & Labelling Inventory, some 120.000 substances have at least one identified possible hazard. A light and proportional approach is to select substances not known to have any risk nonetheless to a first expert judgment based on these reported hazards. That would be a light and rapid procedure clearing many substances from further testing.

causing disruption of generation markets in Europe and major losses for gas-based generation providers <sup>125</sup>, and (c) e.g. the imposition of protecting the habitat of birds and wildlife in Europe without first having a clue (for over a decade after the adoption of the Habitat directive !) where the lines of these habitats would be drawn, what the rules would be and what the costs, not to speak of the excessively vague objectives representing the benefits, let alone the idea of thinking in terms of alternative policy solutions. One can of course frame these critical remarks as 'political' but they are not : better regulation is functionally in the European interest of all - once the objectives are set politically, be sure that they are precise enough and operational, and employ 'Better regulation' methods that are cost-effective.

## 5) Alternative designs

Submarkets of the EU single market need not always be integrated slavishly by pure extension of what was first a set of fragmented national markets. In some prominent cases, it might be far better to re-design or invent new designs for the relevant segment of the single market. These *alternative designs* should be taken serious when enhancing significantly the economic gains, both static and dynamic, from enjoying a single EU market. Of course, this does not occur every day. But it is good that the EU be conscious not to get trapped into a common market design that is merely the European successor of an outdated or inferior national design. Two examples come to mind: the (what is now called) 'capital markets union' and the Unitary Patent.

The capital markets union boils down to a new design of a European capital market, the basics of which already exist via unrestricted free movement (and no exchange controls since 1988), EU regulation, an EU Agency (ECMA), some standards for clearing /settlement/custody in stock exchanges as well as common securities market arrangements (e.g. in cooperation with the ECB). However, the EU capital market is a modernised EU framework of what already existed at the national level. Nevertheless, the internal market for financial funds does not function properly. A deep, very liquid market for funds at European level is a mighty advantage if properly regulated (where there is a need) and tightly supervised (*idem*).

What has become clear is that the European tradition of bank-based funding dominating everything else has serious drawbacks. The crisis was so deep because banks were /are so central (and overbanking has pro-cyclical effects) and no substantial alternative funding streams like equity were available [and they would not dry up during a bank crisis, see the US experience]. With equity capital employed more systematically, the first advantage is that there are two channels for monetary transmission, not just one. A second advantage is the availability of more and a variation of funds: in the EU, sources for long-run capital are of course available but the incentive structure is weak (if not, at times, adverse - take the tax treatment of debt vs. equity) and a 'capital markets union' could alter this [e.g. the Commission is analysing about long-run investment funds, ELTIFs]. There are other advantages to create a 'capital markets union' in the sense of setting up or strengthening equity alternatives to bank funding.<sup>126</sup> There are sensitivities (e.g. securitisation has a bad-image problem, but the ECB has carefully analysed what exactly the issues are /were in securitisation, and simple, transparent securitisation is blameless and has great advantages) and, in any event, this type of 'union' is all about the long run; and it requires profound changes in tax and

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<sup>125</sup> At the same time as coal, emitting much more CO<sub>2</sub>, can increase its share in generation!

<sup>126</sup> See e.g. N. Veron & G. Wolf (2015) ; N. Anderson et al., (2015); COM (2015) 63, Green paper : building a Capital Markets Union, February.

bankruptcy laws, if not other ones. What matters here is that this new design adds value to the potential of the single market to serve treaty objectives better.

The same is true for the fifth ‘freedom’ in the EU, not specifically mentioned in the treaty, that of ‘knowledge’ in the wide sense. Knowledge, codified in a protected format, or tacit, should flow as freely as possible in the Union. It is a critical factor of production and of innovation, hence, ultimately also of competition and competitiveness inside and outside Europe. This, too, relates to knowledge workers as well as to knowledge networks and their financing, very often national without much of a view on the European aspects or even shielding local ones. The (too?) slow Europeanisation of knowledge creation and related aspects is a concern. In this economic activity, there is actually no old design of a single market but a lack of design, only slowly tackled by the academic community and business.

The neglect of this ‘fifth freedom’ is most pertinent in the Rome treaty’s article on ‘ownership’. Art. 345, TFEU, unchanged from Rome, declares matters of ownership to be a question of the Member States. This is a drafting flaw and the costs for the EU have been very high indeed. The original idea was that this would refer to land and state owned enterprises, but it was hijacked by patent lawyers and kept on fragmenting the single market by blocking (or hindering, at least) free movement in patented goods, by practising highly effective price discrimination and greatly dis-incentivising patenting in the EU. The ‘Unitary Patent’ [=UP] is, just as the capital markets union, a re-arrangement or reform or an acceptance of centralisation [call it what you want] which is going to change, indeed greatly improve, the role of the single market for innovation. Probably far better and effectively than many subsidy programmes, with their red tape [to keep the Court of Auditors at bay], uncertain outcomes and dubious verification of ‘additionality’. The U.P. is fundamentally a single market instrument, for the first time.<sup>127</sup>

In economics, it is long known that market size is a very powerful incentive to innovate and subsequently also to patent. So, at the very least, there is a positive ‘double whammy’ prompted by the U.P. , after a lag of a few years: (i) the price of patenting has been drastically cut and becomes interesting for many SMEs, and no less for MNCs [think of 80 % - 85 % price decrease, or even more] ; (ii) one obtains automatically one patent, identical also in enforcement in all countries (a huge problem before), for at least 25 EU countries at once, and probably all 28 soon. All this amounts to a regime change, if not a different ‘design’, and should be expected, other things equal, to provide a lasting boost to invention and innovation in the single market.

### **2.1.2 Actions on the EU / member states’ interface**

The proper functioning of the single market hinges to a significant extent on the appropriate ‘*multi-level governance*’ for the sake of getting the most from the single market. In other words, the good functioning of the single market cannot only be arranged or guaranteed in or from ‘Brussels’. The Member States are crucial for the “genuine single market” also after they have passed EU legislation in the Council, and, to some extent, even quite apart from implementation and enforcement of EU law. Sadly, this is only rarely appreciated well enough. It is perhaps possible to provide detailed advice on how some critical issues ought to be dealt with on the EU / Member

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<sup>127</sup> However, due to the clumsy formulation in the treaty, the UP amounts to what is called “a bundle of nationally enforceable patents” which is equally enforceable in the entire group of 25 Member States. The incredible inefficiency is exemplified by e.g. Spain filing a series of CJEU cases, all dismissed (as recently as 5 May 2015). And this after more than 50 years of haggling (the first attempt by the Commission was in 1962).



States' interface; indeed, we shall indicate some such aspects briefly. However, such advice is futile if Member States' actions are not driven by the firm conviction in each and every Member State that the single market is a 'joint asset' and that each Member State (and *not* only "the other ones" or 'Brussels') has to exercise sound and pro-active 'ownership' of the relevant issues on the interface so as to maintain, if not enhance, the value of the joint asset. Not pro-actively exercising 'ownership' – perhaps for the sake of short-term gains or the avoidance of adjustment or merely due to disinterest – has a cost in damaging one's own joint asset ! There are four types of actions which need to be addressed effectively for the purpose of a 'genuine single market' (see Table 1).

## 6) Division of Competences

Before doing so, a fundamental question has to be brought up first. It is important to recognise that the division of powers between Member States and the EU level is and remains a rather sensitive question, only discussed in earnest when drafting a treaty revision. That is how it should be. This is central to all federations as well.

However, safeguarding the existing division of powers, in particular, powers that have to do with the single market (mainly, regulation and occasional subsidies), does not say much about whether and how Member State conduct (may) affect(s) the proper functioning of the single market. In between treaty revisions, the relevant question is: *do Member States exercise their powers in such a way as to minimise or avoid negative effects on the single market?* This is not a legal question but an economic and a policy one.

At the moment, posing this question explicitly is sensitive. But is this sensitivity not misplaced? Because the single market is a joint-asset of the Member States, it follows directly that applying national powers ought not to affect that joint-asset negatively. Unfortunately, the treaty is less than clear about it. One can argue that art. 120, TFEU ['Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Union as defined in art. 3 TEU.'], art. 121/1, TFEU ['Member States shall regard their economic policies as a matter of common concern.'], and art. 121/4 ['Where it is established ....that the economic policies of a Member State... risk jeopardising the proper functioning of the economic and monetary union...'], the relevant procedures can lead to a recommendation] lay a solid basis for the EU to begin to ensure that Member States cannot exercise their powers retained under the treaty so as to 'jeopardise' the proper functioning of the single market, the hard core of the economic union.<sup>128</sup> In any event, the proper functioning of the single market would be greatly helped if Member States would develop mechanisms, possibly in cooperation and/or with the EU level as well, ensuring that the design and effects of national measures under their powers would be tested on avoiding or minimising any (negative) impact on the single market.

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<sup>128</sup> So far, it would seem that arts 120/121 have not been applied to the single market directly. However, this is curious, to say the least. For present purposes, the two key words in the treaty quotations above are 'objectives of the Union' and 'economic union'. Art. 3/3, TEU establishes an internal market, no issue there. What the 'economic union' is, is not defined in the Maastricht treaty (see Pelkmans, 1991); neither does the TFEU give any clue. But the economic literature leaves no doubt that the single market is the hard core of an economic union. The term is also employed in Canada and the basic idea is much the same (Pelkmans & Vanheukelen, 1988). A careful inspection of what the 'genuine EMU' should comprise of strongly suggests that the E of EMU consists of three components: single market, economic policy coordination, and budgetary disciplines.

Ideally, this should be done by Member States themselves (acting as a guardian of the ‘joint asset’) but of course all of them, all of them in the same way and with full transparency. In actual practice, it might be necessary e.g. for credibility, that in some cases this is better assigned to the EU level, for example with state aids. The four types of actions will now be discussed briefly with the above considerations in mind.

*The first type of actions relates to instances where and when exercising Member States’ powers might hinder the functioning of the single market.* We shall discuss two categories of issues: first, where Member States generate distortions which lower the gains from the single market and which should ideally be corrected; second, where Member States exercise their power in a non-controversial fashion but, nonetheless, non-trivial costs for single market participants arise. One could suggest that the former is an integration ‘deficit’ whereas the second calls for effective inter-Member States’ cooperation in order to minimise those costs.

*One set of issues emerging from national regulatory policy-making is concerned with distortions in the single market.* Most state aids actually or potentially distorting the competition on the single market are, by now, effectively addressed by the EU state aids regime – a huge improvement over (say) 25 years ago. But the few exceptions turn out to matter a great deal. Probably the most prominent one is the enormous discretion for Member States to subsidise renewables. Not only have entire new (e.g. wind) industries been built on these national (!) subsidies precisely by EU countries having insisted strongly on a strict stance against (distortive) EU industrial policy in the treaties.<sup>129</sup> At the same time, the formidable distortions, caused by the favourable treatment of renewables in national electricity generation markets, have forced huge losses on owners of perfectly efficient low-emission gas turbines. It has prompted mothballing of new state-of-the-art turbines and closures of other ones ; worse, some EU countries now run into serious capacity problems (especially for winters), with a risk of black-outs.<sup>130</sup>

Another less acute but seriously distortive conduct of Member States is reflected the highly disparate national track access charges [TACs] for freight trains. Rail freight is by its very nature and cost structure a *European* business – national rail freight is only paying off in larger EU countries but even then its potential is limited. Indeed, developing European rail freight in earnest is another blockbuster gain of the single market <sup>131</sup> but the numerous obstacles and distortions are most discouraging. The very large disparities in TACs are mainly caused by the great differences between Member States in the recovery rates for (the very high) infrastructure costs of rail transport, including passenger services. For passenger rail this is hardly a problem as very little cross-border traffic is demanded (and some of that is on fast-rail networks). But the single freight market is severely underdeveloped, despite its great potential to improve European competitiveness in a range of industrial sectors and its potential to shift freight from road haulage (with high external costs) to ‘green’ rail. With common TACs for freight or at least TACs all based on similar recovery rates, a major distortion would be out of the way.

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<sup>129</sup> In art. 173/3, TFEU on ‘industry’, it says that “this... shall not provide a basis for the introduction by the Union of any measure which could lead to a distortion of competition...”

<sup>130</sup> D. Auverlot et al., (2014) ; P. Joskow (2011); ECOFYS (2014)

<sup>131</sup> See Steer, Davies, Gleave (2014), Costs of Non Europe in the single market in transport: road transport and railways, European Parliament, EAVA, June. Based on (limited) current plans and the 9 freight rail corridors, the expected gains amount to € 50 bn. With adequate (and much needed) reforms and the required infrastructure investments, the gains augment to some € 500 bn.

A third highly distortive conduct by (some) Member States consists in the extreme manipulation of the application of the corporate tax base, often on an individual basis. Already the 1992 Ruding report <sup>132</sup> was very critical of these distortions. The main problem with corporate tax competition is not in the rates, despite all the publicity, but in the endless variations in playing with elements of the tax base, the subsequent complexities of transfer pricing and other consequences. If a low common rate were agreed,<sup>133</sup> levied on a common tax base (as the US has for both federal and state corporate tax), tax competition on the rates would probably be healthy, transparent and hardly or not distortive. Drawing 'red lines' around national tax power, untouchable for the EU, is fine but it cannot be an excuse for maintaining major distortions in the single market and a wasteful contest between national tax exemptions for larger investors.

*The exercise of national powers is usually innocuous in the EU.* Nevertheless, it may entail considerable drawbacks for economic agents trying to exploit the potential of the single market. Such drawbacks are particularly cost-raising for traders, production companies and consortia – sometimes for value-chains – trying to do business on a truly European basis or compete on the basis of a single business model. The problems might also pre-empt or severely discourage the initiation of a European business strategy.

The drawbacks can be summed up as, first, the costs of the 'cumul' and, second, the costs of regulatory heterogeneity. Business in Europe complains a lot about the 'cumul': the total costs of all (cumulated) regulations a firm is subjected to, determined by local, regional, national and EU regulations. Thus, the assertion that "the EU" is overregulated is, to an unknown extent, attributable to layers of regulation other than the EU level itself.<sup>134</sup> To my knowledge, virtually no empirical research has been undertaken, other than in case studies. Also, the EU or the collection of Member States has no mechanism whatsoever to consider or address this problem.

Another problem often mentioned is 'regulatory heterogeneity': rules and red tape differ between many or all Member States, despite the existence of EU regulation and numerous European technical standards.<sup>135</sup> There is a suspicion that regulatory heterogeneity is more costly for services than for goods but so far it remains a conjecture. Again, there is no EU or inter- Member States' mechanism to address the costs of regulatory heterogeneity. At fairly high level of aggregation of product markets, empirical economic analysis suggests that the objections of business in Europe would seem to be justified: the costs of regulatory heterogeneity are high and its reduction can yield major economic gains <sup>136</sup> via a better exploitation of the single market potential.

The economic problem of regulatory heterogeneity at the individual firm level consists of the repetitive fixed costs of entering one national market after another, which hinders companies to achieve minimum scale in many national markets. De facto, regulatory heterogeneity therefore acts as an entry barrier that will be lower the lower the degree of heterogeneity is. However, for Member states, there is nothing peculiar about all this and they are of course right. All they do is to regulate the way their parliaments want. But many of these national rules and procedures have little or nothing to do with genuinely diverse preferences between Member States. Some do and

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<sup>132</sup> O. Ruding et al. (1992)

<sup>133</sup> If 12.5 % would be agreed as a minimum rate, almost no changes would be needed in national tax laws.

<sup>134</sup> This is not to say that the EU is overregulated. It is not even clear what 'overregulated' means, let alone that one can measure it properly and subsequently compare objectively.

<sup>135</sup> Indeed, Fournier (2015) shows empirically that regulatory heterogeneity inside the EU is smaller than amongst OECD countries.

<sup>136</sup> Kox & Lejour (2006) ; Nordas & Kox (2009) ; Fournier (2015)

subsidiarity suggests that this autonomy is precious and ought to be protected. In numerous other instances, voluntary cooperation between EU administrations about mutual acceptance of forms or common multi-lingual formats should be very helpful. Mutual recognition beyond what the EU is doing can be useful, too. Member States could organise themselves in what US States call (voluntarily concluded but binding) ‘compacts’ between willing states, here EU countries.<sup>137</sup> The idea is that Member States act in the spirit of making the most of ‘their’ single market and its practical functioning, without any need of the EU level being involved. Member States might be interested in organising this more systematically, with consumers and business being given a voice as well.

## 7) Justified centralization

*On the EU/Member states’ interface, one encounters regular frictions about the appropriate degree of centralisation for the purpose of a better functioning of the single market. Any notion of centralisation as a remedy for solving specific single market issues or the better functioning of certain submarkets, ought to be subject to a serious subsidiarity test. However, for the sake of the proper functioning of the single market, the subsidiarity test must be functional, that is, analytically based on the criteria in the treaty (scale and cross-border spill-overs) and effectiveness, not political. But this is not happening. The centralisation issue is only critical in a few markets, mainly those of network industries with very large sunk costs, and financial markets. But these are exactly among the blockbuster ones in the Cost of Non Europe exercise! There are four network industries characterised by large sunk costs: (freight) rail,<sup>138</sup> gas, electricity and telecoms/digital. These are typical markets where all OECD countries and many other ones have independent regulatory agencies, ensuring better functioning markets. Not so for the EU. It cannot be surprising that these four “single” markets do not function well and also remain fragmented,<sup>139</sup> given the absence of independent EU Agencies. Neither can it be surprising that these four markets are amongst the blockbuster gains of a genuine single market.*

The full recognition of this flaw in designing these EU network markets is still absent, although a slow recognition of the added-value of cooperative networks of national agencies has emerged (e.g. BEREC; ACER; network of rail agencies). The problem is partly one of ‘sequencing’: by first establishing national regulatory authorities (NRAs) in these network markets, based on EU regulation, but *without* the overriding obligation to serve the EU single market, and national market functioning *within* this EU framework, Member States have created a natural resistance and vested interests against justified and proportionate centralisation. Moreover, the Commission is of two minds as well, because it risks losing influence if not power when such EU independent agencies would be established. Until recently, the Commission and Member States have been hiding behind the Meroni logic: the Meroni doctrine would prohibit such independent agencies at EU level, as the delegation of powers to the EU level (i.e. the Commission) could only be re-delegated further to

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<sup>137</sup> US States have concluded over 1200 compacts on an incredible variety of regulatory and administrative aspects. These compacts do not, as a rule, include all States, although their membership often grows over time.

<sup>138</sup> As noted, passenger rail across intra-EU border is marginal, and an increasing share of it is offered on high-speed networks. As far as the latter is concerned, market conduct is shaped by intermodal competition. Infrastructure and standards are harmonised.

<sup>139</sup> For detailed empirical evidence, Pelkmans & Renda (2011), Pelkmans & Luchetta (2013), European Commission (2013) and Pelkmans et al. (2014) for the European Parliament.

such agencies when explicitly allowed in the treaty. However, the logic of Meroni has melted away under the Lisbon treaty and recent CJEU case-law.<sup>140</sup>

What remains is a *political* resistance to centralisation by Member States (and their NRAs) which requires great caution to nibble away step by step. In the meantime, the single market in these network industries employs second-best approaches to accomplish better functioning, but even those are not to much avail. This centralisation taboo has to be ended and the blockbuster gains ought to be reaped. This is not to suggest that the integration deficits in these four network markets are solely due to the lack of an independent EU regulator, but without the latter, one should not expect to arrive at effective market integration.

A more or less similar state of denial by national regulators/supervisors has long lingered for banking, insurance and capital markets. A properly functioning single financial market requires common supervisors with joint rules, including what is called 'fiscal capacity' (to conduct bank resolution with full credibility). It took a severe financial crisis, in part caused or worsened by the lack of a common and credible regulatory and supervisory regime in the single market, before three EU Agencies were finally set up. Resistance is so strong that Member States still have a disproportionate role in the working of these agencies, causing slowness and inefficiencies. Only the Eurozone and selected Member States on a voluntary basis have gone the extra mile with centralised quality supervision of (large) banks. Indeed, the 'Banking Union' has been agreed to as well, but the third 'leg' (a common deposit insurance system) may not come about for years. If only a very costly financial crisis can barely convince EU Member States to accept justified centralisation, one must fear that a functional subsidiarity test for the single market will often be avoided. Yet, this damages the 'joint asset', hence, one 'own' single market.

## 8) Single Market in MS

*There is also the obverse of the above reasoning on the functioning of the single market: are Member States good custodians of single market functioning inside their own countries?* This query goes beyond the treaty role of Member States with respect to implementation and enforcement and is also not concerned with regulatory heterogeneity. Member States have retained residual or full powers in many areas the use of which, often inadvertently, may affect or make more difficult the conduct of cross-border exchange in the single market. This might take the form of infringing EU law which, if discovered or reported, will be remedied by the several stages of infringement procedures. But this is not what is meant here. Much national or regional legislation as well as technical implementation or administrative execution is drafted *without* having the single market in mind. Since all Member States do this all the time, it may make the practical execution of many small business decisions in the wider single market more difficult, without their being a deeper rationale.

This is done inadvertently. There is empirical evidence for one set of regulatory actions of Member States, falling under the 98/34 Committee overseeing notifications. The Committee and its procedures are concerned with national technical regulations and decrees on goods in areas not harmonised by the EU. This relates to roughly 20 % - 25 % of traded goods in the EU; the rest is either harmonised or unregulated. The idea is that mutual recognition should apply, or, at least that equivalence clauses, and European standards where available, are incorporated in national law.

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<sup>140</sup> For elaboration, Simoncini & Pelkmans (2014) and the recent literature quoted

What emerges from the wealth of data and reports over more than 25 years <sup>141</sup> is an astounding mass of national regulation, year after year,<sup>142</sup> and a stubborn propensity to ignore or take lightly some of the basics of the single market. The latter propensity has decreased somewhat over time. But this watchdog and correction mechanism has proven that it is indispensable for a proper functioning of a segment of the internal goods market characterised by only relatively light (national) regulation. There is no other such mechanism in other markets.

I do not suggest to establish one. Rather, also here it would be far superior to let *all* Member States set up a domestic mechanism to test national draft legislation with respect to not just the legality but also their practical effects on the functioning of the single market in its own economy. This is best done in the framework of national impact assessment, which should include a 'single market test', with explicit consultation of business and other stakeholders. Solid impact assessment, so far practiced seriously only in half a dozen EU countries, is in the enlightened self-interest of all EU countries. And to incorporate a single market test would be helpful for Member States to assume responsibility for its own role as custodian of the single market, with respect to its own laws. Consultation on the single market test ought to be possible in English, besides the national language.

## 9) Implementation, enforcement, market surveillance

*Finally, on the EU/Member States' interface, the issues of implementation of EU laws, their effective and credible enforcement and, for some areas, market surveillance, are long on the agenda.* Much progress has been made in the last few decades. What has not changed is that calls for 'better' implementation and enforcement by Member States are being made all the time. The 2007 Single Market Review proposed that the Commission would make an implementation 'partnership' with the Member States so as to enhance 'ownership' and thereby raise effectiveness, increase the speed and lower the costs. By mid-2012 this seemed to have paid off to some extent.<sup>143</sup> One remarkable score is the record-low percentage of non-implemented directives in the Single Market Scoreboard since 2013. But the anecdotes about understaffed SOLVIT centres, the major problems and delays with large EU legislative packages,<sup>144</sup> the number of second CJEU rulings of non-compliance with daily fines for Member States, the uncertainties about some aspects of the service directive 2006/123, the endless foot-dragging on the European air traffic control system, etc. continue to weaken the trust in whether Member States are good and willing implementers of what they vote for in Council.

That Member States behave different in Brussels than at home is unacceptable. For decades it is known that those national civil servants who negotiate EU directives should not immediately abandon the area and move to other duties, thereby instantaneously lowering the human capital needed for complex implementation issues. But there is also good news, on the other hand. The drastic shift from (single market related) directives to EU Regulations since around 2000 or so, has clearly been supported by Member States, which in and by itself constitutes a significant contribution to reducing implementation issues.

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<sup>141</sup> See the data and references in Pelkmans, Vos & di Mauro (2000) and in Correia de Brito & Pelkmans (2012).

<sup>142</sup> In this limited area, the annual number of national laws/decrees amounts to around 700.

<sup>143</sup> See for the empirics, Pelkmans & Correia de Brito (2012), chapters 5 – 8.

