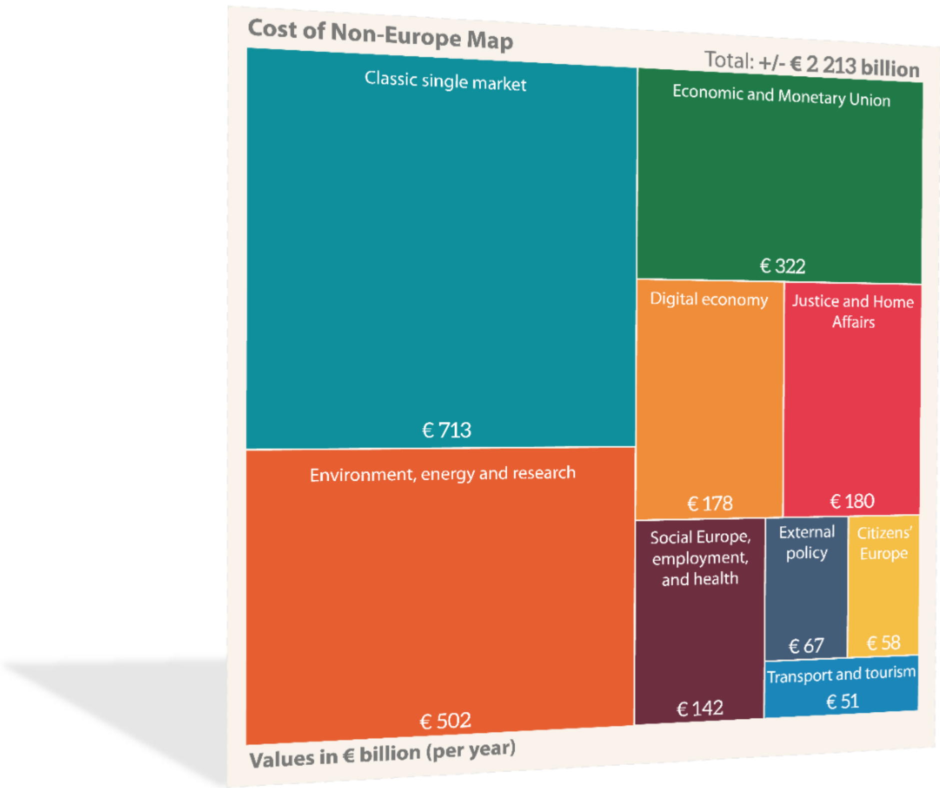
Europe's two trillion euro dividend

Mapping the Cost of Non-Europe, 2019-24



EXTRACT OF STUDY

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Europe’s two trillion euro dividend:

Mapping the Cost of Non-Europe, 2019-24

EXTRACT OF STUDY

This extract comes from a study bringing together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy through pursuing a series of policy initiatives recently advocated by the Parliament – from a wider and deeper digital single market to more systematic coordination of national and European defence policies or increased cooperation to fight corporate tax avoidance. The benefits are measured principally in additional GDP generated or more rational use of public resources.

The latest analysis suggests that there are potential gains to the European economy (EU-28) of over 2,200 billion euro that could be achieved, if the policies advocated by the Parliament in a series of specific areas were to be adopted by the Union’s institutions and then fully implemented over the ten-year period from 2019 to 2029. This would be, in effect, a ‘two trillion euro dividend’, representing a boost of some 14 per cent of total EU GDP (itself 15.3 trillion euro in 2017). The study is intended to make a contribution to the on-going discussion about the European Union's policy priorities over the coming five-year institutional cycle, from 2019 to 2024.

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Europe's two trillion euro dividend: Mapping the Cost of Non-Europe, 2019-24

Introduction

Summary

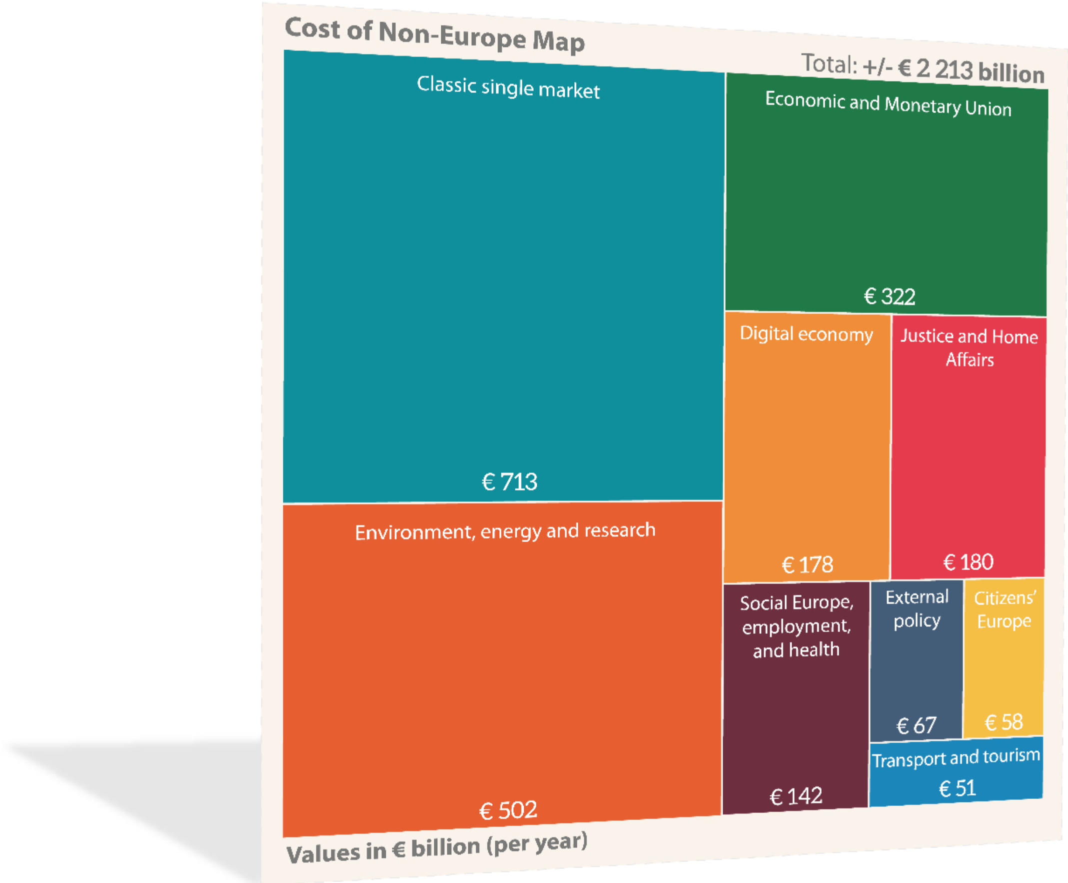
Common action by the European Union can bring significant economic benefits to citizens. The existing single market, for example, built over several decades, has already boosted the European (EU-28) economy by over five per cent, by offering wider choice for consumers and greater economies of scale for producers, so increasing trade, investment and employment. In many policy areas - from transport to research, or the digital economy to justice and home affairs - existing common action could be deepened or new action undertaken in ways that would generate a positive economic spin-off.

Since 2012, the European Parliament's European Added Value Unit has been attempting to