<sup>144</sup> Such as the first rail package, the second and third gas & electricity packages and a few other instances, leading to massive infringement cases before the CJEU.

On enforcement by Member States - their duty under the treaty and critical for the confidence of business and consumers when seeking to exploit the single market - less systematic knowledge is available (as far as I am aware). When EU directives are implemented, they become national law and enforcement becomes a linear function of the general effort to enforce laws properly in the country. These efforts differ between Member States. Therefore, it may seem a bit hollow to call for better enforcement in countries that exhibit a lower inclination to enforce their own laws. There might also be issues with the national legal system: if that is regarded as inefficient and slow, such efforts are discouraged in the first place. The reliance on 'mutual recognition' should now be enforced much better with the 2008 Mutual Recognition (procedural) regulation but doubts are reported regularly. Here, Member States ought to be disciplined in a matter of days, if only to enhance the trust in the business world that mutual recognition can be the basis for their strategies in the single market.

However, there is one area where enforcement assumes a special form: market surveillance, e.g. in the case of several New Approach directives and for products subject to type-approval (f.i. cars, motor cycles). Since the 2008 New Legislative Framework, market surveillance has come under stricter obligations for Member States (e.g. sufficient resources [which nobody in the market believes]; closer cooperation inside national administrations and with the customs - with incessant complaints that the latter surveillance is far too lax). A good development is the closer inter-Member States cooperation of market surveillance authorities which are all in the common business of making the single market function properly on this aspect. On the whole, however, European business is not convinced that market surveillance works well. Orgalime (machinery and electrical/electronic equipment) claims that distortions, by illegal imports (even via the internet) escaping market surveillance, increase steadily but hard evidence is scarce.

## 10) Legitimacy and acceptance

The single market has gone through cyclical fluctuations in terms of support or resistance from the European population, or segments of it. In 1958 support in France for the brand-new EEC was so strong that Finance minister Rueff could introduce a sweeping monetary reform combined with the removal of export subsidies, tariff surcharges and the gradual dismantling of 'indicative planning'. But only nine years later, 'Le Defi Americain'<sup>145</sup> generated renewed interventionist policies for industry, now seen as national 'champions'. During the second oil crisis, EU countries took no interest in the common market and demonstrated little preparedness to deepen it.

On the initiative of Commissioner Narjes, the German presidency began with a new Internal Market Council in November 1982, followed by an alarming Albert/Ball report <sup>146</sup> to the EP in June 1983, introducing the notion of the 'costs of Non-Europe'. Only five years later, in 1988, the first sensational cross-border mergers - notably, the intended purchase of Societe General by Suez - and the well-publicized popular version of the Cecchini report prompted a short-lived 'europhoria' about the single market.

But for decades the internal agro market could only be accomplished by means of heavy common subsidies and distortions, and high tariff walls, facilitating secular adjustment processes to efficient

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<sup>145</sup> By Jean-Jacques Servan-Schreiber (1967)

<sup>146</sup> M.Albert & J. Ball (1983)

modern farming, at huge costs to society. However, judging by the propensity to demonstrate and protest, it never seemed to be to the satisfaction of the farmers.

With the two Eastern enlargements, the single market became the subject of profound ambiguity: popular as an opportunity for workers and business established in or attracted to the new Member States, and a rising concern for some specific (especially low-skilled) segments of the workforce in other parts of the Union. The referendum in France on the draft European Constitution in 2005 was, rightly or wrongly, all about the lack of legitimacy of the single services market, symbolised by the Polish Plumber and a false presentation of the essence of the proposed services directive.<sup>147</sup>

Nowadays, the (im)popularity of the single market has come to be mixed up with the very negative fall-out of the Eurozone crisis, payments to the Greeks (who first cheated, a deadly sin in this respect), the rise of Eurosceptic parties and the overall rise of immigrants and asylum seekers.

The single market as it stands today has to be made acceptable to large majorities of the European population. This cannot be accomplished by 'communication'. It requires forms of political debate and representative structures through which voters recognise the main features of what is at stake and observe, time and again, that such debates reflect the issues they are deeply concerned about. That is what legitimacy is all about. No single market strategy is feasible without this fundamental prerequisite. The "genuine single market" must be a legitimate one, acceptable to large majorities.

The literature typically speaks about 'input legitimacy' (representation of concerns of voters in debates and as an 'input' to decision-making) and 'output legitimacy' (voters satisfaction based on results of policy-making). To simplify, the EU has traditionally leaned far more on output legitimacy than on input legitimacy. Therefore, a host of proposals to improve on the latter has been made <sup>148</sup> and these may well be useful. It is unlikely, however, that they will be sufficient because they do not address the roots of the problem.

Today's legitimacy problem of the EU is inextricably linked with two key issues affecting the grassroots: first, the negative impact of forms <sup>149</sup> of worker mobility across intra-EU borders on wages and jobs of specific segments of the workforce, and in some specific sectors; second, the lasting negative fall-out of the crisis and the harsh Eurozone budgetary approach framed as a

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<sup>147</sup> Interestingly, the NO in the Dutch referendum was not at all related to the framing of the draft services directive and hardly with posted workers. It was suggested that the Netherlands would be 'sold out' and one opposition party scored well with a poster showing Europe, with the Netherlands cut out! In the Netherlands, political research later showed convincingly that much was due to the incapability of the political leaders to explain in simple terms the rationale and the essence of the treaty to the people. Hence, it was dubbed an elitist project without legitimacy. In the same year, the Eurobarometer showed that the Dutch people still supported the EU relatively strongly!

<sup>148</sup> This is not the place to elaborate. I merely list some: a single face of the 'euro' (might also help the single market); a single presidency of the EU (i.e. Council and Commission); greater proportionality of seats in the EP (i.e. less imbalanced for larger MS); greater role of national parliaments; more frequent debates in national parliaments with EU Commissioners responsible for aspects of the single market.

<sup>149</sup> The official route of intra-EU migration is based on 'host country control', that is, on respecting local (minimum) wages and other labour entitlements. The problem is that this route is massively avoided and the alternatives have not been properly addressed by the EU single market regime. It took many years before the Posted Workers directive has been accompanied by an Enforcement directive and even that is full of compromises. But highly artificial legal constructions are now practiced in road haulage and in construction, and this has led to massive replacements of Western workers and/or drastic wage cuts, if not exploitation of Eastern EU workers. There is some lingering illegal migration and work, too, which calls for more firm enforcement by Member States.



rescue of bankers at the costs of workers or voters/taxpayers more generally. Both generate a strong sentiment that the single market (and the Eurozone, to some extent) systematically *decreases* incomes and job prospects for certain segments in society, and/or lead to the erosion of the welfare state which precisely for these workers is crucial to rely on.

Of course, such sentiments became more powerful during the (Great) recession but they linger when the economy is in an upswing, if nothing is done about it. At times, there are additional fears that globalisation (and some parties take the view that the 'open' EU single market is a mere manifestation of globalisation) systematically disadvantages low-skilled workers, an inference for which the empirical economic literature provides some support. Eurosceptic parties thrive more easily in this climate and resistance by labour unions hardens in the process. The forceful increase of euro-sceptical parties in the EP has more reasons but the single market, basically supported even by British conservatives or UKIP (be it under conditions), should be a reason to stay in, not to exit or seek selective exemptions.

The underlying problem ought to be addressed more seriously. One might recognise elements of plain protectionism in the reactions of some parties or labour unions. This is not a sensible solution. However, before rejecting this tendency in a Pavlov reaction, it is good for political legitimacy to recognise as well, that a structural adverse shift in income distribution – affecting certain low-skills groups of workers and causing fears with other ones – is experienced at the same time. In sectors such as horticulture, construction, road haulage, possibly in tourism, this adverse shift might be a consequence (in part) of a recent single market with high wage and low wage countries, free labour mobility, and a selective failure of applying host-country control. Of course, what seems a threat for a worker used to high wages is an opportunity for a mobile worker from a low wage EU country.

Therefore, a decent compromise is to allow significant opportunities for workers from low-wage EU countries whilst being far more ruthless [both at EU level and nationally] on circumventive constructions and fraud, if only to demonstrate firmly to low-skilled workers from high-wage EU countries that the law which should protect their rights is not an inconsequential piece of paper. In the longer run, now that the crisis is over, the gradual convergence of per capita incomes engendered by market integration should reduce these problems.

The strategy to build a “genuine single market” as described above, is ambitious and will be sensitive in some respects. It risks to be framed in overly simplified and sloganesque terms by some parties and movements. Such framing will not resonate with most voters if, but only if, the project is seen as legitimate. Legitimacy is of the essence for any single market strategy worthy of the name.

### 3. Achieving a Genuine Single Market: what it takes

“What it takes” to arrive at the “genuine single market” consists of three groups of actions or aspects. First, five types of demanding and at times intrusive action at the EU level. The five include policy proposals addressing policy linkages or clusters (e.g. energy union ; digital single market), cross-cutting economic activities (e.g. logistics and [r]etail), horizontal approaches (e.g. public procurement and its problematic national enforcement systems ; consumer protection), Better EU regulation (based on ‘benefits first’, solid and detached impact assessment, appropriate disciplines of the application of the Precautionary Principle - where less a-priori’s and a more analytical approach are required – risking otherwise to reduce the gains from market integration, without

enjoying additional benefits), and finally alternative designs of submarkets of the EU single markets (e.g. the capital markets union ; the Unitary Patent, with significant long-run consequences).

Second, a number of important improvements are needed on the EU / Member States' interface. Before listing the four types of actions or modified attitudes proposed, a more fundamental question ought to be posed, if one takes the "genuine single market" seriously. It is related to the division of powers between the EU and the Member States' level. That division is sensitive and it should be. It is central to a well-accepted Union embracing diversity.

However, once market and even macro-economic integration is 'deep' and based on a wide scope of EU economic freedoms and regulatory powers, it occasionally happens that the line between the effects of EU and Member States' measures can be blurred. The EU level has to make sure that Member States competences, or, more broadly, their policy autonomy – as indicated in and protected by the Treaty – remain intact. But shouldn't that be true for Member States as well? In other words, do Member States exercise their powers in such a way as to minimise or avoid negative effects on the single market? It is suggested that the (the proper functioning of) single market, as the hard core of 'economic union', should not be 'jeopardised (art. 121/4, TFEU) by national economic policies. This is best verified systematically in sound and detached national impact assessment on the basis of a single-market test, which should be done by all Member States. The single market is not only dependent from "Brussels", also from what Member States do and don't.

The four types of actions at Member States level could include:

- First, instances where Member States' actions hinder the functioning of the single market for economic operators or consumers (e.g. via major *distortions* such as the enormous subsidies of renewables, the highly disparate rail access charges for European freight rail or wasteful rivalry in national exceptions to the corporate tax base, unlike in the US ; or, innocuously, via cumulation of regulation at three or four levels of government, and/or due to regulatory heterogeneity – between Member States - which turns out to be very costly for firms operating with EU-wide strategies and acting as a barrier for SMEs eager to Europeanise).
- Second, on this interface there are frictions about the appropriate degree of centralisation for the purpose of a better functioning of the single market. This is found in four network markets with large sunk costs (rail freight, electricity, gas, telecoms/digital) and in financial markets. It should be noted that precisely these are amongst the blockbusters gains of a 'genuine single market'.
- Third, are Member States good custodians of the single market functioning inside their own country? Also, here a single market test in national impact assessment and ex post evaluation is a solution, with ample consultation options for business in Europe.
- Fourth, implementation, credible enforcement and market surveillance are critical duties of Member States.

Finally, legitimacy and acceptance of the "genuine single market" is discussed at some length. In recent years the effects of having an internal market with both high and low wage countries has generated adverse effects for low-skilled workers in a few sectors, whilst offering opportunities (but not always in legally correct ways) for low-skilled workers from low wage EU countries. This sharp contrast concentrated in three or four sectors is hard to justify and, in any event, is bound to undermine legitimacy of the single market. Legitimacy is of the essence for any single market strategy.

## Chapter 3: The economic benefits of the Single Market<sup>150</sup>

The Great Recession and the attendant euro crisis have put the European integration process under severe stress. For the first time in the history of the EU, a Member State has announced that exit from the EU will be put to the vote its citizens in a referendum. Euroscepticism is becoming a central theme in political campaigns in several EU countries.

Interestingly, according to Monnet's view of the dynamics of integration, crises supposedly help making significant jumps in the integration process. According to this view, integration is a self-reinforcing process, with crises pushing the steps forward.

The current situation seems at odds with this view, although there are some examples of crisis-induced steps for further integration during the Great Recession, *in primis* the progress towards the banking union. There is no doubt that European integration is at a crossroads. Even though there is little political consensus and political will to move forward, further integration is today essential for sustaining the European project. However, it is also clear that further integration should move differently from the past: there should be a joint effort by Member States to achieve a common goal, a much stronger commitment to adapt national legislation to overall EU objectives and, finally, move from member states to EU level regulation of markets. Even though there is still a lot to do in removing barriers, it is crucial to move to a more "positive" level of integration, an integration that goes beyond removing barriers and aims at building a true Single Market.

The Single Market is the cornerstone of European integration. It may not be a panacea for all the economic problems afflicting the EU today, but it may become the engine for a revival of the integration process and for a revival of growth in the EU.

Euroscepticism is fueled by the growing perception that the costs of belonging to the European Union are larger than the benefits. Unfortunately, politicians in Member States can easily ride the wave of Euroscepticism as trying to provide hard evidence on the benefits of EU integration has not been high in the agenda of those who support European integration and has not featured as a main area of research at the EU Commission. As a result, the debate between the Eurosceptics and the EU supporters remains based more on ideological elements rather than hard facts. One of the reasons for the lack of hard evidence on the benefits of EU integration is the difficulty in building relevant counterfactuals. After all, the main question is: "what would have been the economic performance of country "x" had it not been a member of the EU?" Answering this question is a crucial step to guide the evaluation of the benefits of furthering EU integration as an alternative to the status quo. Furthermore, answering this question would provide key insights on the issue of the costs/benefits of exiting the EU.

Building a relevant counterfactual to analyze the benefits of EU integration has been the central theme of recent work I have done with Nauro Campos and Luigi Moretti (Campos et al, 2014). In this chapter, I will use that framework to assess the benefits of completing the Single Market, or, in other words, to assess the costs the EU has incurred in not completing the Single Market. The chapter is structured as follows. Section 2 contains a very brief overview of the theory and evidence on the benefits of integration. Section 3 presents the counterfactual approach proposed by Campos et al (2014) and extends that work to the analysis of the completion of the Single Market. The section concludes that on the basis of a counterfactual analysis the benefits of the Single Market, in its form

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<sup>150</sup> Fabrizio CORICELLI, Paris School of Economics and CEPR

that was shaped by 1993, led to small economic benefits, certainly much smaller than anticipated. Section 4 presents an interpretation of some of the reasons why the benefits of the Single Market were smaller than anticipated. Section 5 discusses political economy issues and stresses the need for building a true Single Market through consensus. Section 6 contains some concluding remarks.

## 1. Economic benefits of integration: theory and evidence

Economic theory tells us that moving from a situation of autarky (no trade in goods and in factors of production among countries) to a situation of complete integration (no barriers to trade in goods and factors of production) leads to substantial economic benefits in terms of incomes per capita, both in levels and potentially also in growth rates. Improvements in levels are commonly defined as static gains, whereas improvements in growth rates are defined as dynamic gains. However, moving to full integration does not necessarily imply welfare gains. In order to ensure that full integration leads to a Pareto improvement, in which nobody is worse off in the new equilibrium, transfers schemes to the losers are necessary. To understand how large are these transfers, it is useful to distinguish three main channels through which full integration leads to higher incomes per capita. These three channels are: (i) higher productivity associated to relocation of industries from low to high productivity locations; (ii) improvements in factor allocation (labor and capital moving); (iii) larger market size.<sup>151</sup>

The third channel can be achieved with little or no costs. By contrast, the first and second channels may be very costly for those involved in the reallocation. Note that these costs affect the dynamic adjustment, whereas in the long run there should be net gains for the people who migrate or change jobs. Nevertheless, one should not discard even potential long run costs, as shown by the widespread phenomenon of long-term unemployment for low-skill workers.

These channels require significant transfers, and thus the integration process entails potentially large fiscal costs.

The third channel, the “size” effect, resembles what has been defined as “joint asset value” (see Chapter 2 ) of the Single Market, as the channel involves a positive sum game.

The other channels are more controversial. Evidence on productivity distribution in European industries indicates that in Europe there is still a high degree of misallocation of resources, as even at high level of disaggregation low-productivity firms coexist with high-productivity firms (Criscuolo et al. 2014). This evidence indicates the presence of significant barriers to factor movements from low to high productivity activities. Furthermore, it may indicate as well the presence of barriers to competition in the goods market, as in principle competition in goods market may substitute for the need of moving factors of production.

### *Complementarity and substitutability between goods and factor movements*

In a world in which goods and (tradable) services could freely move across borders, there would not be a large role for factor movements. Economic theory shows that free trade of goods ensures equalization of factor prices as well, eliminating the motive for factor movements.

Such substitutability is highly relevant, as many observers are skeptics about the potential benefits of the Single Market because they argue that those potential benefits are impeded by the presence of national labor regulations and segmented financial markets, which do not allow free movements of labor and capital. However, not only economic theory, but also empirical evidence suggests that

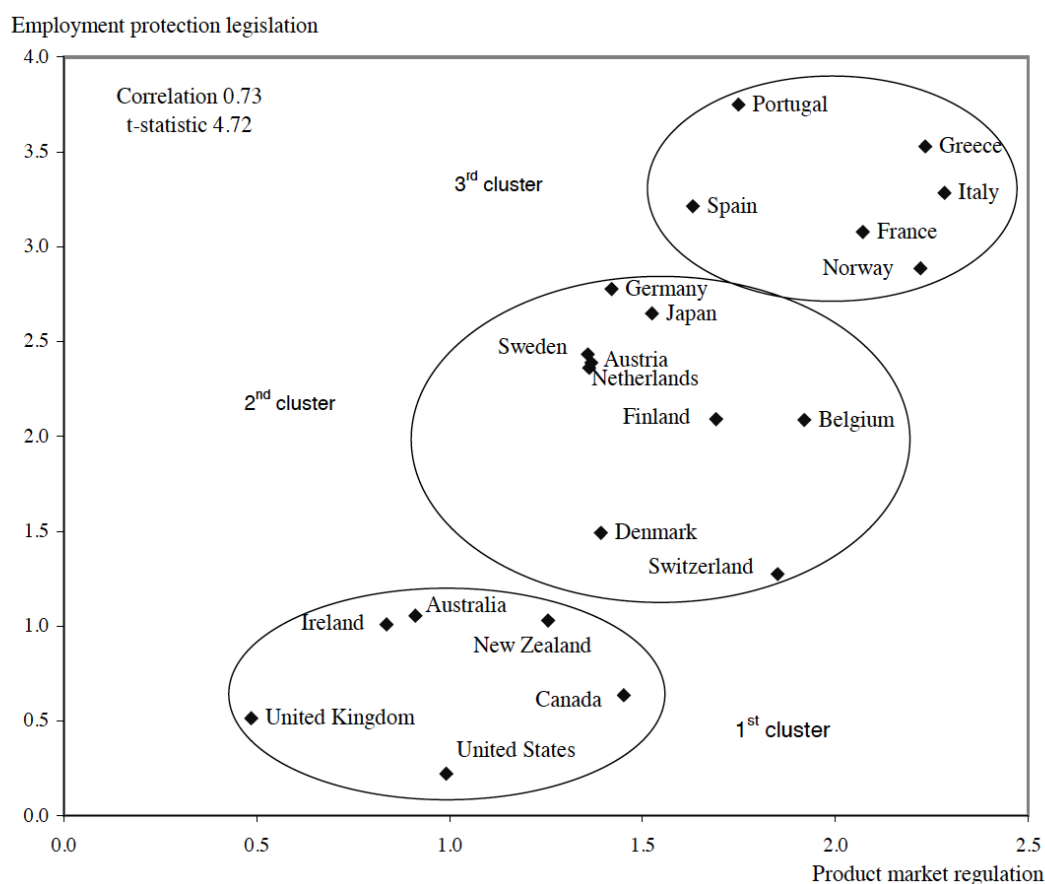
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<sup>151</sup> Note that larger market size may also lead to a larger variety of goods, with positive welfare effects. Ventura (2005) provides an excellent analysis of the economics of integration.

goods market liberalization has strong effects on labor market liberalization (Blanchard and Giavazzi, 2003 and Nicoletti and Scarpetta, 2001).

Regarding financial markets, one of the key elements in improving the functioning of the Single Market is precisely associated with financial market integration. Responding to the effects of the recent crisis, significant, though still incomplete, steps have been taken to foster financial integration in an efficient way. Indeed, one of the reasons for the deep crisis experienced by several EU countries has been massive cross-border financial flows in a context of multiple and uncoordinated regulation.

**Figure 1: Product and Labor Market Regulation, OECD Indicators**



Source: Nicoletti and Scarpetta, OECD, 2001

The reality, even for EU economies, significantly differs from that of theoretical result. Factor prices are different across countries. This suggests that barriers to a fully free trade are still present. One fundamental reason is that free trade in services is still far from being achieved in the EU. However, even for trade in goods, barriers to trade among EU countries persist.

Given the political difficulties encountered in the area of migration and free labor mobility, it is of paramount importance to move forward with the Single Market in the area of free trade of goods and services.

Furthermore, achieving a Single Market in telecommunications may as well help to reap the benefits of the Single Market, alleviating pressure on labor mobility. Indeed, progress in telecommunications would allow tasks to be carried out from different locations, thus eliminating the need for labor movement.

## 2. The benefits of integration: A counterfactual analysis

The recent growth of Euroscepticism has brought into light a main weakness of the development of European integration: the lack of a robust analysis of costs and benefits of integration. By and large, the field has been divided between those who have taken for granted that European integration brought significant economic benefits, and those who have attributed the weaknesses in economic performance of EU countries to the EU itself.

The direct costs of the EU are trivially visible, as they are summarized by the contribution of each member State to the EU budget. Other costs are associated to the cost of EU regulation and to the loss of independence of national policies. Measuring benefits is complex, because of the need to construct a relevant counterfactual. This problem has been cited in all empirical work on the benefits of EU integration. With Nauro Campos and Luigi Moretti, we have tried to address this problem, exploiting recent methodology applied to economic events, namely the synthetic counterfactual method (Abadie et al.). Box 1 illustrates the main elements of the synthetic control method. The approach permits to answer the question: *what would have been incomes per capita (or productivity) if country "x" had not joined the EU, at the time it joined it?*

### Box 1: A counterfactual approach to measuring benefits of EU integration

The synthetic control method (SCM) provides a transparent and powerful method for quasi-experiments in social sciences, including economics. The approach has been pioneered by Abadie and Gardeazabal (2003) in its application to an economic phenomenon, such as the effects on GDP of terrorist attacks in the Basque region. Other applications are Abadie et al. (2014) to the economic effects of German reunification; Acemoglu et al. (2014) on the economic effects of connections; Billmeier and Nannicini (2013) on the effects of trade liberalizations. Sills et al. (2015) have applied the SCM to environmental studies, focusing on deforestation.

Usually, in comparative economic studies, economists analyze the performance of a given country or region by comparing it to a reference sample, usually arbitrarily chosen. Two typical shortcomings in comparative studies are overcome by SCM. They are: (1) choose a comparator set of units on the basis of structural and/or institutional similarities. For instance, compare a EU member to the aggregate EU. The problem with this approach is that, there is no insurance that prior to the "treatment" the country analyzed and its comparators behaved similarly.

This sharply reduces the relevance of the comparator group to analyze the performance post-treatment. Indeed, similar characteristics and different performances clearly indicate the presence of unobservable variables that affect performance. (2) Countries with similar pre-treatment performance are used as comparators for the post-treatment analysis, irrespective of the similarity of structural variables between the country studied and the comparator group.

The SCM overcomes these two limitations by using the similarity both in structural characteristics and in performance in the pre-treatment period.

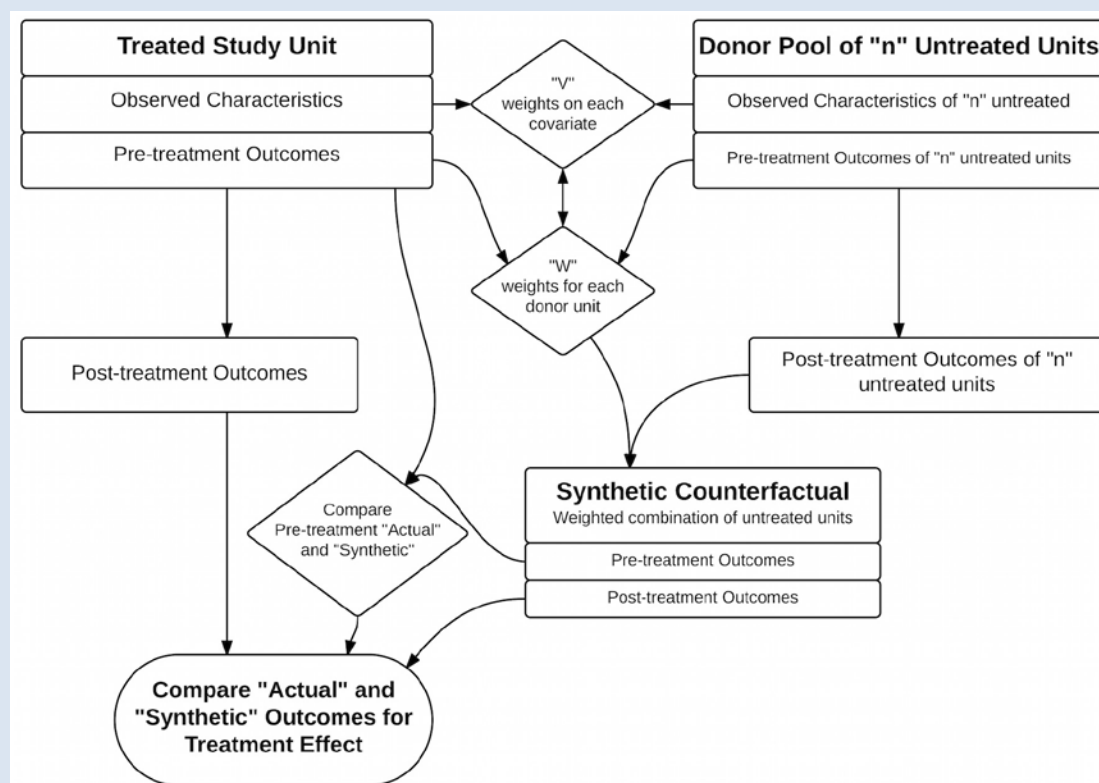
Let us summarize the SCM, with reference to the issue of economic performance (GDP per capita) in the process of EU integration and creation of the Single Market. Figure 1 presents a diagrammatic summary of the approach.

The first step in the analysis is the identification of the treatment, in our case joining the EU. The second step is the definition of the treated units and the pool of countries that form the “donor pool,” in other words the pool of countries that serve as basis for constructing the counterfactual, or better the “synthetic” country.

In a study of economic performance in terms of evolution of GDP per capita, the choice of the donor pool is not obvious. If one believes that the growth process depends on the same determinants in all countries, a candidate for the donor pool could be the whole world. However, there is heterogeneity in growth processes, and depending on the different phases of development different variables can play a crucial role in affecting growth. For instance, at low level of development growth depends more on factor accumulation (labor and capital) than on total factor productivity, while the reverse is true at high level of development. It is thus advisable to choose the donor pool among countries with not too strong heterogeneity. However, the key assumption is that countries in the donor pool are not subject to the treatment. In our analysis of EU entry this is quite obvious as the treatment is defined by EU entry.

Having selected the donor pool and defined the treatment, the next step is to identify the outcome variable on which to perform the analysis. In our case, the outcome variable is GDP per capita. We then need to specify the set of determinants of the outcome variable. In our case, we take the standard variables used in empirical analysis of determinants of GDP per capita and GDP growth (investment, education, structural variables such as the share of different sectors in the economy, etc.). The SCM finds a vector of countries that provides the best match for the structural variables of the treated country. The SCM assigns weights to countries in the donor pool to generate a “synthetic” treated country, as the combination of countries in the donor pool mimics the structural characteristics of the treated country. The weights assigned to derive the synthetic treated country are then used to compute a pre-treatment and a post-treatment outcome variable for the “synthetic” country. If GDP per capita is the outcome variable, the “synthetic” GDP per capita is equal to GDP per capita of countries in the donor pool multiplied by their respective weight derived in the matching of structural variables.

The behavior of the “synthetic” outcome variable should match very closely the actual value of the outcome variable during the pre-treatment period. The match should be good both for the structural variables and for the outcome variable. The difference between the “synthetic” outcome variable and the actual one for the treated country during the post-treatment period provides a good measure of the impact of the treatment on the country subject to intervention. Indeed, the behavior of the “synthetic” outcome variable represents during the post-treatment period a good proxy of how the outcome variable would have behaved in the absence of treatment.

**A diagrammatic illustration of the synthetic control approach**

Source: Sills et al. (2015)

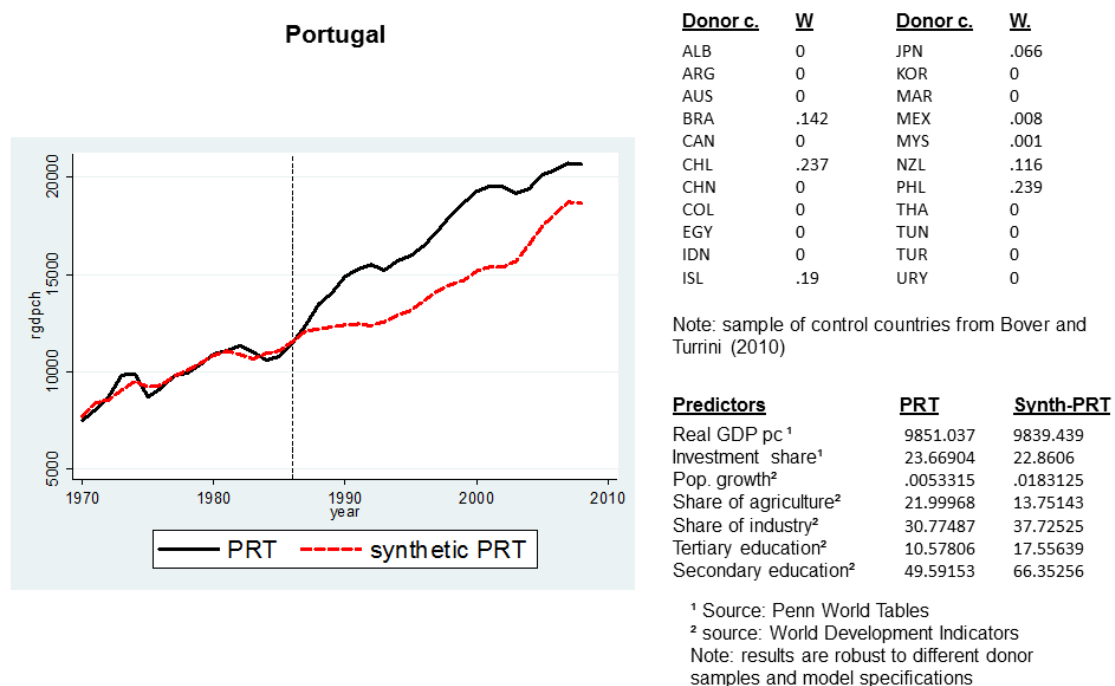
Before discussing in more details the counterfactual approach, it is worth stressing an important point. European performance is often evaluated using the US as the relevant comparator. Indeed, the economic size of the EU is not far from that of the US, and, secondly, the US is a relevant benchmark as it can be considered representative of the world technological frontier. However, while comparing the aggregate EU with the US is informative, evaluating the performance of individual countries in relation to EU integration cannot be based on a simple comparison with the US. Indeed, as the Single Market is still far from its completion and the EU is a collection of national states, one cannot compare individual EU countries to the US, as each individual country in the EU is much smaller than the US. Therefore, it is crucial to find a relevant benchmark, a counterfactual against which one can compare the performance of individual countries before and after entry in the EU.

To answer this question, Campos et al. (2014) have identified entry in the EU as a quasi-social experiment. They exploited the fact that the EU underwent several enlargements, involving countries with different characteristics, at different points in time. They have analyzed four different enlargements: 1973, 1981-1983, 1995 and 2004. The date of entry in the EU is considered as a “treatment” received by the countries involved. By constructing a “virtual” or “synthetic” country that during the period prior to the treatment closely resembles the “true” country in terms of GDP per capita (or productivity), one can analyze the impact of the treatment (EU entry) by comparing the path of incomes per capita post treatment for the “true” and the synthetic” country. This comparison provides a relevant measure of the effect of EU-entry, as the “synthetic” country is not affected by entry. Of course, the comparison depends on the set of countries that form the “synthetic” country. However, the robustness of the analysis can be verified by looking at the behavior of a large set of different “synthetic” countries, all resembling quite well the true country during the pre-treatment



period. Figure 1 shows in detail, taking as example Portugal, the application of the SCM to European integration. Prior to entry in the EU, actual GDP per capita of the “synthetic” Portugal tracks almost perfectly the behaviour of actual Portuguese GDP per capita. Entry in the EU represents a major shock that affects Portugal but not the countries forming the “synthetic” Portugal. After entry, actual per capita GDP clearly departs from its “synthetic” value, indicating large benefits from EU entry. To the right of the graph, there are the weights attributed to the countries that form the counterfactual. Furthermore, the values of the individual variables affecting GDP for actual and synthetic Portugal are also reported.

**Figure 1. Synthetic control method in detail: The case of Portugal**



Source: Campos et al. (2014)

**Table 1 illustrates the results obtained implementing the SCM approach to all enlargements of the EU (excluding Croatia).**

**Table 1.**  
**Difference between country's Actual and Synthetic Per Capita GDP paths**

	DIFFERENCE (%) in post-treatment average GDP pc LEVEL between ACTUAL and SYNTHETIC			DIFFERENCE (pp) in post-treatment compounded annual GDP pc GROWTH RATE between ACTUAL and SYNTHETIC		
	All post-treatment	10 years after treatment	5 years after treatment	All post-treatment	10 years after treatment	5 years after treatment
Denmark	23.863	14.298	10.292	0.441	1.038	2.038
United Kingdom	23.694	8.586	4.824	0.763	0.951	2.118
Ireland	48.900	9.395	5.242	1.915	0.883	2.348
Greece	-19.758	-17.336	-11.591	-0.271	-2.111	-2.037
Portugal	18.351	16.537	11.733	0.498	1.988	4.355
Spain	19.806	13.662	9.348	1.054	1.910	4.463
Austria	7.208	6.364	4.467	0.778	0.589	1.393
Finland	4.365	4.017	2.185	0.541	0.335	1.012
Sweden	3.174	2.353	0.823	0.299	0.329	-0.016
Czech Republic	5.615	5.615	2.110	0.711	0.711	-0.717
Estonia	24.153	24.153	16.342	2.110	2.110	4.591
Hungary	12.299	12.299	8.734	1.108	1.108	2.452
Latvia	31.692	31.692	18.016	3.839	3.839	5.209
Lithuania	28.082	28.082	17.352	3.191	3.191	3.825
Poland	5.930	5.930	8.670	-0.045	-0.045	0.518
Slovak Republic	0.302	0.302	1.315	-0.563	-0.563	-2.597
Slovenia	10.350	10.350	6.327	1.206	1.206	-0.141
Northern enlargement 1973	32.152	10.760	6.786	1.040	0.957	2.168
Southern enlargement 1981&1986	6.133	4.288	3.164	0.427	0.596	2.260
Southern enlargement 1986	19.078	15.099	10.541	0.776	1.949	4.409
Northern enlargement 1995	4.915	4.244	2.491	0.540	0.418	0.796
Eastern enlargement 1998 (anticipation)	14.803	14.803	9.858	1.445	1.445	1.642

**Source: Campos et al. (2014)**

The approach permits to follow year by year the true vs “synthetic” country.<sup>152</sup> Results show that on average, in a 10-year period after entry, accession to the EU has brought an increase in incomes per capita quite substantial, at around 12 percent (considering all enlargements). It is remarkable that all countries, except for Greece, display positive effects of EU entry.<sup>153</sup> Although these estimates refer to entry in the EU and not to the Single Market, they provide an indication of the magnitude of the

<sup>152</sup> For Eastern enlargement there is evidence of anticipation effects. The date most relevant for computing the effects of entry appears to be 1998.

<sup>153</sup> It is tempting to look at such result in light of the recent Greek drama, by stating that the results illustrate the problematic integration of Greece in the EU since the beginning.

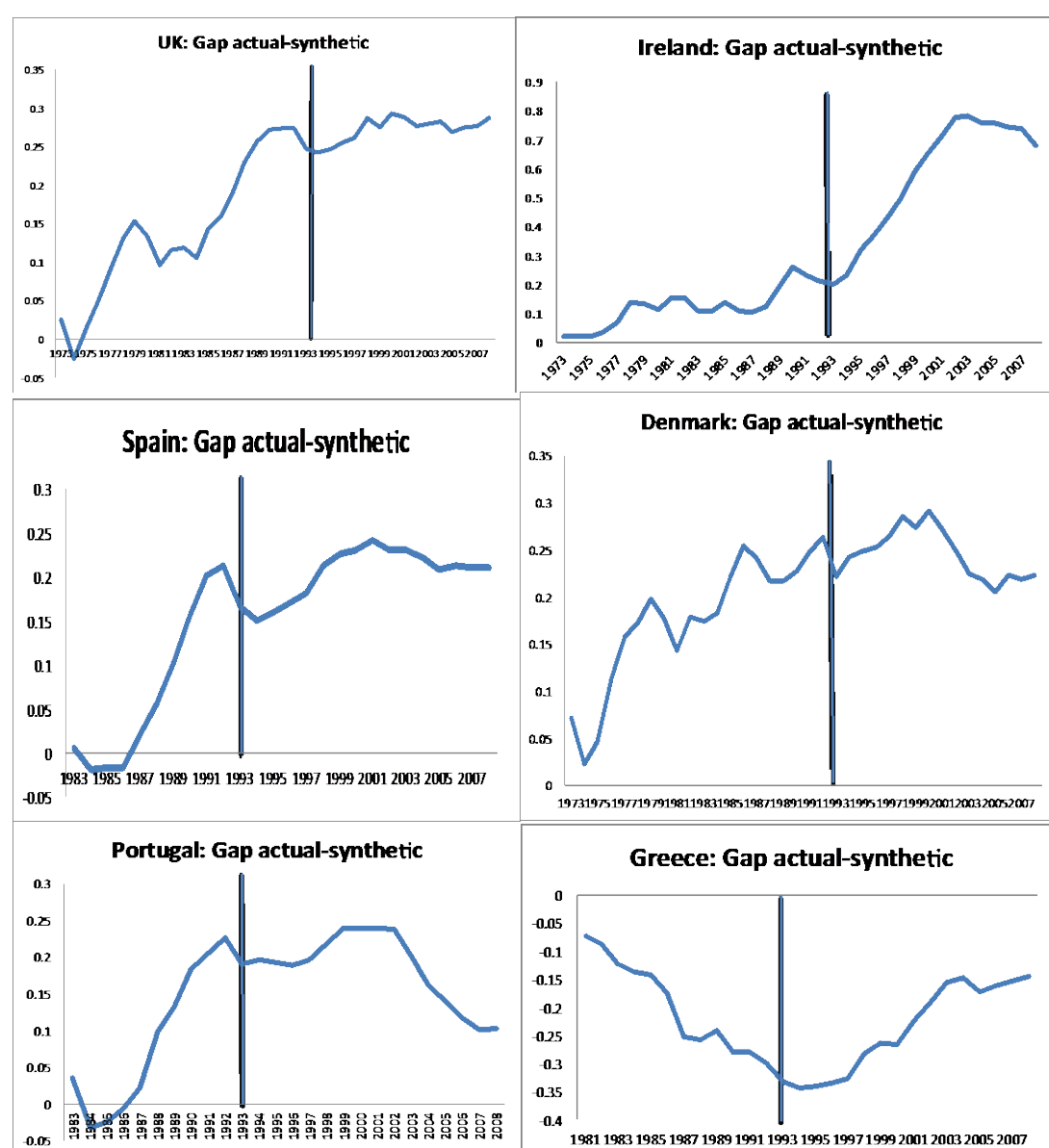
effects of completing the Single Market, especially in services, which account for more than 80 percent of GDP in EU economies.

The other interesting observation is that the magnitude of the benefits vary both over time for each country and across countries. The largest benefits are found for the Southern (except for Greece) and Eastern enlargement. However, results cannot be interpreted simply as indicating that poorer countries benefit more, as effects are estimated to be substantial also for the UK a country with levels of incomes per capita at the date of entry that were similar to those of incumbent countries. Campos et al. show that the variability across countries of the benefits of EU integration is associated to reforms undertaken in the national States, rather than to different initial structural characteristics. This may provide insights on the different responses of the various countries to the Single Market.

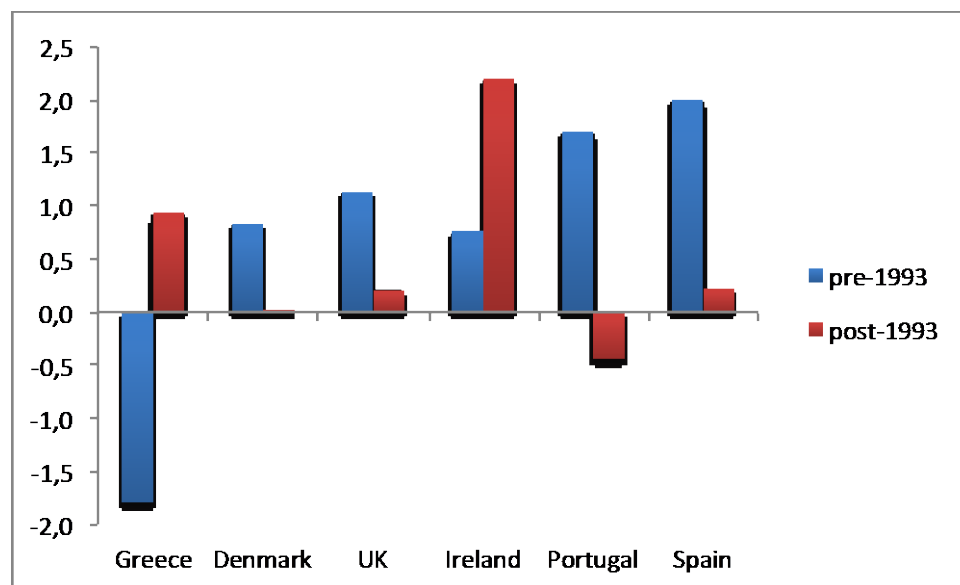
Although the analysis in Campos et al. gives an estimate of the economic benefits of EU integration, we can use the approach to get some insights on the effects of the completion of the Single Market, at least for the countries that joined the EU well before 1993. Indeed, for those countries that joined the EU after 1993 it would be impossible to carry on the analysis of the incremental effects of the Single Market with the respect to entry in the EU.

We can think of the Single Market as a second, supplementary, treatment given to the EU members. We can thus look at the difference between true and synthetic incomes per capita before and after 1993, the date officially considered as the completion of the Single Market. Indeed, the implementation of the Single Market took place over the period 1986-1993. Note that results would not significantly change if we considered earlier dates, say 1990-1991, for the completion of the Single Market.

This has to be considered a very tentative analysis of the incremental effect of the completion of the Single Market, relative to the abolition of barriers to trade associated to entry in the EU. We present to sets of results. First, we report the difference between the actual and “synthetic” per capita GDP for the countries involved in enlargements before 1993, indicating in the graphs the completion of the Single Market in 1993 with a vertical line (Figure 2). There are clear differences across countries, with significant incremental benefits for Ireland and Greece. For the other countries, with the exception of Denmark and Portugal, there are incremental benefits, but rather small. As we argue below, the Single Market version 1993 was largely incomplete and therefore our estimates suggest that a much deeper version of the Single Market, especially in the service sectors, can have potentially very large effects on growth.

**Figure 2. Difference between actual per capita GDP and synthetic, in percent**

The second approach we follow focuses on growth rates rather than income levels. We compute the differential rates of growth of income per capita, relative to the synthetic country, from date of entry in the EU and 1993, for countries joining the EU before 1993. Results are summarized in Figure 3 and confirm the findings of Figure 2. Three points stand out. First, with the exception of Ireland and Greece, the growth differential, relative to the counterfactual, sharply declines after 1993. Second, except for Portugal, even though it shrinks, the differential remains positive. This suggests that a counterfactual analysis gives a different picture than a simple comparison with the US (see below). Finally, the improvement in performance in Greece and Ireland is likely partly associated to the introduction of the euro. However, in the post 1993 period both Ireland and Greece implemented reforms and benefited from acceleration in financial development.

**Figure 3: Growth differential pre and post 1993**

Source: Author's calculation on data from Campos et al. (2014).

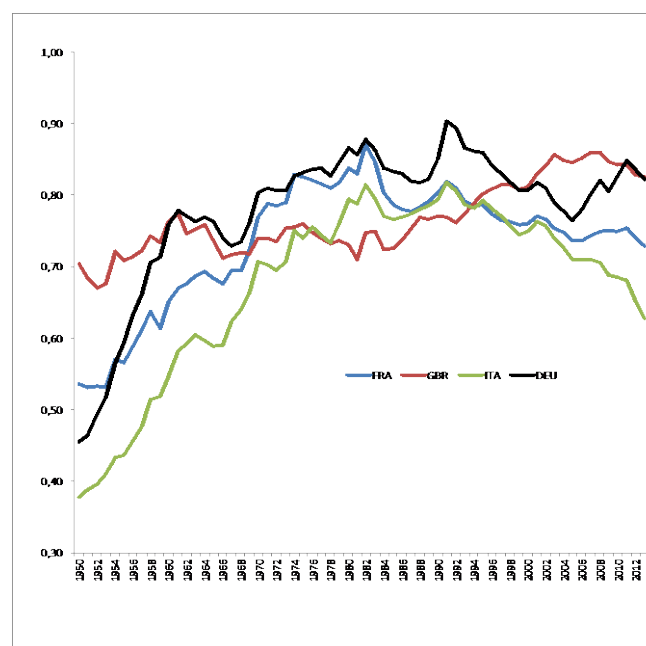
In summary, a counterfactual analysis shows that economic integration in the EU leads to substantial economic benefits, with only one country, Greece, being the exception. Regarding the additional gains brought about by the Single Market the evidence is mixed and overall it suggests economic gains smaller than anticipated. In the next section we present an interpretation on why these benefits were modest.

### 3. More and not less integration: Economic rationale of completing the Single Market

In spite of the optimistic calculations of the Cecchini Report, subsequent studies have found little effects of the Single Market, in its form “completed” in 1993, on growth of incomes per capita and productivity in the EU.

There have been several explanations for such modest results of the Single Market (see for instance the recent overview by Mariniello et al., 2015). One convincing line of explanation is that the Single Market “completed” in 1993 concentrated on free movements of goods but it left major barriers to integration in services and to free movement of factors, both labor and capital. Therefore, a main cause of the lack of strong effects of the Single Market has been its limited scope.

Looking at broad macroeconomic data, it is apparent that in the mid-1990s for largest EU countries the process of convergence with the US comes to a halt (Figure 3), with the notable exception of the UK.

**Figure 4: GDP per capita (PPP) relative to the US, 1950-2013**

Source: Our elaborations on Maddison project dataset.

It is thus tempting to interpret such stop to the convergence process as indicating the ineffectiveness of the completion of the Single Market. However, such an association is not warranted. Indeed, the performance of EU countries appears highly heterogeneous. For instance, the UK (and Ireland) does not share the relative worsening in their process of growth, especially of productivity growth.

It is crucial to understand that the mid-1990s witness a fundamental technological transformation at the global level: ICT and communications become central to the process of productivity growth. And it is precisely in these sectors that the EU lags the US, although the gap varies significantly across EU countries.

Our claim is that the inability to complete the Single Market in areas related to ICT is one of the causes of the opening of the gap between productivity growth in the US and the EU, which started in the mid-1990s.

Furthermore, labor market rigidity has been one of the main obstacles for production and adoption of ICT in European countries. Thus, inefficient regulation combined with labor market rigidity in several EU countries, has impeded the EU to jump on the train of technological innovation.

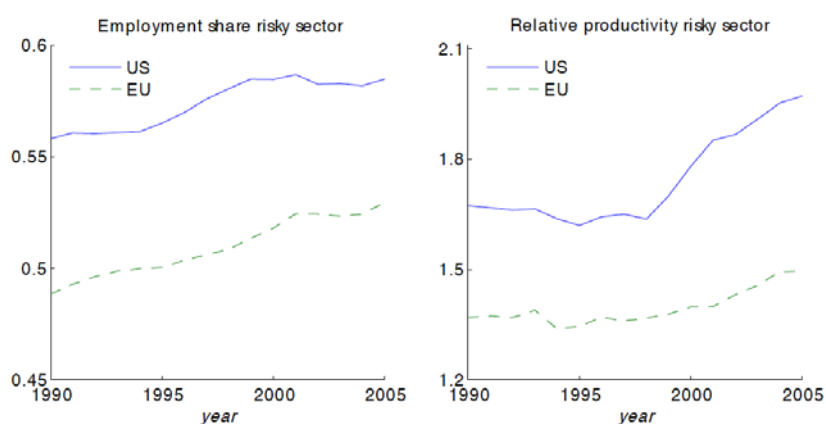
One key dimension is that persisting barriers and costly regulations at the EU and national levels impede the possibility of exploiting scale effects that are crucial in the commercialization of new technologies. The key question is: to build a true Single Market in the area of new technologies is necessary and sufficient to have effective EU-level regulation and eliminate national barriers? Or, else, are there key complementary policies that are a pre-condition for exploiting the benefits of a Single Market? These questions concern a crucial aspect in evaluating the Single Market, namely the role of “direct” versus “indirect” policies. With direct, we define policies directly affecting the creation of a Single Market in new technologies and in communication. With indirect, we define policies that indirectly affect the production and adoption of new technologies, policies such as labor market policies and financial market development.

By its nature, innovation requires changing organizational structure. Innovation requires experimentation, which in turn implies high failure rates and thus high employment risk. Bartelsman

et al. (2010) distinguish sectors on the basis of their degree of “riskiness”, which is associated to their ICT intensity. Safe activities are obviously less volatile, but they are also characterized by less potential for productivity growth. Direct policies addressing the barriers to a EU market for new technologies have to be complemented by policies, in particular labor market policies and changes in financial markets, to allow for forms of financing more appropriate for innovative activities (venture capital and other market based forms). On the basis of the distinction between risky and safe activities, Bartelsman et al. (2010) show that labor market rigidity is a major constraint on the development of ICT intensive activities. Indeed, high degree of rigidity in labor markets is particularly harmful in ICT-intensive activities.

In the EU (EU15), the share of workers employed in risky sectors is significantly smaller than in the US and, in addition, the productivity in risky sectors (relative to the safe sectors) is much smaller in the EU and has grown much less than in the US (Figure 5).

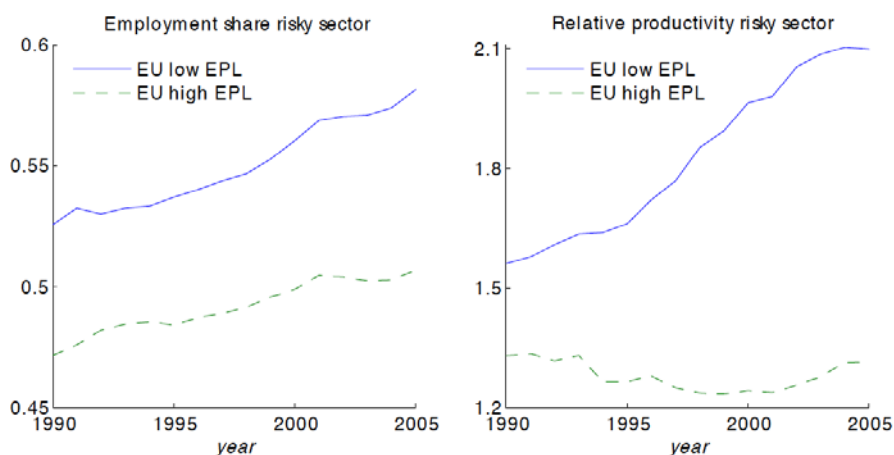
**Figure 5: Risky and safe sectors**



Source: Bartelsman et al. (2014)

Interestingly, this difference is totally explained by low shares in countries with high rigidity in labor markets. Furthermore, as shown in Figure 6, labor market rigidity adversely affects the growth of productivity in risky sectors.

**Figure 6: Labor Market Regulation**



Source: Bartelsman et al. (2014)

In summary, the presence of wide variations across EU countries in EPL (and PMR, product market regulation) indicators suggests that national regulations are fundamental barriers to the Single Market. One interesting connection with the completion of the Single Market is that truly free labor mobility may be the engine for reducing labor market rigidity. For instance, recent empirical studies on the UK have found that immigration has induced a significant increase in productivity in the service sector (Ottaviano et al., 2015). Thus migration can substitute for competitive pressure, which in many service sectors remains low.

The Single Market has progressed far too slowly in the service sectors. Interestingly, the gap in GDP per capita and productivity with the US that has re-opened after the 1990s can be largely attributed to the lagging service sectors. (Inklaar et al., 2006): “...services productivity levels in continental European countries were on par with the U.S. in 1997, but growth in Europe was much weaker since then. In terms of factor input use, the U.S. is very different from all other countries, mostly because of the more intensive use of ICT capital in the U.S. .”

Regulatory heterogeneity and excessive regulatory burden result from the intergovernmental approach, as Member States prefer to establish EU regulation and accompanying it with national regulation, in order to maintain in the end national influence on markets and avoid transferring at a supranational level the regulation of markets. Regarding product market regulation, measured by the OECD, it is remarkable, and disappointing, that there still exists a high degree of heterogeneity of regulations in the EU. In particular, in several aspects of product market regulation, often central to the EU Single Market, such as professional services, the degree of heterogeneity between EU countries is similar to the heterogeneity with respect to non-EU countries, indicating that the presence of the EU does not make a significant difference.

It is really unfortunate that to learn about such heterogeneity in regulations and learn as well on its likely adverse economic implications one has to consult OECD work, rather than “in house” work done at the EU level. Monitoring within the EU is based on a legalistic approach (scoreboard indicators), with little economic content.

It is of crucial importance to move as well to an effect-based analysis rather than looking at the obscurity of hundreds of regulatory measures. The lack of robust analysis of the effects of the Single Market is a major barrier to further developments and possibly one of the reasons why there is little support for further integration.

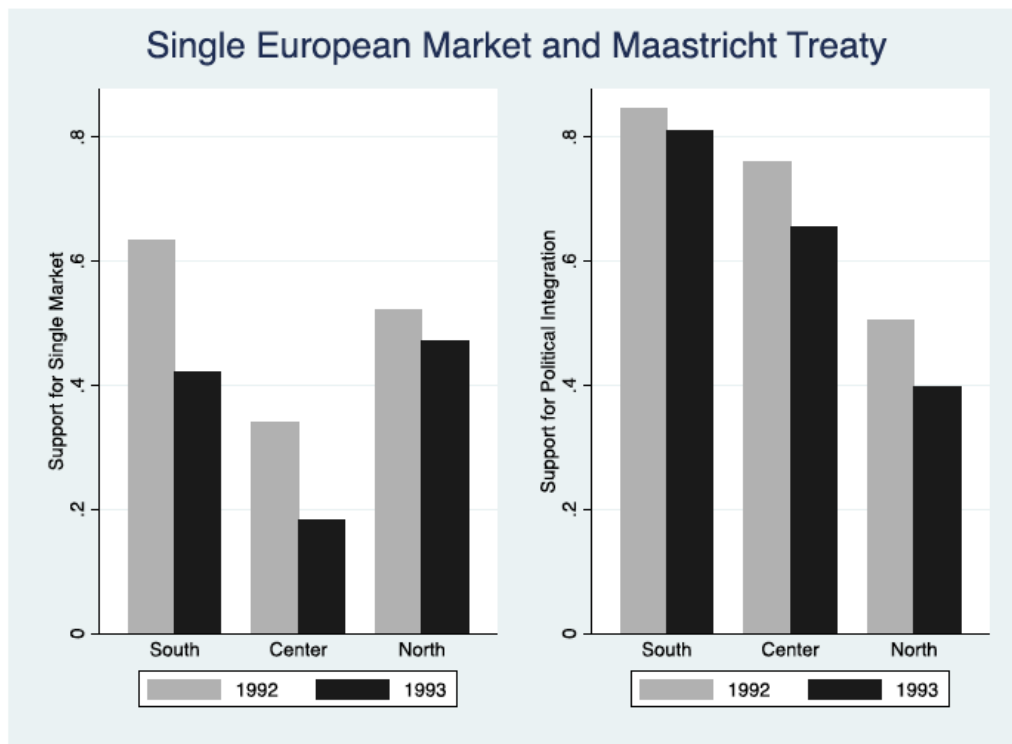
One key step forward would be to define a set of indicators, with the same philosophy of the OECD PMR or EPL, to monitor and evaluate developments in the Single Market. One main advantage of these indicators is that their effects on growth and productivity can be rigorously tested. Ideally, the construction of these indicators and their regular use should be run by an independent entity, with high level academic backing.

#### **4. Building the Single Market by Consensus**

European integration is undoubtedly at a crossroads. The risks of disintegration have mounted. In the face of growing skepticism on the EU, deepening integration may not be feasible (or desirable) anymore. In 1992 the first design of the Single Market was considered completed. Interestingly, in 1993, also after the adoption of the Maastricht Treaty, consensus on the Single Market significantly dropped and thus the demand for further integration apparently declined.



**Figure 7: Support for the Single Market and the Maastricht Treaty**



Source: Guiso et al., 2015.

European integration needs to be built on a stronger consensus on the part of European citizens. National governments have an easy ride in transferring to the EU the responsibilities of their economic failures. Politicians in many EU countries are riding the collapse of support for the EU that has been brought by the Great Recession and even more by the management of the euro crisis. Indeed, in 2010 the support for the EU sharply falls: in Southern Europe, the proportion of those in favor of the EU falls from 70 percent in 2007 to just above 20 percent in 2013 (Trust in the EU).

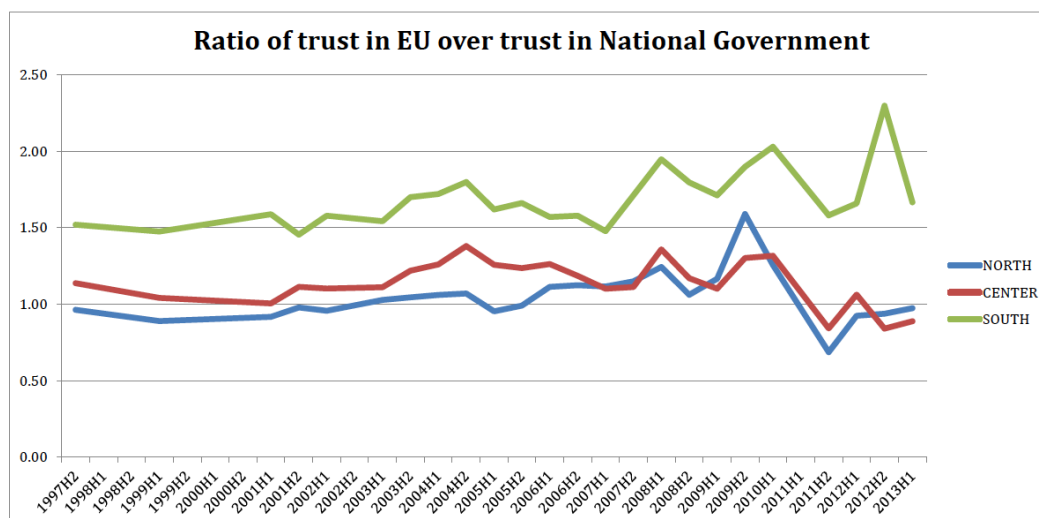
**Figure 8: Trust in the EU**



Source: Guiso et al., 2015, Eurobarometer.

However, a more in-depth analysis of the results of the Eurobarometer survey shows that the fall in trust in the EU goes hand in hand with the fall in trust in local governments. In fact, relative to the trust on local politicians, trust in the EU is twice as large in southern Europe and close to one for the center and north of the EU.

**Figure 9: Trust in the EU and in national governments**



Source: Guiso et al., 2015.

#### 4.1. Businesses and citizens

There are measures that can simultaneously foster the Single Market and improve support for it.

For businesses, the simplification of regulation and more transparency and certainty on the procedures are key elements. This, combined with concrete measures to help creation of business (points of single contact) could give a more positive image of EU integration for businesses, especially SMEs.

Furthermore, tying large EU-financed infrastructural investments to the achievement of the Single Market may also boost the support for the Single Market and the EU more generally (in addition to achieving significant economic effects).

For citizens, measures that foster integration and at the same time directly signal a positive role of the EU could be a EU-based centrally-financed system of unemployment benefits (Clayes et al., Bruegel 2014). This system would also be an incentive to homogenize labor market regulation at the EU level, a key aspect for an effective Single Market.

The consensus-building strategy has relevant implications also because it emphasizes the need of commitment on the part of Member States in the process of creating a truly functioning Single Market. In addition to liberalization measures and EU regulations, the creation of a Single Market requires a credible commitment on the part of national States. Investing national resources through joint programs (for infrastructural investments, single points of contact, expansion of Erasmus programs) may indeed strengthen such commitment.

## 4.2. Single Market and Commitment to the EU project

If our interpretation has some elements of truth, moving forward with the Single Market requires a serious commitment by member States to achieving a common goal. It is wrong to assume that the completion of the Single Market is an alternative to strengthen the European Union. It has been suggested that a Single Market without European Union would be optimal (see debate of Brexit). This approach misses the key point that the lack of completion of the Single Market is due to vested interests in Member States. An effective and complete Single Market in Europe requires a commitment by Member States to cooperate to achieve a common goal and delegate to EU level regulation the organization of the European Single Market, reducing the powers of national States. In the context of growing Euroscepticism, this may sound pure wishful thinking. However, the gravity of the economic situation in many EU countries calls to an end for muddling through strategies, which eventually will derail the European project, of which the Single Market is a fundamental pillar.

## 5. Concluding remarks

In this chapter we emphasized that the benefits of EU integration need to be assessed against a relevant counterfactual. Using counterfactual analysis, Campos et al. (2014) have quantified large gains from EU integration. Interestingly, such counterfactual analysis indicates that additional benefits of completion of the Single Market in the 1993 were small.

We have identified several reasons for such modest benefits of the Single Market “completed” in 1993. They all point out to the fact that the Single Market was incomplete. Such incompleteness had adverse effects on ICT production and adoption especially in the service sector. Understanding of the Single Market requires as well understanding the role of complementary policies, *in primis* labour market flexibility. Without labor market flexibility it is unlikely that the benefits of the Single Market can be fully exploited and that Europe can fill the gap in terms of productivity and innovation accumulated in the last 15 years vis-à-vis the US.

We also emphasized the need to construct relevant indicators on the implementation and the effects of the Single Market. The existing legalistic approach should be complemented by an economic approach. The construction of these indicators (along the OECD PMR lines) could be assigned to an independent body (with high scientific standards).

Overall, muddling through, or marginal changes to regulations relating to Single Market, is not a meaningful strategy. The European project is at a crossroads. The Single Market requires a clear commitment by Member States. In this light, the Single Market should be seen as the backbone of the European Union, not a set of agreements that could also be signed outside the EU.

Finally, the Single Market needs to be built by consensus. Building consensus requires focusing more on “positive” policies, which build cooperation across member States and delegate to EU level institutions the regulation of markets.

## **Annex I: Summary of the discussions of the High Level Panel**

The High-level Panel was created at the request of the Committee on Internal Market and Consumer Protection (IMCO) (decision of the IMCO Coordinators of 20 February 2015). Its mandate was to prepare a strategic report for the Committee on practical measures to untap the potential of the Single Market indicated in the Cost of Non-Europe report (September 2014, PE 510.981).

The Panel met in Brussels on 18 March, 20 April, 27 May and 17 June 2015

The meetings of the Panel were structured as facilitated brainstorming sessions (which focused successively on users, analysts and practitioners). Each session included two impulse presentations by invited external experts followed by an open discussion between the Panel members and the invited experts. While discussions in the panel were in principle not restricted to specific topics, the starting point for debate were the issues identified in the Cost of Non-Europe report, including, among other themes, governance of the Single Market, public procurement and enforcement issues.

### **1. First Challenge: involving all stakeholders, including Member States**

#### **1.1. To persuade Member States to commit to a better functioning of the Single Market**

The Panel highlighted the need for better cooperation between all European actors in bringing about the full implementation of the Single Market. In their view, the single most challenging and necessary condition for substantial progress remains the whole-hearted involvement of all the Member States in its operation. This appeared to be a large part of the explanation for the failure of repeated 'strategies' over the years to relaunch and complete the Single Market. Options considered by the Panel included raising the discussion on the Single Market up to the level of the European Council, or securing a regular agenda point in Council meetings to review how well the Single Market for Goods and Services is working.

It was felt that greater recourse to peer pressure, through more systematic use of mutual evaluation processes, combined with or a better and more proactive and systematic action by the European Commission once the transposition deadline has passed, would greatly improve an unsatisfactory situation.

Developing the European Semester process, currently limited to governance issues around strictly budgetary, fiscal and employment matters, widening it to the degree of integration and improved implementation of Single Market rules also seemed a promising way forward.

The Panel felt that committing to the Single Market in a new way could reinvigorate a European Union facing a Eurozone crisis, which in its benign iteration could provide an impetus for deeper economic integration, and facing a call for reform in the context of the UK referendum. Indeed, from a historical perspective the EU has appeared to progress in qualitative leaps in times of crisis, following a path of greater integration. Without greater buy-in from the Member States and a will to ensure effective governance at EU level, it will be difficult to confront these twin challenges and reaffirm the

EU's attachment to its fundamental freedoms while simultaneously generating the impetus to succeed in unlocking the untapped potential - the 1.trillion euro bonus identified in the Cost of non-Europe.

The Panel concluded that what was needed was a concerted effort to achieve a genuine Single Market, a shared asset which brings with it a duty of care and requires to be protected and managed at all levels of political governance.

#### **RECOMMENDATION 1:**

**Agree a 'Five Presidents Report' mapping the road to a Genuine Single Market, comprising governance of the Single Market and generating a new political impetus through consolidated state-of-health reports on the Single Market, regular and thematic discussions at Competitiveness Council meetings, dedicated annual European Council meetings and the inclusion of the Single Market as a pillar of governance in the European Semester.**

#### **1.2. To ensure monitoring of the Single Market: the need for EU Indicators**

The Panel noted that qualitative assessments of the Single Market, such as the Single Market Scoreboard, tended to assess levels of transposition, and, to some extent, implementation, but rarely attempted to assess its impact, which is much more difficult to quantify. Considering that the monitoring and governance of the Single Market by a possible independent Single Market Agency, however desirable in the abstract, was almost certainly not politically feasible in the current climate, the Panel was nevertheless strongly of the view that it was necessary to attempt an assessment of the degree of integration of the Single Market by means of **independent indicators**. Indeed, indicators could help assess the impact of the Single Market on EU Member States. In the absence of indicators developed by the EU itself, the OECD has traditionally used Product Market Regulation (PMR) indicators to measure the degree of fragmentation or integration of the EU economy, a measure which allows cross-country comparisons. However, PMRs are not designed to measure the degree of integration of the Single Market, which would require the development of specific **indicators on the Single Market** to help measure its effects and benefits, help assess the respect of the Single Market rules and, above all, provide early warnings for sectors or Member States where remedial action might be required. Such a set of indicators would need to be developed scientifically, possibly by an independent body, and be published at least once a year as part of the Annual Growth Strategy. At the same time, the Single Market Scoreboard needs to be recalibrated and more emphasis given to its conclusions.

A related **challenge resides in making the Single Market Indicators a tool** with the credibility of e.g. the PISA indicators in the field of education. Social pressure and an improved Single Market scoreboard could help move the public debate in a positive direction, and strengthen the underlying belief in the Single Market as a way of generating economic growth and improving wellbeing in the EU. It was concerning to see that, after the momentum generated by the Monti report of 2010 and the Single Market Acts first proposed by the European Parliament and enthusiastically taken forward by the European Commission, strong conclusions adopted by the Heads of State or Government in the European Council of March 2011 had faded gradually into inaction as political traction was lost. A conscious effort now needed to keep the enforcement of the Single Market at the top of the political

agenda, by, as has been suggested, presenting every Competitiveness Council with a diagnosis on the state of play and retaining focus on the common resource that is the Single Market.

The Panel was conscious of the difficulty posed in generating social pressure from below, from small and medium enterprises, from companies and from citizens, for a well-functioning Single Market, against the backdrop of growing skepticism. The current economic context of the EU, hit by possibly the worst economic and financial crisis in living memory, created organisational turbulence which could militate against common action in debt-free growth.

#### **RECOMMENDATION 2:**

**The EU could create its own set of scientifically-based, independent indicators on the degree of integration of the Single Market, to be published as part of the Annual Growth Strategy. The indicators should be promoted to increase pressure from citizens and from business for a proper functioning of the Single Market in the interest of all.**

#### **1.3. To persuade all national authorities to commit to this goal**

A further challenge is how to rectify the institutional mismatch or disconnect by which awareness of the Single Market fails to permeate the different levels of Member States' administrative and business support structures. On the one hand, it is not unknown for companies to face special requirements from regional authorities in some federal States. On the other hand, companies do not feel it should be up to them to notify authorities of failures in the Single Market, or to have to contact SOLVIT centres when unjustified obstacles are put in their way. National civil servants need training and better access to information on, and more understanding of, European law and how it can affect their work. The peer review process during the transposition period of the Services Directive proved to be a useful interchange in the clusters of Member States, promoting best practice and prompting them to present their member states in the best light. Since it is the national civil servants who are often the true enforcers of EU law, training programme could possibly be coordinated in the EU budget. The Internal Market Information System IMI, a tool designed to help national authorities to more easily apply EU law, could be promoted and extended.

At EU level, progress could be achieved by better coordination between Directorates General, in particular DGs GROW, COMP and ECFIN.

#### **RECOMMENDATION 3:**

**All levels of Member State administrations, national, regional and local, should be committed to properly enforcing EU law. To this end, training could be organised with national public servants in charge of enforcement. The use of the Internal Market Information System IMI should be promoted, and its scope broadened.**

#### 1.4. To communicate and promote the added value of the Single Market to tackle Euroscepticism

The awareness-raising and training proposed for national administrations should extend to local and municipal authorities and link to business support structures at local level. Many companies are not aware of how they can and what they need to do to benefit from the opportunities offered by the Single Market. It is particularly important to promote the Single Market for SMEs, which represent the largest part of the European economic structure.

Opening up the economy to competition is obviously a major factor of price convergence, improving consumer's purchasing power. However, the process inevitably creates winners and losers, particularly for the less nimble. Reducing fragmentation strengthens competition between firms, puts downward pressure on prices and on profit margins but generates a net boost for economy.

In the context of the current crisis, research clearly shows that more integration and fuller enforcement of EU law is the best way to create economic growth. In addition to the extensive work of Professor Coricelli, the latest OECD Survey on Non-Tariff Barriers in the EU demonstrates the positive impact of EU membership. Indeed, it explains that membership of the EU boosts trade as a result of regulatory convergence and trade facilitation. Regulatory heterogeneity is a barrier to trade: there is reduced trading activity if two trading partners have regulations which differ or where regulations are being implemented differently.

The OECD has shown that 'young' companies, rather than SMEs as such, which often cease to expand once they have reached a certain size, can constitute a key dynamic, seeing the EU as a Single Market, and thus pushing for more EU integration. In this context, issues of the capacity of implementation of Single Market rules and the efficiency of the legal system remain key, while the risk of over-regulating a sector or creating barriers to innovation in fast-growing sectors is great, and means that the emphasis should be on better regulation.

The lack of integration in the European market is detrimental to the economy and to innovation. The Panel examined the quantitative benefit of the Single Market for firms, which is sometimes difficult to disentangle from the benefits of globalisation and is the subject of widely varying estimates. A development by Professor Coricelli of his research on the benefits of EU accession, using the same counterfactual approach to identify the economic benefits of the Single Market, found that these benefits were lower than might be expected and far lower than the total benefits of accession. The results are positive for all Member States except Portugal, but reinforce our belief that, as the Cost of Non-Europe in the Single Market demonstrated, the untapped potential at a time of crisis is indeed very high. It makes economic sense for the Member States to actively promote integration and enhance their own economic added value without incurring new debt.

#### **RECOMMENDATION 4:**

**In order to obtain buy-in from all the parties involved in the strategy, the economic value of the Single Market should be emphasised, promoted and facilitated for SMEs and citizens. The potential for growth without debt in the context of the crisis should be emphasised and linked to the political priorities of the Union and those put forward by Commission President Juncker.**

## 2. Second challenge: to strengthen cooperation between Member States

### 2.1. The reinforce peer pressure to improve the functioning of the Single Market

#### *a) Reform the Notification systems for Goods and Services*

The Panel looked at effectiveness and efficiency of the system put in place by Directive 98/34/EC, by which draft technical regulations concerning products must be notified to the European Commission. Although this system for goods is considered to be a relative success, and to have reduced unnecessary regulation by a third, the Panel noted the significant difference in the number of notifications from one Member State to another. The overall number of notifications remains high and presumably reflects a definite 'gold-plating' phenomenon in the Member States.

To reduce the 'inflation' of regulation, the Panel considered that Member States could be required to prepare an impact assessment before introducing any new technical regulation. It is already the case that more systematic use of impact assessment on Commission proposals has significantly slowed the legislative process at European level and accordingly strongly decelerated the through-put of legislation. The Panel noted that such an obligation at national level would allow Member States to better analyse the need for new regulation. In the interest of Better Regulation, Member States should be required to justify through an impact assessment why the specific barrier they are creating is necessary and how its objective is proportionate..

The Panel supported the view that the notification system could be improved, given the relative neglect it suffers from, at European and national level. Using *de minimis* criteria could focus resources on important measures, while creating a board or sending experts to Member States could be helpful.

The workings of the notification system currently enable the Commission to react immediately upon the introduction of a new measure by a Member State in the area of goods, and to assess its compatibility with European law thanks to the system of notification and comment. However, the lack of peer control remains a major issue.

The insufficiency of Member State resources for monitoring other Member States' notifications was emphasised. In practice, there is little peer review and the opacity of the notification procedure hinders private sector actors from monitoring Member States' new legislation at an early stage and from alerting their own authorities on the potential impact of draft measures.

**The need to strengthen and systematise peer review to tackle existing and new barriers to trade in the goods sector was considered be one of the major planks of the report to be presented, in terms of achievable and practical proposals.** This reform could lead to more cooperation between Member States, through a simple peer review process, made more transparent through making relevant data accessible.

The Panel noted that the notification process provided for in the Services Directive applied to adopted (and not draft) national measures and considered that the working of this process was sub-optimal. Even more defective is the notification procedure under the Directive on Mutual Recognition. Either the notification procedures in services should be implemented, given that the whole purpose is to provide relevant information to interested parties, or, alternatively, the scope of Directive 98/34/EC should be broadened to include services. It is important, in a functioning Single Market, to guarantee a high level of transparency for companies on their legal obligations.



In the area of services, it is also important to develop the certification process.

#### **RECOMMENDATION 5:**

**Notification of draft measures under Directive 98/34/CE should be accompanied by impact assessments so that Member States are required to duly motivate their decision to create any new barriers to the free movement of goods. Comments made by peers and by the Commission should be published. Gold-plating measures should be systematically analysed. If similarities are found, the EU measure may need to be re-assessed, a necessary protection may have been overlooked.**

**The notification systems for Services and Mutual Recognition needs to be overhauled, either by applying the Directives, which is not the case at present, or by broadening the scope of Directive 98/34.**

#### *b) Strengthen peer review*

##### **create regulatory convergence mechanisms:**

The TTIP negotiations rightly give priority to regulatory cooperation and regulatory convergence, as a key aim of any agreement. At the same time, regulatory heterogeneity between EU Member States is great and the logic of the TTIP could help tackle the multiple barriers created by e.g. gold plating.

##### **Peer review of standards:**

A review of the Directive on standardisation could examine the extent to which standards may constitute barriers. As **they are often voluntary instruments, they become potential barriers when there is a legal requirement or when they are a requirement for obtaining insurance.** Alternatively, standards can be a first step to harmonisation and facilitate trade. At the same time, standards should not become barriers to technology evolution. Peer review could facilitate this process.

##### **Mutual Evaluation:**

A 2014 Communication<sup>154</sup> by the Commission concluded that the Single Market for goods was not seriously defective. The Panel considered that this conventional wisdom is not borne out by evidence from business associations or by the cost of non-Europe report on the free movement of Goods. A good way to identify precisely which aspect of the Single Market of Goods and Service are defective would be to put in place a systematic mutual evaluation process, such as that successfully used in transposing the Services Directive. In this approach, Member State representatives meet in regional clusters, and justify to their peer the proportionality and rational of restrictive measure they propose to keep in place, specifying the public interest the restrictive measure is intended to serve.

More generally, the Panel considered that goods and services were increasingly merging in a digitally conducted Single Market should be treated as one.

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<sup>154</sup> COM(2014) 25 of 22.1.2014 : Commission Communication on "A vision for the internal market for industrial products"

## RECOMMENDATION 6:

**Impetus could be given to the Single Market through systematic recourse to peer review mechanisms, creating positive competition between Member States, and generating peer pressure to remove unnecessary restrictive measures in the area of goods and services.**

## 2.2. Retooling the Single Market

### *a) Scale up the SOLVIT Centres*

The SOLVIT network was set up to seek amicable and informal solutions when there is a question of compliance with European Union law and no legal action has yet been brought. In relative terms, there is an excellent resolution rate, somewhat lower for companies than for citizens.

The limited number of businesses turning to SOLVIT for assistance is generally explained by the lack of awareness of the service, a possible lack of legal certainty in the procedure, possible lack of expertise of the centre and doubt on the part of a business that a national authority would really help a non-national company. In most member States, the low level awareness of SOLVIT centres remains a problem. In addition, SOLVIT centres are, more often than not, understaffed or at the limit of their capabilities.

Organising the help-services together under a common banner of "Single Market Centre" in each Member State would make them more visible to their potential users, perhaps combined with the Points of Single Contact.

A number of Member States have already developed a model of Single Market Delivery offices, which can be seen as examples of best practice. The UK example can incentivize business and focus on 'delivery'. *Europa Decentraal* in the Netherlands has an equally valuable role and provides knowledge, information and advice to officials in local and regional authorities. Providing information of this sort on European legislation, case law and transposition would close what has so often been the weak link in implementation in the past.

### *b) Adapt legal tools to the needs of Single Market users:*

The **enforcement of Single Market legislation is crucial to its effectiveness**. But the everyday experience of workers and professionals who wish to exercise their freedom of movement or of service providers and companies who wish to export across borders demonstrates that enforcement is often problematic and cross-border barriers remain high. **The administrative burden of exercising the four fundamental freedoms is significant and not transparent** especially for new and digital products and services. In particular, the principle of mutual recognition of other Member States' certifications for products is often flouted, while the mutual recognition of qualifications remains often problematic between Member States, as SOLVIT statistics show.

The OECD has demonstrated that the most efficient EU policies are trade and competition, due to the centralisation of those policies, harmonising the legal framework across the EU. In the same way, **the most efficiently implemented and best enforced regulations are those for which the competence has been granted to the EU.**

Evidence was provided to the Panel of real-life difficulties experienced by, for example, companies in the construction sector exporting to Germany and Sweden, even after court judgements in their favour. Evidence was submitted on were given on teachers who provide services across Europe again revealing a disconnect between European legislative provisions and experiences on the ground.

The difficulty of enforcing Single Market rules is striking when compared to the effectiveness of fact-finding, investigation, enforcement and sanctions in the area of EU competition law. The paucity of complaints filed to Court on trade in goods and services was considered by the Panel to reflect the difficulty of redress rather than as a sign that the Single Market is fully implemented. The low number of court procedures rather reflects **the substantial direct and indirect costs associated with proceedings, the length of time, generally two to three years before obtaining a definitive judgement. Even then, companies could face difficulties regarding the implementation of the ECJ decision. Such difficulties can be compounded in the case of States with federal structures.**

The Panel considered different options on how redress for companies, and especially SMEs, could be facilitated:

- Creating local offices or interfaces tasked with assisting companies in the export of goods and services to other Member States within the European Union;
- Endowing the legal procedure for enforcing Single Market rules with some of the features of competition law, such as, e.g. fact-finding to understand the working of the market, or equipping the Commission with investigative powers;
- Creating a dedicated Chamber in the European Court of Justice or tribunals specialised in enforcement of Single Market rules in the Member States. This would have to be done in such a way as not to undermine the general principle according to which the European law is to be applied by every jurisdiction in the EU.
- Creating a Single Market Authority.

A Single Market Authority, although potentially the most effective means of enforcement, was discounted by the Panel on account of the **risk of creating a bureaucratic structure to tackle what could be seen as bureaucratic problems.**

The rationale for a single, independent, agency would be to **decentralise and depoliticise the analysis of the impact of measures taken by the Member States which could have an impact on the Single Market.** It could react quickly to problematic measures, resolve issues related to recognition of certifications, qualifications or a host of minor difficulties. which are very difficult to resolve efficiently or effectively under the current system. there is a clear need for a responsive and time-efficient appeal system with deadlines, inspired by the efficacy of procedures for enforcing competition. **However, the Panel was of the view that there was was no political will to create a new European agency.**

The Panel considered the option of creating a network of **expert groups to help Member States to monitor new regulation at national level and** provide them the expertise of the European Commission and training.

The Panel; pointed to the obvious need to rationalise and integrate the Points of Single Contact in Member States and **to make contact information readily available to small business.**

#### **RECOMMENDATION 7:**

**Practical problem-solving gateways such as SOLVIT, currently used mostly by citizens, should be scaled up and promoted to businesses. Points of Single Contact should be amalgamated and integrated to create one interface per Member State and be oriented towards encouraging and facilitating exports.**

### **3. Third Challenge: to concentrate new EU initiatives in sectors which have the highest barriers and the most untapped potential**

#### **3.1. Areas in need of stronger EU convergence**

##### *a) The Digital Single Market: an opportunity for integration*

The **Digital Single Market** is the Single Market conducted digitally and is the **key to making all the other aspects of the value chain work better, finally integrating the Single Market and thus raising productivity across the EU.** A major obstacle to the completion of the Digital Single Market remains Copyright, which is under negotiation<sup>155</sup>.

##### *b) Public procurement*

The 2014 reform of public procurement Directive has solved some policy conundrums but it is up to each public entity to properly implement this Directive. In practice, its correct enforcement will depend mainly on decentralised entities. **Emphasis should be put on proper enforcement as cross-border public procurement are is a substantial and under-utilised sources of goods and service provision, encouragement to innovation and generating economic growth.**

##### *c) Services*

The **Insurance requirement** for cross-border provision of services is a challenge for SMEs. Finding a solution should be **one of the priorities of any amending proposals on services in the framework of the Single Market**, as it constitutes a significant barrier. Mutual recognition in this area is not working as it should.

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<sup>155</sup>[http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/519209/IPOL\\_ATA%282015%29519209\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/519209/IPOL_ATA%282015%29519209_EN.pdf)

Jean-Marc Fournier (OECD) reminded that the regulatory design of the Services Directive was drawn to help the newcomers to benefit from the Single Market, and that this Directive was adopted under a lot of political pressure which might have led to its weakness.

### 3.2. Creation of a Single Market Platform to determine sectors in need of more EU convergence

The Panel considered that a pilot project on a Single Market Platform to determine sectors in need of more convergence, based on the model of the REFIT platform, and possibly financed from the EU Budget, could be useful for all Single Market actors. It could take the form of a network of one platform in each Member State with a central coordinating platform.

### 3.3. Deepening rather than widening the Single Market

In the example of the Services Directive and in related legislation such as the Directive on the Mutual Recognition of Professional Qualifications, the margin given to Member States on implementation, including optional provisions, has led to **real difficulties of enforcement, as the rules among Member States are not necessarily the same even if there is applicable EU legislation in place**

A particular difficulty of the Services Directive is that its 'horizontal' approach does not tackle the needs of the sectors it addresses. A more 'vertical', sector-based approach in this case, based on evidence and with a **legally-binding act which goes further in terms of harmonisation, and would cover** all the aspects of one specific sector, could be a more productive way forward. Success in one sector could provide a blueprint for tackling barriers in other sectors.

#### **RECOMMENDATION 8:**

**Any new initiative should focus on deepening rather than widening the Single Market. Using evidence to identify the need for convergence in a sector with important economical untapped potential could provide the basis for a more targeted approach.**

## Annex II: Studies on gaps in the Single Market - methodologies and figures

Author(s)	Major gains estimated	Coverage	Time period	Dynamic Impacts	Method
Cecchini (1998)	+4.25-6.5% GDP	EU-12	5-6 years	Not included	Ex-ante
Baldwin (1989)	+0.3-0.9% long-term GDP growth	EU 12	Long-term	Included	Ex-ante Provisional findings
Monti (1996)	+1.1-1.5% GDP; 300,000 - 900,000 jobs	EU-12	Impact to 1994	Limited	Ex-post – limited data
Ilzkovitz <i>et al</i> (2007)	+2.2% GDP; + 2,75 million jobs	EU-25	1992-2006	Included	Ex-post
Boltho - Eichengreen (2008)	+5% GDP in 2008	EU-25	Impact to 2012	Not explicit in numbers	Ex-post – focus on counterfactual Single Market
Decreux (2012)	4.7% GDP	EU-27	Forward looking	Not included	Trade barriers analysed
European Commission/BEP A (2013)	1.6% GDP	EU-27	Forward looking	Not included	Six key sectors analysed
European Parliament (2014)	Min. 5% GDP	EU-28	Impact to date	Not included	
Campos-Moretti-Corricelli (2014)	12% GDP	Enlargement member states only	Enlargements 1973 - 2004	Included	Counterfactual analysis

Source: *The Cost of Non-Europe in the Single Market: Cecchini revisited*; Z. Pataki; EPRS; 2014

## Annex III: Repeated re-launches of the Single Market

Since the entry into force of the Single European Act in 1987, intended to complete the achievement of the internal market, and the creation of that market in 1993, the European Commission has presented regularly updates and re-launches of the [Internal Market strategy](#), which sets out a long-term strategic vision and framework for improving the functioning of the Single Market.

The main Commission's initiatives to boost the Internal Market over the years are listed in chronological order.

### 1999

[The Strategy for Europe's Internal Market](#), COM (1999) 624 final, 24.11.1999

The Strategy focuses on four main objectives, namely improving the quality of life of citizens, enhancing the efficiency of the EU's product and capital markets, improving the business environment and exploiting the achievements of the Internal Market in a changing world.

Within each of these objectives, the Strategy includes specific target actions whose implementation and level of priority were planned to be evaluated periodically, taking into account the functioning of product and capital markets and feedback received from citizens and business.

### 2000

[2000 Review of the Internal Market Strategy](#), COM (2000) 257 final, 8.5.2000

After the Lisbon European Council conclusions, the 2000 Review set as priority the further development of the Internal Market to facilitate cross-border trade and increase competition through a regulatory and institutional framework that stimulates innovation, investment and economic efficiency.

### 2001

[2001 Review of the Internal Market Strategy - Working Together to Maintain Momentum](#), COM(2001) 198 final, 11 April 2001

The Stockholm Summit stressed the need to consolidate the Lisbon agenda, underlining in particular that the Internal Market was at the heart of the Lisbon strategy to make the EU the most dynamic and competitive economy in the world by 2010. The Strategy reflects this emphasis on continuity. It also focused on the need for a new approach to creating simpler and better quality regulation, as well as the need to implement the Commission's new Services Strategy to dismantle barriers to trade in the services sector in order to tap the full potential of Europe's service economy.

### 2002

[2002 Review of the Internal Market Strategy - Delivering the Promise](#), COM (2002) 171 final, 11. April 2002

The European Commission's 2002 Internal Market Strategy Review calls for a sustained, comprehensive effort to ensure that all target initiatives are completed on time. This Review draws together all the different parts of Internal Market policy to provide decision makers in the EU institutions with a clear view of the way forward for the next 18 months. It provides a checklist for the next stage of the market reforms that are necessary if the EU is to become the most competitive economy in the world by 2010.

## 2003

[Internal Market Strategy - Priorities 2003-2006](#), COM(2003) 238 final, 7.5.2003

The Internal Market Strategy 2003-2006 is a ten-point plan to make the Internal Market work better, building on the 2.5 million jobs and € 877 billion of wealth it has already created since Europe's frontiers were dismantled at the end of 1992. The Strategy aims to respond to the challenges of enlargement and an ageing population and to keep Europe on course to become the world's most competitive economy by 2010. Particular priorities include improving the implementation and enforcement of Internal Market law, making the free movement of services into a practical reality, removing remaining obstacles to trade in goods and building genuinely European public procurement markets.

## 2006

[A Citizens' Agenda - delivering results for Europe](#), COM(2006) 211 final, 10.5.2006

This agenda sets out various policy initiatives in response to issues raised by citizens with an aim to strengthen their confidence in Europe. It focuses on fields such as economic integration; solidarity, access and sustainability; security; EU's enlargement and external relations policies; as well as better regulation and institutional issues. One of the major initiatives set out by the Citizens' Agenda is a fundamental and forward looking review of the Single Market.

## 2007

[A single market for citizens - interim report to the 2007 Spring European Council](#), COM (2007) 60 final, Brussels, 21.2.2007

The preliminary report to the 2007 Spring European Council looks at the single market and presents the European Commission's vision of it for the 21st century. It describes an initial set of guidelines, with the aim of initiating a full review of the single market as well as stimulating additional proposals for action."

[A single market for 21st century Europe](#), COM(2007) 724 final, 20.11.2007

Among the most important policy actions set out in the single market package adopted in this document are initiatives to: help consumers to exercise their contractual rights and get redress across borders; provide better information for consumers and small businesses; respond to weaknesses in sectors where the single market should deliver more; propose a Small Business Act; and introduce a "researcher passport"; clarify how EU rules apply to services and social services of general interest; and promote the quality of social services across the EU.

## 2008

[The Single Market Review: one year on](#), SEC(2008) 3064, 6.12.2008

The progress report published on 16 December 2008 sets out how the Commission has implemented the new vision for the single market of the 21st century. It also demonstrates the relevance of Single Market policy in the current economic situation and outlines a series of measures that have already been taken or are in the pipeline, which will help create the conditions to relaunch the European economy.



2009

[Commission Recommendation of 29 June 2009 on measures to improve the functioning of the single market](#), 2009/524/EC

The Recommendation is one of the follow-up measures, and a direct response, to the Single Market Review which called for closer partnerships amongst Member States, and with the Commission. The objective is to make the Single Market work better on the ground.

It encourages Member States to assume a more pro-active role in managing the Single Market and to take ownership of a set of practical measures designed to improve the functioning of the Single Market at national, regional and local levels.

2010

[Towards a Single Market Act - For a highly competitive social market economy -, 50 proposals for improving our work, business and exchanges with one another](#), COM(2010) 608 final/2, Brussels, 11.11.2010

This communication stated that the relaunch of the single market is an essential element of the EU 2020 strategy and must open up new opportunities without imposing new restrictions.

2011

[Single Market Act - Twelve levers to boost growth and strengthen confidence - "Working together to create new growth"](#),

COM(2011) 206 final, 13.4.2011

On the basis of the contributions made during the public debate, the views and conclusions of the European Parliament and Council, and the opinions of the Committee of the Regions and the European Economic and Social Committee, the Commission identified twelve levers :

1. Access to finance for SMEs; 2. Worker mobility in the Single Market; 3. Intellectual property rights; 4. Consumers: Single Market players; 5. Services: strengthening standardisation; 6. Stronger European networks; 7. Digital Single Market; 8. Social entrepreneurship; 9. Taxation; 10. More social cohesion in the Single Market; 11. Regulatory environment for business; 12. Public procurement.

In order to boost growth and reinforce citizens' confidence, the Commission proposed that the EU should adopt a key action for each lever by the end of 2012.

2012

[Single Market Act II - Together for new growth](#),

COM(2012) 573 final, 3.10.2012

The Single Market Act II included:

- Transport and energy networks;
- The digital economy;
- Social entrepreneurship, cohesion and consumer confidence.

[Better Governance for the Single Market](#),

COM(2012) 259 final, 8.6.2012

The Commission sought to strengthening Single Market governance by proposing:

- improved governance of key service sectors and industries;

- requesting Member States to commit to “zero tolerance” in the transposition of directives;
- announcing that it would use its enforcement powers more vigorously, requesting the cooperation of Member States to ensure that breaches of EU law were brought swiftly to an end within 18 months, or 12 months in the case of second referral;
- the creation a European network of Single Market Centres would be created.

## 2015

### [Upgrading the Single Market: more opportunities for people and business](#)

COM(2015) 550 final, 28.10.2015

The European Commission to boost Single Market with a number of ambitious and pragmatic actions focused on three main areas:

- creating additional opportunities for consumers, professionals and businesses
- encouraging the modernisation and innovation that Europe needs
- ensuring practical benefits for people in their daily lives

## Annex IV: Remedy and redress mechanisms in the Single Market from SOLVIT to infringement procedures and litigation.<sup>156</sup>

WHEN A BARRIER IS ENCOUNTERED BY A CITIZEN OR A BUSINESS: <sup>157</sup>					
<div>STEP 1</div> <div>(optional)</div> <div>SOLVIT</div> <div>Free online service provided by the <b>national administration</b> in each EU country and also in Iceland, Liechtenstein and Norway.</div>	Goal?	To find an extra court solution for citizens or SME experiencing problems to have their EU rights asserted, through an informal dialogue between national authorities.			
	When?	An EU right is suspected to be breached by public authorities in another EU country and no legal action has been initiated			
	How?	1	The entity facing a problem submits its case to the SOLVIT Centre of its country of origin		
		2	Within <b>1 week</b> , this Centre will contact the applicant to complete its information about the problem		
		<div><div>If the issue does not fall into its scope or a legal case has been brought</div><div>SOLVIT Centres cannot help, the applicant is informed of other possibilities he can access.</div></div> <div><div>If the case falls into the scope of SOLVIT Centre</div><div>It contacts the SOLVIT Centre of the Member State where the problem occurred</div></div>			
<div>In 2013 : 3 130 complaints, of which only 1 430 fell within its remit.( vs. 1 238 in 2012)</div> <div>12 Member States met the 7 days target in 75% of the case, 6 in less than half of the cases<sup>158</sup>.</div>					

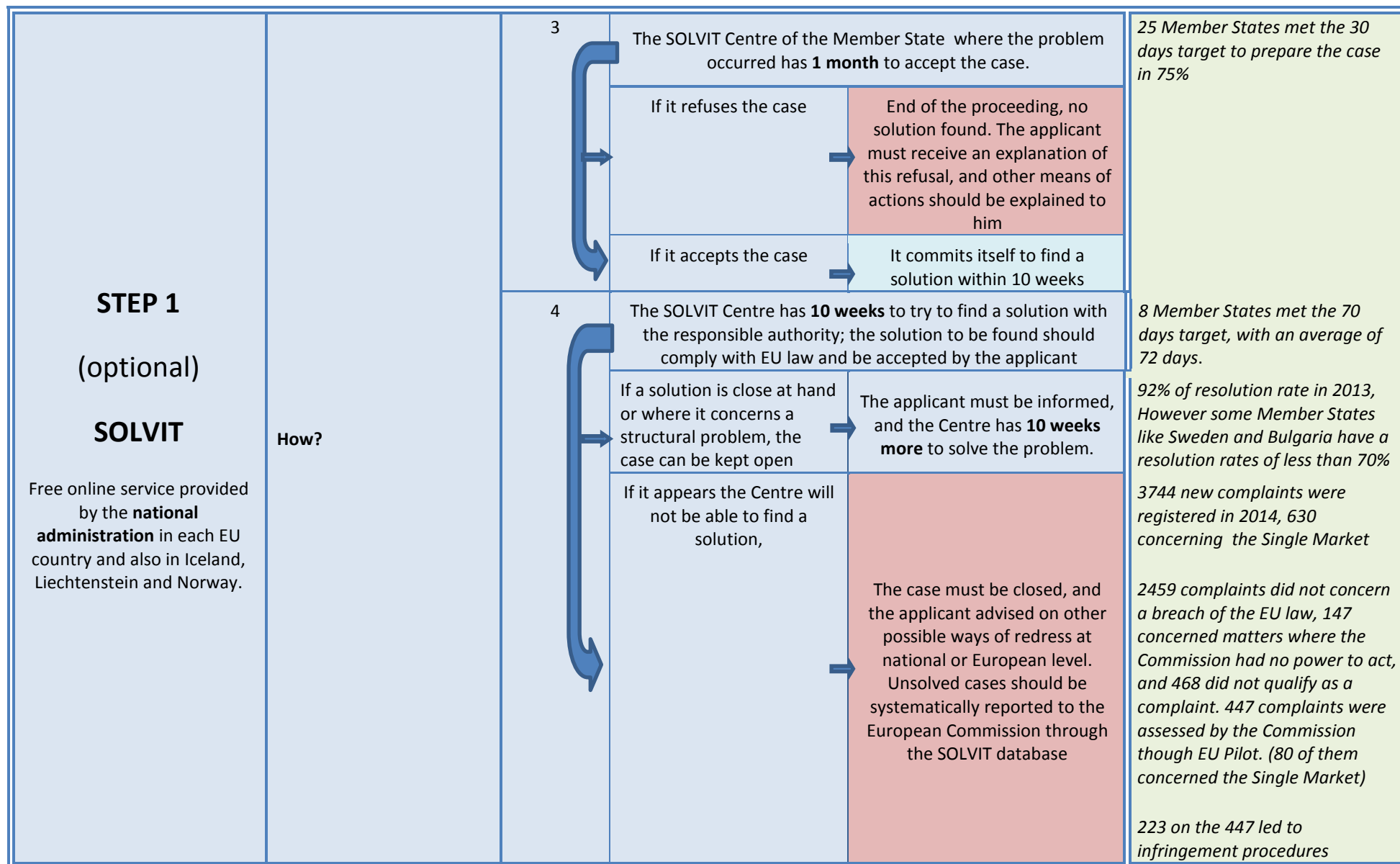
*In 2013 : 3 130 complaints, of which only 1 430 fell within its remit.( vs. 1 238 in 2012)*

*12 Member States met the 7 days target in 75% of the case, 6 in less than half of the cases<sup>158</sup>.*

<sup>156</sup> Annex is compiled by Fanny Bour-Valenza on the basis of publicly available information.

<sup>157</sup> Report from the Commission Monitoring the application of the Union Law 2014 report COM(2015)329 final,

<sup>158</sup> SOLVIT 2014 Scoreboard



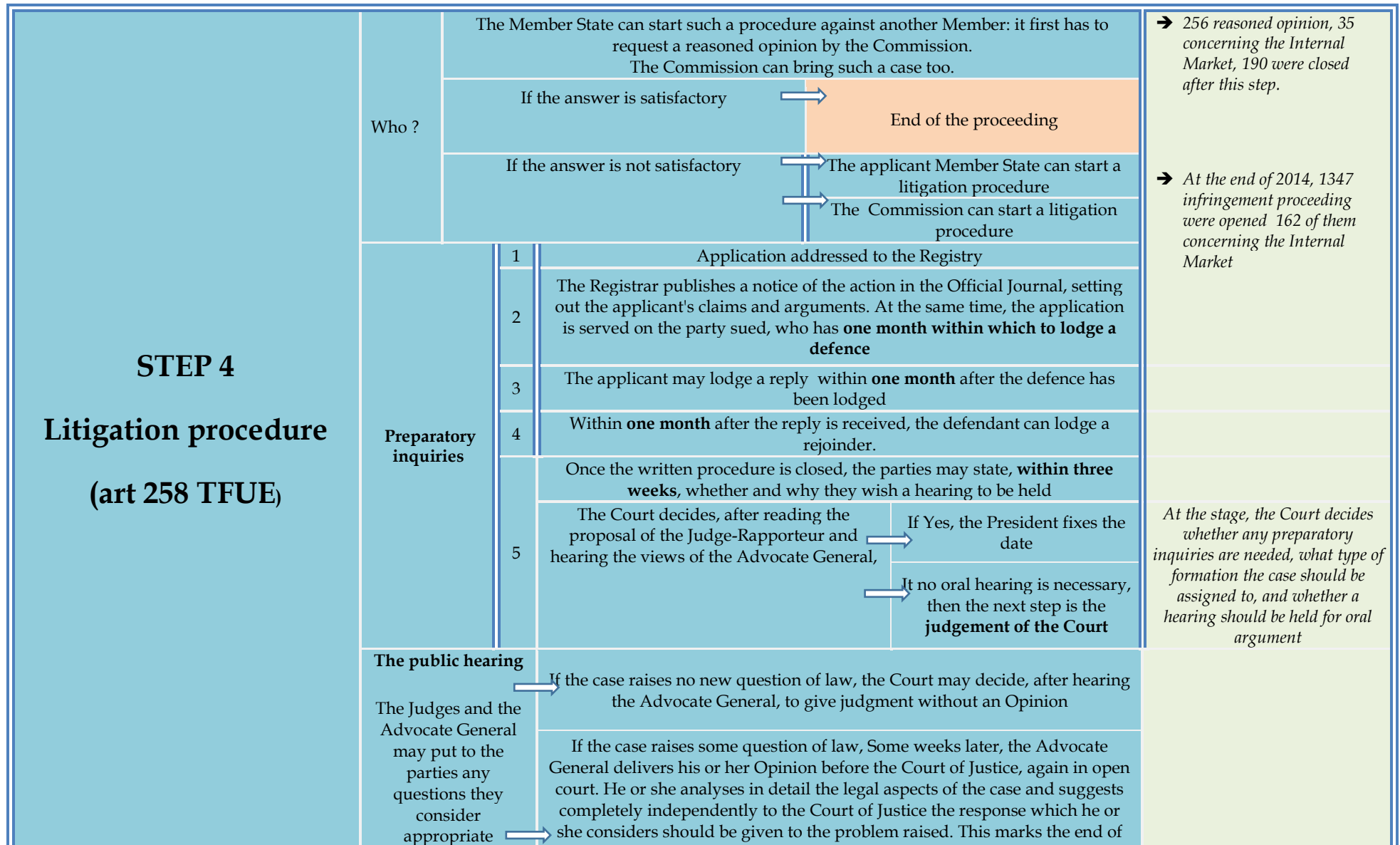
<div>STEP 2</div> <div>EU PILOT</div> <div>(structured dialogue)</div> <div>Online platform that Member States and Commission's services use to communicate on and clarify the factual and legal background of problems arising in relation to the <b>conformity</b> of national law with the EU law or the <b>correct application of the EU law</b></div>	Goal?:	To allow Member States to remedy potential EU law infringements by complying voluntarily with the EU Law and thus decrease the number of infringement proceeding.		<div>➔ 1336 EU Pilot processed in 2014, with 75% of resolution rate on average (resolution rate through EU Pilot varies from 62 to 89 % and lasting of the proceeding varies in average from 54 days to 95 days, with 12 Member States above 70 days target).</div> <div>➔ In total, 138 EU Pilot were about the Single Market (80 from complaints and 58 inquiries and own initiative files)</div> <div>➔ 339 were closed after the Commission rejected the responses</div>	
	When is it started?	Enquiry OR complaint (by citizens, businesses and other stakeholders) OR the Commission on its own initiative			
	Why?	Get a full understanding of an issue concerning the correct application of the EU law or the conformity of the national law with the EU law			
	How?	1	Commission's services submit a query to the Member State involved, via the Platform		
		2	Member States have <b>10 weeks</b> to respond		
		3	The Commission has <b>10 weeks</b> to assess the response		
			Response satisfactory ➔ End of the case		
	Response is not satisfactory ➔ Commission launches an infringement proceeding				

<div>STEP 3</div> <div>Infringement proceedings</div>	1	Commission sends a letter of formal notice		<div>→ 893 new letters of formal notice sent in 2014, 112 were about the Single Market, 580 were closed after this first formal step.</div> <div>→ 585 new late transposition were launched in 2014 ( 478 in 2013, 447 in 2012, 1185 in 2011 and 855 in 2010), 76 of those cause were about the Single Market</div> <div>→ It appears that some Member States clearly state how the directive has been transposed in their national law, but some others do not provide precise information required by the case law.</div>
	2	Within <b>2 months</b> , the Member State has to comment on the alleged non-compliance claims.		
	3	The response is satisfactory →	End of the proceeding; the barrier is considered as removed	
		The Member State does not reply, or the Commission does not find the answer satisfactory : → The Commission states reasons why it believes the Member State has breached EU law		
	4	The Member States has <b>2 months</b> to comply with the position of the Commission		
	5	The response is satisfactory →	End of the proceeding; the barrier is considered as removed	
		The Member States does not reply, or the Commission does not find the answer satisfactory : → The Commission requests the opening of a litigation procedure before the European Court of Justice.		

<b>STEP 4</b>  <b>Litigation procedure</b>  <b>(art 258 TFUE)</b>	Who?	A Member State can start such a procedure against another Member State: it first has to request a reasoned opinion by the Commission. The Commission can bring such a case too.			→ 256 reasoned opinion, 35 about the Single Market, 190 were closed after this step.  → At the end of 2014, 1347 infringement proceeding were opened 162 of them being about the Single Market
	How?	If the answer is satisfactory	⇒	End of the proceeding	
		If the answer is not satisfactory	⇒	The applicant Member State can start a litigation procedure	
			⇒	The Commission can start a litigation procedure	
	Preparatory inquiries	1	Application addressed to the Registry		
		2	The Registrar publishes a notice of the action in the EU Official Journal, setting out the applicant's claims and arguments. At the same time, the request is transmitted to the party sued, who has <b>one month within which to lodge a defence</b>		
		3	The applicant may lodge a reply within <b>one month</b> after the defence has been lodged		
		4	Within <b>one month</b> after the reply is received, the defendant can lodge a rejoinder.		
			Once the written procedure is closed, the parties may state, <b>within three weeks</b> , whether and why they wish a hearing to be held		
		5	The Court decides, after reading the proposal of the Judge-Rapporteur and hearing the views of the Advocate General,	⇒ If Yes, the President fixes the date	At this stage, the Court decides whether any preparatory inquiries are needed, what type of formation the case should be assigned to, and whether a hearing should be held for oral argument
				⇒ It no oral hearing is necessary, then the next step is the <b>judgement of the Court</b>	

<b>STEP 4</b>  <b>Litigation procedure</b>  <b>(art 258 TFUE)</b>	<b>The public hearing</b>  The Judges and the Advocate General may put to the parties any question they consider appropriate	If the case raises no new question of law, the Court may decide, after hearing the Advocate General, to give judgment without an Opinion	<i>According to COM(2013) 785 final<sup>159</sup>, the target delay of compliance with Court judgement is no longer than 12 months and infringement procedures no longer than 18 months versus currently an average of 29.4 months.</i>
		If the case raises some question of law, Some weeks later, the Advocate General delivers his or her Opinion before the Court of Justice, again in open court. He or she analyses in detail the legal aspects of the case and suggests completely independently to the Court of Justice the response that he or she considers should be given to the problem raised. This marks the end of the oral stage of the proceedings.	
	<b>Judgments</b>	The Judges deliberate on the basis of a draft judgment drawn up by the Judge-Rapporteur. Each Judge of the formation involved may propose changes. Decisions of the Court of Justice are taken by majority and no record is made public of any dissenting opinions. Judgments are signed by all the Judges who took part in the deliberation and their operative part is pronounced in open court	

<sup>159</sup> COM(2013) 785 final A Single Market for Growth and Jobs : an analysis of progress made and remaining obstacles in the Member States  
PE 558.772





		the oral stage of the proceedings.	<i>According to COM(2013) 785 final<sup>160</sup>, the target delay of compliance with Court judgement is no longer than 12 months and infringement procedures no longer than 18 months versus currently an average 29.4 months.</i>
	<b>Judgments</b>	<p>The Judges deliberate on the basis of a draft judgment drawn up by the Judge-Rapporteur. Each Judge of the formation concerned may propose changes. Decisions of the Court of Justice are taken by majority and no record is made public of any dissenting opinions. Judgments are signed by all the Judges who took part in the deliberation and their operative part is pronounced in open court</p>	

<sup>160</sup> COM(2013) 785 final A Single Market for Growth and Jobs : an analysis of progress made and remaining obstacles in the Member States

## Annex V: European Council Conclusions on the Single Market<sup>161</sup>

Last Updated: 18 September 2015

Legend: ■ No progress -- ■ No progress/decision not to proceed - ■ Some progress -- ■ Essentially complete

The Rolling Check-List covers European Council Conclusions from 2010 onwards.

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
<b>Competitiveness</b>			
<i>1. Horizontal Issues and Strategies for Jobs, Growth and Competitiveness</i>			
<b>Strategic Agenda for the Union in Times of Change (EURO five year plan, annex to conclusions 27.06.2014)</b>  <b>A Union of Jobs, Growth and Competitiveness</b>	<p><u>October 2014:</u></p> <ul style="list-style-type: none"> <li>- Invited the Commission, the Council and the Member States to translate the orientations set out in the Strategic Agenda for the Union in Times of Change into concrete policy actions without delay.</li> </ul> <p><u>June 2014:</u></p> <ul style="list-style-type: none"> <li>- The Union needs bold steps to foster growth, increase investments, create more and better jobs and encourage reforms for competitiveness. This also requires making best use of the flexibility that is built into the existing Stability and Growth Pact rules. The upcoming review of the EU2020 strategy will be a good occasion to bring it fully in line with this strategic agenda.</li> <li>Therefore the priorities we set for the Union for the next five years are to:               <ul style="list-style-type: none"> <li>- fully exploit the potential of the single market in all its dimensions: by completing the internal market in products and services; by completing the digital single market by 2015;</li> <li>- promote a climate of entrepreneurship and job creation, not least for SMEs: by facilitating access to finance and investment; by ensuring more resilient financial regulation; by improving the functioning of labour markets and by shifting taxes away from labour; by reducing unnecessary administrative burdens and compliance costs in a targeted manner, respecting consumer and employees protection as well as health and environment concerns;</li> <li>- (...).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">The programme of the Latvian Presidency of the Council of the European Union 1 January - 30 June 2015</a>, chapter 2. Integrating Europe: The programme for Council configurations, E. Employment, Social Policy, Health and Consumer Affairs, pp.19-21.</li> <li>- <a href="#">Communication COM(2014)910</a> on Commission Work Programme 2015, A New Start. See in particular priorities 1. A New Boost for Jobs, Growth and Investment, 2. A Connected Digital Single Market and 4. A Deeper and Fairer Internal Market with a Strengthened Industrial Base.</li> <li><a href="#">Annex I: New Initiatives</a></li> <li><a href="#">Annex II: List of withdrawals or modifications of pending proposals</a></li> <li><a href="#">Annex III: REFIT Actions</a></li> <li><a href="#">Annex IV: Legislation that becomes applicable in 2015.</a></li> <li><a href="#">A New Start for Europe</a>: My Agenda for Jobs, Growth, Fairness and Democratic Change Political Guidelines for the next European Commission: Opening Statement in the European Parliament Plenary Session</li> <li>Candidate for President of the European Commission, Strasbourg, 15 July 2014/ Jean-Claude Juncker. (pp.4-7 A New Boost for Jobs, Growth and Investment; Connected Digital Single Market; A Deeper and Fairer Internal Market with Strengthened Industrial Base).</li> </ul>	<p>The Energy Union includes Research, Innovation and Competitiveness as one of its five dimensions. See chapter IV. Climate and Energy.</p>

<sup>161</sup> Extract of the EP document "[European Council Conclusions: A Rolling Check-List of Commitments to Date](#) (fifth edition)", PE 558.791, October 2015

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
Jobs, Growth and Investment Plan	<p><u>December 2014:</u></p> <ul style="list-style-type: none"> <li>- The European Council:               <ol style="list-style-type: none"> <li>a) calls for setting up of a European Fund for Strategic Investments (EFSI) in the EIB Group with the aim of mobilising EUR 315 billion in new investments between 2015 and 2017. The Commission will present a proposal in January 2015, which the Union legislators are invited to agree on by June, so that the new investments can be activated as early as mid-2015. The EIB Group is invited to start activities by using its own funds as of January 2015. EFSI will be open to contributions from Member States, directly or through national promotional banks. The European Council takes note of the favourable position the Commission has indicated towards such capital contributions in the context of the assessment of public finances under the Stability and Growth Pact, necessarily in line with the flexibility that is built into its existing rules;</li> <li>b) supports the Commission's and EIB's intention to strengthen technical assistance to projects at European level and to create an investment advisory hub to be operational as of mid-2015;</li> <li>c) underlines that EFSI will complement and be additional to ongoing EU programmes and traditional EIB activities. In this context the full use of all existing and allocated EU resources needs to be encouraged. The Commission will work closely with the Member States concerned to find solutions to maximise the use of commitments under the 2007-2013 MFF period and recognises the desirability of delivering long-term projects in the years ahead using the flexibility of the existing rules.</li> </ol> </li> <li>- The European Council will take regular stock of the implementation of the above-mentioned orientations.</li> </ul> <p><u>October 2014:</u></p> <ul style="list-style-type: none"> <li>- Support for the incoming Commission's intention to launch an initiative mobilising 300 billion euro of additional investment from public and private sources over the period 2015-2017.</li> <li>- Welcomed establishment of a Task Force, led by the Commission and the European Investment Bank to identify concrete actions to boost investment, including a pipeline of potentially viable projects of European relevance to be realised in the short and medium term.</li> </ul>	<p><a href="#">Proposal COM(2015)010</a> for a Regulation on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 Procedure: <a href="#">2015/0009(COD)</a>.</p> <p><a href="#">Communication COM(2014)910</a> of 16 December 2014 on Commission Work Programme 2015, A New Start. See in particular priority 1. New boost for jobs, growth and investment.</p> <p><a href="#">Communication COM(2014) 903</a> final An Investment Plan for Europe.</p> <p><a href="#">Economic and Financial Affairs Council 14.10.2014:</a></p> <ul style="list-style-type: none"> <li>- Discussed and adopted conclusions on measures to support investment as part of the EU's response in promoting competitiveness and growth.</li> </ul>	FYI: <a href="#">Investment Plan</a> / EC website.

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<ul style="list-style-type: none"> <li>- Invited Commission and Council, in close cooperation in particular with the EIB, to take this investment initiative forward and to report to the Euco in December.</li> </ul>		
<b>Europe 2020: A New European Strategy for Jobs and Growth</b>  <b>Flagship initiative: An integrated industrial policy for the globalisation era</b>	<u>March 2014:</u> <ul style="list-style-type: none"> <li>- Assessed the implementation of the Europe 2020 Strategy on the basis of the Commission communication.</li> <li>- Calls for stepping up efforts to reach the Europe 2020 targets and looks forward to the planned review of the EU 2020 Strategy in 2015.</li> <li>- The overall framework at European and national levels must be made more conducive to investment and innovation and the re-shoring of manufacturing jobs.</li> <li>- Commission invited to present a roadmap for taking work forward on the basis of the Communication "For a European Industrial Renaissance".</li> <li>- Industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy. This should go together with competitiveness proofing. Member States are invited to match European measures to strengthen competitiveness of industry at national level.</li> <li>- Infrastructure networks, including digital networks, need to be developed and updated with intelligent and innovative technologies</li> <li>- Encourage the growth of SMEs, facilitating access to finance across EU; use of Horizon 2020, Connecting Europe Facility, the European Structural and Investment Fund and Cosme to support access of SMES to finance.</li> <li>- Smart specialisation to be promoted at all levels, including through the efficient use of public investment in research.</li> <li>- To improve market access around the world by facilitating the integration of European companies in global value chains and promoting free, fair and open trade while asserting its interests, in a spirit of reciprocity and mutual benefit; to enhance European companies' internationalisation and competitiveness.</li> <li>- Further action to be taken to ensure access to core raw materials.</li> <li>- To invite the Commission and the Member States to address shortages in the area of science, technology, engineering and mathematics (STEM skills) as a matter of priority, with increased involvement of industry.</li> </ul>	<p><b>Europe 2020:</b> European Parliament resolution of 22 October 2014 on the European Semester for economic policy coordination: implementation of 2014 priorities (<a href="#">2014/2059(INI)</a>).</p> <p><a href="#">Communication COM(2014) 400</a> on 2014 European Semester: Country-specific recommendations Building Growth.</p> <p>Public consultation on the Europe 2020 strategy 5.5 - 31.10.2014.</p> <p><a href="#">COM(2014) 130</a> Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth.</p> <p>European Parliament resolution of 17 February 2011 on Europe 2020 (<a href="#">2010/3013(RSP)</a>).</p> <p><a href="#">Communication COM(2010)2020</a> EUROPE 2020 A strategy for smart, sustainable and inclusive growth.</p> <p><b>An integrated industrial policy for the globalisation era:</b> <u>Competitiveness Council 4-5.12.2014:</u> - Conclusions on Industrial Competitiveness: agenda for growth and jobs.</p> <p>SWD(2014) 215 State of play on implementation of the Commission Communication Action Plan for a competitive and sustainable steel industry in Europe of 11 June 2013 (COM(2013) 407).</p> <p><u>Competitiveness Council 25-26.9.2014:</u> - Conclusions on the mainstreaming of industrial competitiveness (13617/14).</p> <p><a href="#">Communication COM(2014)14</a> For a European Industrial Renaissance.</p> <p>European Parliament resolution of 15 January 2014 on reindustrialising</p>	<a href="#">Summary of Industrial Indicators</a> / EC website

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p>Further efforts by the public and private sectors should be directed to promoting mobility, education and vocational training.</p> <ul style="list-style-type: none"> <li>- The EU patent regime to enter into force by the end of 2014.</li> <li>- Key enabling technologies KETs of high industrial interest, such as batteries for electro-mobility, intelligent materials, high performance production and industrial bio-processes, should be strengthened by swiftly identifying projects of European interest. Special attention should be paid to the role of cleantech as a cross-cutting element for enhancing the competitiveness of the European industry. The Commission is invited to report on how to promote cleantech through concrete actions in all relevant EU policies.</li> </ul> <p><u>June 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls for a broad horizontal and coherent approach for a modern European industrial policy accompanying structural change and economic renewal.</li> <li>- Welcomed the Commission Action Plan for a competitive and sustainable steel industry and looked forward (in preparation of the February 2014 meeting) to further inputs from the Commission in line with the March and May 2013 European Council conclusions.</li> </ul> <p>The incoming Presidency is invited to take preparatory work forward within the Council.</p> <p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Industrial competitiveness and policy: stressing the importance of making Europe more competitive as a place of production and investment, the European Council looks forward (June 2013 and February 2014) to the follow up to the Commission's recent communications on industrial policy and on specific industrial sectors as well as to the timely presentation of the Commission's further input for this discussion: the report on European competitiveness, the report on the implementation of industrial policy priorities and the conclusions of the review of the single market for industrial products.</li> </ul> <p><u>October 2012:</u></p> <ul style="list-style-type: none"> <li>- The Commission communication on a new EU industrial policy stresses the importance of developing an integrated approach in order to strengthen industrial competitiveness to underpin growth and jobs,</li> </ul>	<p>Europe to promote competitiveness and sustainability (<a href="#">2013/2006(INI)</a>).</p> <p><a href="#">Communication COM(2013)215</a> Action Plan for a competitive and sustainable steel industry in Europe.</p> <p>European Parliament resolution of 9 March 2011 on an Industrial Policy for the Globalised Era (<a href="#">2010/2095(INI)</a>).</p> <p><a href="#">Communication COM(2012)582</a> A Stronger European Industry for Growth and Economic Recovery Industrial Policy Communication Update.</p> <p><a href="#">Communication COM(2010)614</a> An Integrated Industrial Policy for the Globalisation Era Putting Competitiveness and Sustainability at Centre Stage.</p>	

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p>whilst improving energy and resource efficiency. It is particularly important for European industries to maintain and develop their technological lead and to facilitate investment in new key technologies in the early stages and for close-to-the-market actions.</p> <p><u>June 2010:</u></p> <ul style="list-style-type: none"> <li>- Adopted "Europe 2020" strategy for jobs and smart, sustainable and inclusive growth. It constitutes a coherent framework for the Union to mobilise all of its instruments and policies and for the Member States to take enhanced coordinated action. It will promote the delivery of structural reforms. The emphasis must now be on implementation, and we will guide and monitor this process. Will discuss further, over the coming months, how specific policies can be mobilised to unlock the EU's growth potential, starting with innovation and energy policies. (...)</li> </ul> <p><u>March 2010:</u></p> <ul style="list-style-type: none"> <li>- The EU needs a new strategy, based on an enhanced coordination of economic policies, in order to deliver more growth and jobs. Following the Commission's communication "Europe 2020: a strategy for smart, sustainable and inclusive growth" and the discussions held in the Council, the European Council agreed on the following elements of this new strategy, which will be formally adopted in June. (...)</li> <li>- The Commission will further develop and submit to the Council the actions it proposes to take at the EU level, notably through the flagship initiatives.</li> </ul>		
<p><b>Europe 2020: A New European Strategy for Jobs and Growth</b></p> <p><b>Flagship initiative: Digital Agenda</b></p>	<p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Will hold, over the coming months, a series of thematic discussions on sectoral and structural aspects that are key to economic growth and European competitiveness. Such discussions will also feed into a debate next year on the Europe 2020 Strategy and the review of progress towards its headline targets. With a view to these discussions, it calls for preparatory work to be conducted giving priority to the following issues: (...)</li> </ul> <p>(c) digital agenda and other services (October 2013): the European Council notes the Commission's intention to report well before October on the state of play and the remaining obstacles to be tackled</p>	<p><b>Europe 2020:</b></p> <p>Public consultation on the Europe 2020 strategy 5.5 - 31.10.2014.</p> <p><a href="#">Communication COM(2014) 130</a> of 5 March 2014 on taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth.</p> <p>European Parliament resolution of 17 February 2011 on Europe 2020 (<a href="#">2010/3013(RSP)</a>).</p> <p><a href="#">Communication COM(2010)2020</a> EUROPE 2020 A strategy for smart, sustainable and inclusive growth.</p> <p><b>Digital Agenda:</b></p>	<p>EC website on <a href="#">Digital Agenda scorecard</a>.</p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p>so as to ensure the completion of a fully functioning Digital Single Market by 2015, as well as concrete measures to establish the single market in Information and Communications Technology as early as possible.</p> <p><u>Mach 2012:</u></p> <ul style="list-style-type: none"> <li>- Complete the Digital Single Market by 2015, in particular by adopting measures to boost confidence in on-line trade and by providing better broadband coverage, including by reducing the cost of high-speed broadband infrastructure; the European Council looks forward to the forthcoming Commission proposals on copyright.</li> </ul> <p><u>October 2011:</u></p> <ul style="list-style-type: none"> <li>- Invites the Commission to swiftly present the roadmap on the completion of the Digital Single Market by 2015, giving priority to proposals aimed at promoting a fully integrated Digital Single Market through the facilitation of ecommerce and cross-border use of online services.</li> </ul> <p><u>June 2011:</u></p> <ul style="list-style-type: none"> <li>- The Commission is also invited to prepare a roadmap on the completion of the digital Single Market by 2015. The Commission is invited to report in October 2011 on these growth-enhancing areas with a view to progress being achieved by the time of the Spring 2012 European Council.</li> </ul> <p><u>February 2011:</u></p> <ul style="list-style-type: none"> <li>- The Commission is invited to make rapid progress in key areas of the digital economy to ensure the creation of the Digital Single Market by 2015.</li> </ul>	<p>Digital Agenda Scoreboard, SWD(2014)180.</p> <p>European Parliament resolution of 4 July 2013 on completing the digital single market (<a href="#">2013/2655(RSP)</a>).</p> <p>European Parliament resolution of 12 September 2013 on the Digital Agenda for Growth, Mobility and Employment: time to move up a gear (<a href="#">2013/2593(RSP)</a>).</p> <p><a href="#">Communication COM(2012)784</a> The Digital Agenda for Europe - Driving European growth digitally. SWD(2012)446 and swd(202)447.</p> <p>European Parliament resolution of 11 December 2012 on completing the Digital Single Market (<a href="#">2012/2030(INI)</a>).</p> <p><a href="#">Communication COM(2010)245</a> A Digital Agenda for Europe.</p>	

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
<p><b>Europe 2020: A New European Strategy for Jobs and Growth</b></p> <p><b>Flagship initiative: European Innovation Union</b></p>	<p><u>October 2013:</u></p> <ul style="list-style-type: none"> <li>- The 2010 Innovation Union flagship initiative provides a number of valuable instruments which, combined with financing programmes, such as Competitiveness of Enterprises and SMEs (COSME) and Horizon 2020, including the Risk-Sharing Finance Facility, can support innovation and its impact on the market.</li> </ul> <p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Will hold, over the coming months, a series of thematic discussions on sectoral and structural aspects that are key to economic growth and European competitiveness. Such discussions will also feed into a debate next year on the Europe 2020 Strategy and the review of progress towards its headline targets. With a view to these discussions, it calls for preparatory work to be conducted giving priority to the following issues: (...)</li> </ul> <p>October 2013: the European Council looks forward to the presentation by the Commission of its European Research Area progress report as well as its communication on the "State of the Innovation Union 2012", including the single innovation indicator, in time for its discussions.</p>	<p><b>Europe 2020:</b></p> <p><u>Competitiveness Council 4-5.12.2014:</u></p> <ul style="list-style-type: none"> <li>- Conclusions on research and innovation as source of renewed growth.</li> </ul> <p><u>Competitiveness Council 25-26.9.2014:</u></p> <ul style="list-style-type: none"> <li>- Policy debate on the mid-term review of the Europe 2020 flagship initiative Innovation Union. Presidency report (12778/14).</li> </ul> <p>European Commission public consultation on the Europe 2020 strategy from 5 May 2014 to 31 October 2014.</p> <p><u>Communication COM(2014)0130</u> taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth.</p> <p>European Parliament resolution of 17 February 2011 on Europe 2020 (<u>2010/3013(RSP)</u>).</p> <p><u>COM(2010)2020</u> EUROPE 2020 A strategy for smart, sustainable and inclusive growth.</p> <p><b>European Innovation Union:</b></p> <p>Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes <u>SWD(2014)0205</u>.</p> <p><u>European Commission Communication COM(2014)339</u> on research and innovation as sources of renewed growth, 10.06.2014, <u>SWD(2014)0181</u> State of the Innovation Union - Taking Stock 2010-2014, 10.06.2014.</p> <p><u>Competitiveness Council 21/02/2014:</u></p> <ul style="list-style-type: none"> <li>- Ministers held debates on the Annual Growth Survey 2014, as a part of relevant Council deliberations in preparation for the spring European Council on 20 and 21 March.</li> <li>- As regards research and innovation aspects, the debate showed that a wide range of policy initiatives are being undertaken in the member states under the national reform programmes, with a particular focus on actions aimed at enhancing innovation potential, improving knowledge transfer and strengthening the links between research and economic growth.</li> </ul>	<p>For more information on the 34 Initiatives of the Innovation: <a href="#">Monitoring I3S</a>.</p> <p><a href="#">Innovation Union Scoreboard 2014</a> / European Commission.</p>



Policy Field Specific issue	Commitment and/or request	State of play	Remarks
		<p>See: Commission Communication <a href="#">COM(2013)800</a> Annual Growth survey 2014.</p> <p><a href="#">Communication COM(2013)624</a> on measuring innovation output in Europe: towards a new indicator. SWD(2013)325 Developing an indicator of innovation output.</p> <p><a href="#">Communication COM(2010) 546</a> Europe 2020 Flagship Initiative Innovation Union. SEC(2010) 1161.</p>	
<b>Smart Regulation</b>  <b>Regulatory Fitness</b>  <b>REFIT</b>	<p><u>December 2014:</u></p> <ul style="list-style-type: none"> <li>- Invites the Commission and the Union legislators to step up work on key measures to increase the Union's attractiveness for production, investment and innovation, and to improve the regulatory environment for investments, including moves towards better integrated capital markets, while at the same time robustly pursuing the better regulation agenda aimed at transparent and simple regulation achieved at a minimum cost, consistent with the Council conclusions of 4 December 2014.</li> <li>- The European Council will take regular stock of the implementation of the above-mentioned orientations.</li> </ul> <p><u>June 2014:</u></p> <ul style="list-style-type: none"> <li>- Review of progress made in the area of regulatory fitness and performance on the basis of the Commission Communication. The European Council considers that regulatory fitness should remain a priority in the work of the institutions. This requires a strong commitment to regulatory simplification and burden reduction in legislative work and better use of impact assessment and ex-post evaluation throughout the legislative cycle, at the EU and national level.</li> <li>- Calls on the Council to proceed to a detailed examination of the Commission Communication. The Commission, the other EU institutions and the Member States are invited to continue the implementation of the REFIT programme in an ambitious way, taking into account consumer and employees protection as well as health and environment concerns.</li> </ul>	<p>- <a href="#">Annex III: REFIT Actions</a> of the CWP 2015. <a href="#">Communication COM(2014)910</a> of 16 December 2014 on Commission Work Programme 2015, A New Start.</p> <p><u>Competitiveness Council 4-5 December:</u> adopted conclusions on Smart Regulation.</p> <p><a href="#">Communication COM(2014)368</a> European Commission Communication on Regulatory Fitness and Performance Programme (REFIT): State of Play and Outlook. SWD(2014) 192.</p> <p>European Parliament resolution of 17 April 2014 on the 'top ten' consultation process and lightening the burden of EU regulation on SMEs (<a href="#">2013/2711(RSP)</a>).</p> <p>European Parliament resolution of 4 February 2014 on EU Regulatory Fitness and Subsidiarity and Proportionality - 19th report on Better Lawmaking covering the year 2011 <a href="#">2013/2077(INI)</a>.</p> <p><a href="#">Communication COM(2013) 685</a> European Commission Communication on the Regulatory Fitness and Performance Programme (REFIT): Results and next steps.</p> <p><a href="#">Communication COM(2013)446</a> follow-up to the "TOP TEN" Consultation of SMEs on EU Regulation.</p> <p><a href="#">SWD(2013) 401</a> Regulatory Fitness and Performance Programme (REFIT): Initial Results of the Mapping of the Acquis.</p>	<p>See also: ECJ case <a href="#">C-409/13 Council v. Commission</a> on action for annulment - European Commission right to withdraw - ordinary legislative procedure. Advocate General opinion published 18 Dec. 2014.</p> <p><a href="#">Cutting Red Tape in Europe: Legacy and outlook - final report</a> / High Level Group on Administrative Burdens, 24.7.2014.</p> <p>See also: Commission website on <a href="#">High</a></p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p><u>December 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls for further actions to reduce the burden on regulation through the implementation and further development of the REFIT programme.</li> <li>- Looks forward to agreeing on further steps at its June meeting.</li> </ul> <p><u>October 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls on the Commission to make further substantial proposals in this field.</li> <li>- Calls for simplification of existing EU law, by withdrawing proposals that are no longer needed and by repealing legislation that is out of date.</li> <li>- Underlines the need to monitor progress by means of a comprehensive scoreboard to track progress at the European and national level and facilitate dialogue on regulatory fitness.</li> <li>- Looks forward to agreeing further steps in this direction at its June meeting and will return to the issue annually as part of the European Semester.</li> </ul> <p><u>June 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls for a detailed work programme comprising further and, where appropriate, new concrete proposals to reduce the overall burden of regulation and foster competitiveness, while always taking account of the need for the proper protection of consumers and employees (before the October 2013 meeting).</li> </ul> <p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Further action is required to reduce the overall burden of regulation at EU and national levels, while always taking account of the need for proper protection of consumers and employees.</li> <li>- Welcomed the Commission's report on the most burdensome regulations for SMEs and looks forward to receiving initial concrete proposals to implement its findings by June 2013.</li> <li>- Looks forward to receiving the first proposals for simplification and reducing the regulatory burden in the autumn.</li> <li>- Encourages the Commission to use the REFIT programme to identify and propose in the autumn the withdrawal of regulations that are no longer of use and to pursue the consolidation of existing legislation as part of its simplification work.</li> </ul>	<p><a href="#">Communication COM(2012)746</a> EU Regulatory Fitness. SWD(2012) 422, SWD(2012) 423.</p> <p>European Parliament resolution of 14 September 2011 on better legislation, subsidiarity and proportionality and smart regulation (<a href="#">2011/2029(INI)</a>).</p> <p><a href="#">Communication COM(2010)543</a> Smart Regulation in the European Union.</p>	<p><a href="#">Level Group on Administrative Burdens.</a></p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p><u>October 2012:</u></p> <ul style="list-style-type: none"> <li>- To reduce the overall regulatory burden at EU and national levels, with a specific focus on SMEs and micro-enterprises, including by facilitating their access to funding.</li> <li>- Looks forward to the Commission communication expected in December, which will take stock of progress and signal further action to be taken by the end of the current parliamentary cycle at the latest, including the follow up on the top 10 most burdensome pieces of legislation for SMEs.</li> </ul> <p><u>June 2012:</u></p> <ul style="list-style-type: none"> <li>- Further efforts to reduce the overall regulatory burden at EU and national level; Commission to submit report on smart regulation by end of 2012.</li> </ul> <p><u>March 2012:</u></p> <ul style="list-style-type: none"> <li>- To reduce the administrative and regulatory burdens at EU and national level; the European Council welcomes the Commission's intention to present a communication on further steps towards minimising regulatory burdens, including measures to support microenterprises. It invites the Commission to consider sectoral targets.</li> </ul> <p><u>December 2011:</u></p> <ul style="list-style-type: none"> <li>- Endorses the actions proposed by the Commission in its report on minimising regulatory burdens for SMEs.</li> </ul> <p><u>October 2011:</u></p> <ul style="list-style-type: none"> <li>- The Commission is invited to make further efforts to reduce the overall regulatory burden, in particular for SMEs, including by proposing concrete working methods within the context of the Smart Regulation agenda. It has committed to assess the impact of future regulations on micro-enterprises and to screen the acquis to identify existing obligations from which micro-enterprises could be exempted. The European Council looks forward to the Commission's forthcoming report in order to return to these issues at its December 2011 meeting.</li> </ul>		

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
		<u>March 2011:</u> - The over regulatory burden, in particular for SMEs, should be reduced at both European and national levels; the Commission will report on issue by summer.		
<i>Single Market</i>				
<b>Single Market</b>		<u>December 2014:</u> - Call to speed up adoption, transposition and implementation of Union legislation in the Single Market area and enhance efforts to remove barriers and complete the internal market in product services.	<u>Competitiveness Council meeting 2-3 March 2015:</u> - Adopted conclusions on the single market policy. - Ministers held a discussion that focused on the need to incorporate industrial policy aspects within the future digital single market strategy. - Following a presentation by the Commission on the 2015 annual growth survey and the investment plan for Europe, the Competitiveness Council held a discussion on measures designed to promote innovation in the European Research Area (ERA). - Ministers held a discussion on ways in which to boost innovation through open, networked and data intensive research. The outcome of the discussion will contribute to identifying key aspects in this field to be addressed in the forthcoming digital single market strategy.  <a href="#">Communication COM(2014)910</a> on Commission Work Programme 2015, A New Start. See in particular 1. A New Boost for Jobs, Growth and Investment and 4. A Deeper and Fairer Internal Market with a Strengthened Industrial Base.	<a href="#">Digital Single Market Strategy: European Commission agrees areas for action / IP/15/4653, 25/3/2015</a>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
<b>Single Market Act I</b>  <b>Single Market Act II</b>	<p><u>December 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls for enhanced efforts in particular as regards the swift adoption of remaining legislation under the Single Market Acts I and II, and the swift implementation of the measures they contain.</li> </ul> <p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- The rapid conclusion of the work on all Single Market Act I proposals is an essential priority. The Commission will present the remaining Single Market Act II proposals without delay with a view to their rapid examination so that they can be adopted before the end of this legislature.</li> <li>- It is also urgent to improve implementation of all Single Market legislation, in particular through rigorous peer review and swift action to remove unjustified barriers. The European Council will continue to keep all these issues under regular review.</li> </ul> <p><u>December 2012:</u></p> <ul style="list-style-type: none"> <li>- Took stock of the state of play as regards the priority proposals of the Single Market Act I. (...) It calls on the co-legislators to conclude the remaining SMA I files as a matter of urgency.</li> <li>- As regards the Single Market Act II, calls on the Commission to present all key proposals by the spring of 2013. It invites the Council and the European Parliament to give these proposals the highest priority with a view to their adoption by the end of the current parliamentary cycle at the latest.</li> <li>- Take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance. The European Council will keep progress on all single market proposals under close review.</li> </ul> <p><u>October 2012:</u></p> <ul style="list-style-type: none"> <li>- Deepening the Single Market: progress has been made on the Single Market Act I, but more efforts are required to complete work on the outstanding proposals.</li> <li>- Welcomes the Commission's intention to present all key SMA II proposals by spring 2013 and calls for their rapid examination in order to allow their adoption by the end of the current parliamentary cycle at the latest.</li> </ul>	<p><b>Single Market Act II:</b></p> <p><a href="#">Communication COM(2012)573</a> Single Market Act II Together for new growth.</p> <p>European Parliament resolution of 14 June 2012 on 'Single Market Act: The Next Steps to Growth' (<a href="#">2012/2663(RSP)</a>).</p> <p><b>Single Market Act I:</b></p> <p><a href="#">SWD(2012) 21</a> Delivering the Single Market Act: State of Play.</p> <p>European Parliament resolution of 25 October 2012 on the 20 main concerns of European citizens and business with the functioning of the Single Market (<a href="#">2012/2044(INI)</a>)</p> <p>European Parliament resolution of 20 May 2010 on delivering a single market to consumers and citizens (<a href="#">2010/2011(INI)</a>).</p> <p><a href="#">Communication COM(2011)206</a> Single Market Act Twelve levers to boost growth and strengthen confidence "Working together to create new growth".</p> <p>EP resolution of 20 May 2010 on delivering a single market to consumers and citizens (<a href="#">2010/2011(INI)</a>).</p> <p>A Single Market for Europeans (<a href="#">2010/2278(INI)</a>).</p> <p>A Single Market for Enterprises and Growth (<a href="#">2010/2277(INI)</a>).</p> <p><a href="#">Communication COM(2010)608</a> Towards a Single Market Act For a highly competitive social market economy 50 proposals for improving our work, business and exchanges with one another.</p> <p><a href="#">A New Strategy for the Single Market at the Service of Europe's Economy and Society:</a> Report to the President of the European Commission José Manuel Barroso/ Mario Monti 2010.</p>	<p>See: <a href="#">Single Market Governance - scoreboard</a> / EC website</p> <p><a href="#">Single Market - Pending Proposals</a> / EC website, PreLex</p> <p><a href="#">Single Market Act: State of Play 16 October 2014</a> / EP Policy Department in depth analysis for the IMCO Committee, 2-14, 36 p.</p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p><u>October 2011:</u></p> <ul style="list-style-type: none"> <li>- All efforts should be made to ensure agreement by the end of 2012 on the 12 priority proposals set out in the Single Market Act, giving utmost priority to those which can bring the most benefits to growth and jobs.</li> </ul> <p><u>June 2011:</u></p> <ul style="list-style-type: none"> <li>- Work should accelerate to deliver the Europe 2020 flagship initiatives and the Single Market Act, focusing on the priorities identified by the Council on 30 May 2011.</li> </ul> <p><u>March 2011:</u></p> <ul style="list-style-type: none"> <li>- Welcomes the Commission's intention to present the Single Market Act and invites the European Parliament and the Council to adopt by the end of 2012 a first set of priority measures to bring a new impetus to the Single Market.</li> </ul>		
<b>Single Market Governance</b>	<p><u>December 2014:</u></p> <ul style="list-style-type: none"> <li>- Calls for speeding up adoption, transposition and implementation of Union legislation in the Single Market area and enhancing efforts to remove barriers and complete the internal market in products and services.</li> <li>- The European Council will take regular stock of the implementation of the above-mentioned orientations.</li> </ul> <p><u>March 2012:</u></p> <ul style="list-style-type: none"> <li>- In particular, efforts will continue in order to: <ul style="list-style-type: none"> <li>- bring the Single Market to a new stage of development by strengthening its governance and improving its implementation and enforcement; in this connection the European Council looks forward to the presentation next June of the Commission's communication on the Single Market and its report on the Services Directive as well as its report on the outcome of sectoral performance checks. It welcomes the Commission's intention to propose in the second half of this year a new round of measures designed to open up new growth areas in the Single Market. In this connection, the European Council stresses the importance of completing the Single Market and removing remaining barriers;</li> </ul> </li> <li>- Considers that enhanced "peer pressure" can help raise ownership and</li> </ul>	<p>European Parliament resolution of 25 February 2014 on Single Market governance within the European Semester 2014 (<a href="#">2013/2194(INI)</a>).</p> <p>European Parliament resolution of 27 February 2014 on SOLVIT (<a href="#">2013/2154(INI)</a>).</p> <p><a href="#">Communication COM(2012)259</a> Better Governance for the Single Market.</p> <p>European Parliament resolution of 7 February 2013 with recommendations to the Commission on the governance of the Single Market, (<a href="#">2012/2260(INL)</a>).</p> <p>European Parliament resolution of 22 May 2012 on the Internal Market Scoreboard (<a href="#">2011/2155(INI)</a>).</p> <p>Governance and Partnership in the Single Market (<a href="#">2010/2289(INI)</a>).</p> <p>European Parliament resolution of 9 March 2010 on the Internal Market Scoreboard (<a href="#">2009/2141(INI)</a>).</p> <p>European Parliament resolution of 9 March 2010 on SOLVIT</p>	<p>See: <a href="#">Single Market Governance - scoreboard</a> / EC website.</p>

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
		responsibility at the level of Heads of State or Government as regards the Council's and individual Member States' role in developing the Single Market and complying with its rules. To that end, the European Council invites: <ul style="list-style-type: none"> <li>- the Commission to provide transparent scoreboards as a basis for appropriate benchmarking;</li> <li>- the President of the European Council to promote regular monitoring by the European Council of progress achieved on key Single Market proposals in the various Council formations.</li> </ul>	( <a href="#">2009/2138(INI)</a> ).	
<b>Competition Policy</b>  <b>State Aid Modernisation</b>		<p><u>March 2014:</u></p> <ul style="list-style-type: none"> <li>- Welcomes the Commission's plans to modernise the state aid rules which will enter into force in June 2014.</li> <li>- Welcomes the Commission's intention to facilitate the implementation of wider EU policies and programmes, including EU Structural and Investment Funds by extending the scope of the General Block Exemption Regulation, while maintaining a level playing field among the Member States.</li> </ul> <p><u>February 2011:</u></p> <ul style="list-style-type: none"> <li>- Private investment in innovative products and services to be encouraged, in particular by improving framework conditions.</li> <li>- Invites the Commission to conduct a mid-term review of the relevant State aid frameworks during 2011.</li> </ul>	<p><b>ADOPTED</b></p> <p><a href="#">Commission Regulation (EU) No 651/2014</a> of 17 June 2014 on declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.</p> <p>The European Commission adopts important building blocks of its State Aid Modernisation (SAM) reform package:</p> <p>a) Communication <a href="#">C(2014) 3282</a> Framework for state aid for research and development and innovation;</p> <p>b) Communication <a href="#">C(2014) 3349/2</a> on transparency .</p> <p>European Parliament resolution of 17 January 2013 on state aid modernisation (<a href="#">2012/2920(RSP)</a>).</p> <p><a href="#">Communication COM(2012)209</a> EU State Aid Modernisation (SAM).</p>	<p>This presents only a selection of relevant acts and measures.</p> <p>Overview of State Aid legislation: <a href="#">State Aid Modernisation</a> / EC website.</p>
<b>Single Market Services</b>		<p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Calls for urgent improvement of implementation of all Single Market legislation, including the Services Directive, in particular through rigorous peer review and swift action to remove unjustified barriers.</li> </ul> <p><u>October 2013:</u></p> <ul style="list-style-type: none"> <li>- Services are a fundamental part of the Single Market. Member States urgently need to improve implementation of the Services Directive and thus speed up the opening of services markets. All opportunities should be seized in this respect.</li> </ul>	<p><a href="#">SWD(2014)130</a> Access to insurance for services provided in another Member State.</p> <p><a href="#">SWD(2014)131</a> Work plan for reporting on national reforms in services markets.</p> <p><a href="#">Communication COM(2013/0676)</a> on Evaluating national regulations on access to professions. SWD(2013)402.</p> <p><a href="#">Communication COM(2012/261)</a> on the implementation of the Services Directive. A partnership for new growth in services 2012-2015.</p>	<p>European Commission questionnaire on Businesses' experience with the Internal Market for services. Deadline for responses 15.11.2014.</p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<ul style="list-style-type: none"> <li>- Invites the Commission and the Council to provide yearly progress reports on national reforms on services, including in individual sectors, and invites the Commission to make proposals by March 2014.</li> <li>- Welcomes the peer review of the Services Directive presented by the Commission. It agrees that all Member States should ensure systematic, thorough and robust proportionality assessments of their regulatory requirements. In particular, Member States should address disproportionate barriers. The European Council invites the Commission to provide additional guidance to Member States on the concept of proportionality and invites Member States to take full account of best practices.</li> </ul> <p><u>June 2013:</u></p> <ul style="list-style-type: none"> <li>- Looking to its thematic discussions in October 2013 to give renewed impulse in the fields of innovation, digital single market and services, the European Council invited the Commission to present its report on the peer review of the Services Directive as well as on the Licenses for Europe process ahead of that meeting.</li> </ul> <p><u>December 2012:</u></p> <ul style="list-style-type: none"> <li>- It is important to take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance. The European Council will keep progress on all single market proposals under close review.</li> </ul> <p><u>October 2012:</u></p> <ul style="list-style-type: none"> <li>- It is important to take urgent action in line with the Commission's communications on implementation of the Services Directive.</li> </ul> <p><u>October 2011:</u></p> <ul style="list-style-type: none"> <li>- The full implementation of the Services Directive will also deliver significant economic gains; Member States should complete its implementation by the end of this year and ensure that the single points of contact are fully operational and that economic operators are fully informed of the new opportunities it offers. The Commission will report on this issue by the end of 2011.</li> </ul> <p><u>June 2011:</u></p>	<p>SWD(2012)146, SWD(2012)147 and SWD(2012)148.</p> <p>European Parliament resolution of 11 September 2013 on the Internal Market for Services: State of Play and Next Steps, (<a href="#">2012/2144(INI)</a>).</p> <p>European Parliament resolution of 25 October 2011 on the Mutual Evaluation Process of the Services Directive (<a href="#">2011/2085(INI)</a>).</p> <p>FYI Services directive:  <a href="#">Directive 2006/123/EC</a> of the European Parliament and of the Council of 12 December 2006 on services in the internal market (OJ L 376, 27.12.2006, p. 36).</p>	<p><a href="#">State of implementation of the services directive</a> / EC website.</p>



Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<ul style="list-style-type: none"> <li>- Calls on Member States to fully implement the services Directive and on the Commission and Member States to take further actions where necessary to improve the internal market for services.</li> </ul>		
<b>Single Market</b>  <b>Professional qualifications</b>	<p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- The rapid conclusion of the work on all Single Market Act I proposals is an essential priority, particularly as regards key files such as accounting, professional qualifications.</li> </ul> <p><u>October 2013:</u></p> <ul style="list-style-type: none"> <li>- Stresses the importance of the mutual evaluation of regulated professions launched by the Commission and calls for swift progress. This exercise should identify the remaining barriers to access to professions in the Member States, assess the cumulative effect of all restrictions imposed on the same profession, and suggest appropriate action.</li> </ul>	<p><b>ADOPTED</b></p> <p><a href="#">Directive 2013/55/EU</a> of the European Parliament and of the Council of 20 November 2013 amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ( 'the IMI Regulation') (OJ L 354, 28.12.2013, p. 132). Procedure: <a href="#">2011/0435(COD)</a>.</p> <p><a href="#">Communication COM(2013/676)</a> on Evaluating national regulations on access to professions.</p> <p>European Parliament resolution of 15 November 2011 on the implementation of the Professional Qualifications Directive (2005/36/EC) (<a href="#">2011/2024(INI)</a>).</p>	
<b>Public Procurement</b>	<p><u>March 2014:</u></p> <ul style="list-style-type: none"> <li>- The rapid conclusion of the work on all Single Market Act I proposals is an essential priority, particularly as regards key files such as public procurement.</li> </ul> <p><u>January 2012:</u></p> <ul style="list-style-type: none"> <li>- Notes that MS commit to reach an agreement on the simplification of public procurement rules by the end of 2012.</li> </ul> <p><u>February 2011:</u></p> <ul style="list-style-type: none"> <li>- Private investment in innovative products and services to be encouraged, in particular by improving framework conditions. In this regard, the Commission is invited to provide guidance on the application of the Directives on public procurement; more generally public procurement should be better geared to creating greater demand for innovative goods and services.</li> </ul>	<p><b>ADOPTED</b></p> <p><a href="#">Directive 2014/55 EU</a> on electronic invoicing in public procurement (OJ L 133 06.05.2014, p. 1). Procedure: <a href="#">2013/0213(COD)</a>.</p> <p><a href="#">Directive 2014/24 EU</a> on public procurement (OJ L 094 28.03.2014, p. 65). Procedure: <a href="#">2011/0438(COD)</a>.</p> <p><a href="#">Directive 2014/25/EU</a> on procurement by entities operating in the water, energy, transport and postal services sectors (OJ L 094 28.03.2014, p. 243). Procedure: <a href="#">2011/0439(COD)</a>.</p> <p><a href="#">Directive 2014/23 EU</a> on the award of concession contracts (OJ L 094 28.03.2014, p. 1). Procedure: <a href="#">2011/0437(COD)</a>.</p>	<p>This is a selection of relevant rules on public procurement. Overview of public procurement legislation, rules and guidelines: <a href="#">The EU Single Market - Public Procurement</a> / EC website.</p> <p>See also: Public procurement with third countries in chapter 1. Financial and</p>

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
		<a href="#">Communication COM(2013)453</a> End-to-end e-procurement to modernise public administration  <a href="#">Communication COM(2012)179</a> A strategy for e-procurement.	Economic Affairs.
<b>Single Market</b>  <b>Business Environment</b>  <b>Standardisation</b>	<u>January 2012:</u> - Notes that MS commit to reaching an agreement on standardisation by the end of June 2012.  <u>February 2011:</u> - Private investment in innovative products and services to be encouraged, in particular by improving framework conditions. In this regard, the Commission to make proposals to accelerate, simplify and modernize standardization procedures, notably to allow standards developed by industry to be turned into European standards under certain conditions.	<b>ADOPTED</b> <a href="#">Regulation (EU) No 1025/2012</a> of the European Parliament and of the Council of 25 October 2012 on European standardisation, amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/23/EC and 2009/105/EC of the European Parliament and of the Council and repealing Council Decision 87/95/EEC and Decision No 1673/2006/EC of the European Parliament and of the Council (OJ L 316, 14.11.2012, p. 12). Procedure: <a href="#">2011/0105(COD)</a> .	
<b>Single Market</b>  <b>Business Environment</b>  <b>Accounting requirements</b>	<u>January 2012:</u> - Notes that MS commit to reach an agreement on the simplification of accounting requirements by the end of July 2012.	<b>ADOPTED</b> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19). Procedure: <a href="#">2011/0308(COD)</a> .	
<b>Consumer Protection</b>  <b>Online Dispute Resolution and Alternative Dispute Resolution</b>	<u>January 2012:</u> - Notes that MS commit to reach an agreement on rules on online dispute resolution by June 2012.  <u>December 2012:</u> - Welcomes the agreement on Alternative Dispute Resolution and Online Dispute Resolution for consumer disputes.	<b>Alternative Dispute Resolution:</b>  <b>ADOPTED</b> <a href="#">Directive 2013/11/EU</a> of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR) (OJ L 165, 18.6.2013, p. 63) Procedure: <a href="#">2011/0373(COD)</a> .  <b>Online Dispute Resolution:</b>	

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
			<b>ADOPTED</b> <a href="#">Regulation (EU) No 524/2013</a> of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR) (OJ L 165, 18.6.2013, p. 1) Procedure: <a href="#">2011/0374(COD)</a> .	
<b>Intellectual Policy</b>  <b>Unitary patent and Unified Patent Court</b>		<p><u>March 2014:</u></p> <ul style="list-style-type: none"> <li>- Intellectual property and patenting are key drivers for growth and innovation. Despite its leading role in a number of technology industries, the European Union is lagging behind in patenting. The European Council therefore calls for enhancing support to these high-growth sectors, in order to preserve the European Union's technology lead. The concerned Parties should ratify, in accordance with their constitutional provisions, the agreement on the Unified Patent Court and make the necessary legal and administrative arrangements so that the EU patent regime can enter into force by the end of 2014.</li> </ul> <p><u>March 2013:</u></p> <ul style="list-style-type: none"> <li>- Intellectual property and patenting are key drivers for growth and innovation. Despite its leading role in a number of technology industries, the European Union is lagging behind in patenting. The European Council therefore calls for enhancing support to these high-growth sectors, in order to preserve the European Union's technology lead. The concerned Parties should ratify, in accordance with their constitutional provisions, the agreement on the Unified Patent Court and make the necessary legal and administrative arrangements so that the EU patent regime can enter into force by the end of 2014.</li> </ul> <p><u>December 2012:</u></p> <ul style="list-style-type: none"> <li>- Welcomes the agreement reached among participating Member States on the Unitary Patent.</li> </ul> <p><u>June 2012:</u></p> <ul style="list-style-type: none"> <li>- Heads of State or Government of the participating Member States agreed on the solution for the last outstanding issue of the patents package, namely the seat of the Central Division of the Court of First</li> </ul>	<p><b>Unitary patent:</b></p> <p><b>ADOPTED</b>  <a href="#">Council Regulation (EU) No 1260/2012</a> of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. Procedure: <a href="#">2011/0094(CNS)</a>.</p> <p><a href="#">Regulation (EU) No 1257/2012</a> of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection.            Procedure: <a href="#">2011/0093(COD)</a>.</p> <p><a href="#">2011/167/EU: Council Decision</a> of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection.            Procedure: <a href="#">2010/0384(NLE)</a>.</p> <p><a href="#">Competitiveness Council 26/5/2014</a>            Unitary patent protection system:            Council took note of a report (9563/14) on the state of play in the implementation of the unitary patent protection system by the two committees in charge of preparations for the establishment of the system and of the Unified Patent Court.</p> <p><b>Unified Patent Court:</b></p> <p><b>ADOPTED</b>  <a href="#">Regulation (EU) No 542/2014</a> of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court</p>	

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
	<p>Instance of the Unified Patent Court (UPC).</p> <p><u>March 2012:</u></p> <ul style="list-style-type: none"> <li>- Innovation and research are at the heart of the Europe 2020 strategy. Europe has a strong science base but the ability to transform research into new innovations targeted at market demands needs to be improved. On the basis of a report presented by the Presidency, the European Council took stock of the progress achieved in implementing its conclusions of February 2011 and agreed that efforts must be stepped up with a view to: (...) ensuring that the participating Member States reach a final agreement in June 2012 at the latest on the last outstanding issue in the patent package.</li> </ul> <p><u>January 2012:</u></p> <ul style="list-style-type: none"> <li>- Notes that MS commit to reach a final agreement on the last outstanding issues in the patent package at the latest in June 2012.</li> </ul>	<p>and the Benelux Court of Justice. Procedure: <a href="#">2013/0268 (COD)</a>.</p> <p>Agreement on a Unified Patent Court <a href="#">2013/C 175/01</a>. <a href="#">Ratification table</a>.</p> <p><a href="#">Competitiveness Council 20/02/2014</a></p> <p>Unified Patent Court Agreement: The Council took note of updated information from the Commission concerning the state of preparations for the establishment of a Unified Patent Court. The "patent package" consists of two regulations establishing the unitary patent system and an international agreement establishing the Unified Patent Court (UPC). The UPC has been signed by all member states except Spain, Poland and Croatia. Only Austria and Malta have ratified it so far. Two committees are currently in charge of work in preparation for the entry into force of the new patent system: the Select Committee for the unitary patent, operating under the auspices of the European Patent Organisation in Munich, and the Preparatory Committee for the Unified Patent Court, operating as an intergovernmental body.</p> <p>European Parliament resolution of 11 December 2012 on jurisdictional system for patent disputes (<a href="#">2011/2176(INI)</a>).</p>	
<p><b>Intellectual Property</b></p> <p><b>Anti-counterfeiting</b></p>	<p><u>March 2014:</u></p> <ul style="list-style-type: none"> <li>- Taking forward an ambitious trade and investment agenda and promoting European and international standards and regulations, including the fight against counterfeiting, are important elements contributing to enhancing the EU's industrial competitiveness globally.</li> </ul>	<p><b>ADOPTED</b></p> <p><a href="#">Regulation (EU) No 608/2013</a> of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003 (OJ L 165, 18.6.2013, p.15).</p> <p>Procedure: <a href="#">2011/0137(COD)</a>.</p> <p><a href="#">Commission Implementing Regulation (EU) No 1352/2013</a> of 4 December 2013 establishing the forms provided for in Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (OJ L 341, 18.12.2013, p. 10).</p>	<p><a href="#">European Observatory on Infringements of Intellectual Property Rights</a> / OHIM website.</p>

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
			<a href="#">Regulation (EU) No 386/2012</a> of the European Parliament and of the Council of 19 April 2012 on entrusting the Office for Harmonization in the Internal Market (Trade Marks and Designs) with tasks related to the enforcement of intellectual property rights, including the assembling of public and private-sector representatives as a European Observatory on Infringements of Intellectual Property Rights (OJ L 129, 16.5.2012, p. 1).	
			<p><u>Competitiveness Council meeting 2-3 March 2015:</u></p> <ul style="list-style-type: none"> <li>- Adopted conclusions on the single market policy. - Ministers held a discussion that focused on the need to incorporate industrial policy aspects within the future digital single market strategy.</li> <li>- Following a presentation by the Commission on the 2015 annual growth survey and the investment plan for Europe, the Competitiveness Council held a discussion on measures designed to promote innovation in the European Research Area (ERA).</li> <li>- Ministers held a discussion on ways in which to boost innovation through open, networked and data intensive research. The outcome of the discussion will contribute to identifying key aspects in this field to be addressed in the forthcoming digital single market strategy.</li> </ul> <p><a href="#">Communication COM(2014)910</a> on Commission Work Programme 2015, A New Start. See especially 2. A Connected Digital Single Market.</p>	<p><a href="#">Digital Single Market Strategy: European Commission agrees areas for action / IP/15/4653, 25/3/2015</a></p> <p>A Commission strategy on a Digital Single Market is expected in May 2015. See for example a speech by <a href="#">Vice President Andrus Ansip</a> 23 February 2015.</p> <p>Why the EU needs a Digital Single Market: Speech by <a href="#">Vice-President Ansip</a> in the European Parliament plenary session</p>

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
				Strasbourg, 26 November 2014.
		-	<p><b>Connected Continent Package:</b></p> <p><a href="#">Proposal COM(2013)0627</a> for a Regulation laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) No 1211/2009 and (EU) No 531/2012, 11.9.2013. Procedure: <a href="#">2013/0309 (COD)</a>.</p> <p><a href="#">Commisson Reommendation C(2013) 5761</a> of 11 September 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.</p> <p><b>Related documents:</b></p> <p><b>ADOPTED</b>  <a href="#">Directive 2014/61/EU</a> on measures to reduce the cost of deploying high-speed electronic communications networks (OJ L 155, 23.5.2014, p. 1).  Procedure: <a href="#">2013/80(COD)</a>.</p> <p><b>ADOPTED</b>  <a href="#">Regulation (EU) No 283/2014</a> of the European Parliament and of the Council of 11 March 2014 on guidelines for trans-European networks in the area of telecommunications infrastructure and repealing Decision No 1336/97/EC (OJ L 86, 21.3.2014, p. 14).  Procedure: <a href="#">2011/0299(COD)</a>.</p> <p>European Parliament resolution of 12 September 2013 on the Digital Agenda for Growth, Mobility and Employment: time to move up a gear, <a href="#">2013/2593(RSP)</a>.</p>	

Policy Field Specific issue	Commitment and/or request	State of play	Remarks
		<p>European Parliament resolution of 24 October 2013 on Implementation report on the regulatory framework for electronic communications (<a href="#">2013/2080(INI)</a>).</p> <p><a href="#">Communication COM(2013)634</a> on the Telecommunications Single Market. SWD(2013)332, SWD(2013)331.</p> <p><b>ADOPTED</b>  <a href="#">Regulation (EU) No 531/2012</a> of the European Parliament and of the Council of 13 June 2012 on roaming on public mobile communications networks within the Union (OJ L 172, 30.6.2012, p. 10).  Procedure: <a href="#">2011/0187(COD)</a>.</p> <p><b>ADOPTED</b>  <a href="#">Decision No 243/2012/EU</a> of the European Parliament and of the Council of 14 March 2012 establishing a multiannual radio spectrum policy programme (OJ L 81, 21.3.2012, p. 7).  Proceudre: <a href="#">2010/0252(COD)</a>.</p> <p>European Parliament resolution of 17 November 2011 on the open internet and net neutrality in Europe (<a href="#">2011/2866(RSP)</a>).</p> <p><a href="#">Communication COM(2011)222</a> The open internet and net neutrality in Europe.</p> <p>European Parliament resolution of 6 July 2011 on European Broadband: investing in digitally driven growth (<a href="#">2010/2304(INI)</a>).</p> <p><a href="#">Comunication COM(2010)472</a> European Broadband: investing in digitally driven growth.</p>	
		<p><a href="#">Communication COM(2014)442</a> Towards a thriving data-driven economy.</p> <p><a href="#">SWD(2014)214</a> Report on the Implementation of the Communication 'Unleashing the Potential of Cloud Computing in Europe' Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee</p>	

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
			<p>and the Committee of the Regions 'Towards a thriving data-driven economy'.</p> <p>European Parliament resolution of 10 December 2013 on unleashing the potential of cloud computing in Europe, <a href="#">2013/2063(INI)</a>.</p> <p><a href="#">Communication COM(2012)529</a> Unleashing the Potential of Cloud Computing in Europe. SWD(2012)0271.</p>	
			<p><b>ADOPTED</b>  <a href="#">Regulation (EU) No 910/2014</a> of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, (OJ L 257, 28.8.2014, p. 73).                      Procedure: <a href="#">2012/0146(COD)</a>.  <a href="#">Directive 2014/55 EU</a> on electronic invoicing in public procurement (OJ L 133 06.05.2014, p. 1).</p> <p><a href="#">Communication COM(2013/886)</a> A roadmap for completing the single market for parcel delivery Build trust in delivery services and encourage online sales.</p>	
			<p>European Parliament resolution of 27 February 2014 on private copying levies (<a href="#">2013/2114(INI)</a>).</p> <p>European Parliament resolution of 12 March 2014 on Preparing for a Fully Converged Audiovisual World (<a href="#">2013/2180(INI)</a>).</p> <p><b>ADOPTED</b>  <a href="#">Directive 2014/26/EU</a> on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market (OJ L 084 20.03.2014, p. 72.)                      Procedure: <a href="#">2012/0180(COD)</a>.</p> <p>European Parliament resolution of 12 September 2013 on promoting the European cultural and creative sectors as sources of economic growth and jobs (<a href="#">2012/2302(INI)</a>).</p>	<p><a href="#">Report on the responses to the Public Consultation</a> on the Review of the EU Copyright Rules / DG MARKT July 2014.</p> <p><b>REFIT:</b>                      Policy area affected by Regulatory Fitness and Performance</p>



Policy Field Specific issue	Commitment and/or request	State of play	Remarks
		<p>European Parliament resolution of 4 July 2013 on completing the digital single market (<a href="#">2013/2655(RSP)</a>).</p> <p><a href="#">Public Consultation</a> on the review of EU copyright rules 05.12.2013 - 05.03.2014.</p> <p>European Parliament resolution of 20 November 2012 on the Report on the Implementation and Effect of the Resale Right Directive (2001/84/EC) (<a href="#">2012/2038(INI)</a>).</p> <p>European Parliament resolution of 11 September 2012 on the online distribution of audiovisual works in the European Union (<a href="#">2011/2313(INI)</a>).</p> <p><b>ADOPTED</b> Directive 2012/28/EU on certain permitted uses of orphan works (OJ L 299, 27.10.2012, p. 5). Procedure: <a href="#">2011/0136(COD)</a>.</p> <p>European Parliament resolution of 16 February 2012 on Petition 0924/2011 by Dan Pescod (British), on behalf of the European Blind Union (EBU)/Royal National Institute of Blind People (RNIB), on access by blind people to books and other printed products (<a href="#">2011/2894(RSP)</a>).</p> <p><a href="#">Commission report COM(2011)878</a> on the Implementation and Effect of the Resale Right Directive (2001/84/EC).</p> <p><a href="#">Communication COM(2012)789</a> on content in the Digital Single Market.</p> <p><a href="#">Communication COM(2011)287</a> A Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe</p> <p>European Parliament resolution of 22 September 2010 on enforcement of intellectual property rights in the internal market (<a href="#">2009/2178(INI)</a>).</p>	<p>Programme (REFIT). <a href="#">Scoreboard SWD(2014)192 final/2</a>, p.16.</p> <p>Copyright reform package includes the Directive 2001/29/EC on Copyright in the Information Society. Commission proposal on its renewal is expected: See hearing of Commissioner-designate Oettinger, responsible for Digital Economy and Society portfolio, <a href="#">EurActiv</a> 30.9.2014.</p> <p><a href="#">Recommendations on the management of the Author Resale Right</a> / European Commission stakeholder dialogue 2014.</p>

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
				<p><a href="#">2013 Roadmap on the Review of the EU Copyright Framework</a> / DG MARKT.</p> <p><a href="#">Licenses for Europe Ten pledges to bring more content online</a> / European Commisison stakeholder dialogue, 2013.</p> <p>Vitorino Recommendation s - Recommendation s resulting from the mediation on private copying and reprography levies / European Commisison stakeholder dialogue 2013.</p>
			<p><a href="#">Proposal COM(2012)010</a> for a Directive of the European Parliament and the Council on the protection of individuals with regard to the processing of personal data by competent authorities for the purposes of prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and the free movement of such data.</p> <p>Proceudre: <a href="#">2012/0010 (COD)</a>.</p>	<p>See the "Right the right to be forgotten" case: Court of Justice of the European Union judgment C-131/12 Google Spain SL, Google Inc. v Agencia</p>

Policy Field Specific issue		Commitment and/or request	State of play	Remarks
			<p><a href="#">Proposal COM(2012)11</a> for a Regulation of the European Parliament and the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation), 25.1.2012. Procedure: <a href="#">2012/0011 (COD)</a></p> <p>European Parliament resolution of 20 November 2012 on protecting children in the digital world (<a href="#">2012/2068(INI)</a>).</p> <p>European Parliament resolution of 6 July 2011 on a comprehensive approach on personal data protection in the European Union (<a href="#">2011/2025(INI)</a>).</p>	Española de Protección de Datos, Mario Costeja González, 13.5.2014.
		-	<p><b>ADOPTED</b></p> <p><a href="#">Regulation (EU) No 910/2014</a> of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (OJ L 257, 28.8.2014, p. 73). Procedre:<a href="#">2012/0146(COD)</a>.</p> <p><a href="#">Proposal COM(2013)048</a> for a Directive of the European Parliament and the Council concerning measures to ensure a high common level of network and information security across the Union, 7.2.2013. Procedure: <a href="#">2013/0027 (COD)</a>.</p> <p><a href="#">Joint Communication JOIN(20131</a> on Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace.</p>	
			<p><a href="#">Communication COM(2013) 654</a>. Opening up Education: Innovative teaching and learning for all through new Technologies and Open Educational Resources.</p> <p>Grand Coalition for Digital jobs: The Commission is leading a multi-stakeholder partnership to tackle the lack of digital skills in Europe and the thousands of unfilled ICT-related vacancies across all industry sectors. FYI: <a href="#">EC website</a>.</p>	

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The economic potential of the Single Market could reach, according to research carried out by the European Parliament, as much as one trillion euro per annum in additional GDP growth. Securing this economic 'bonus' requires a strategic approach, through which the EU would pursue a "genuine Single Market" and treat it as a common asset. Such a strategy implies leadership and new politics for the Single Market, involving the full commitment of Member States and their compliance in implementing of EU law and removing the remaining obstacles. Six key recommendations are put forward to enhance the functioning of the Single market, focused on concepts of reframing, reengineering and retooling the Single Market.

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This is a publication of the European Added Value Unit  
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European Parliament

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PE 558.772  
ISBN: 978-92-823-7915-8  
DOI: 10.2861/006735  
CAT: QA-01-15-609-EN-N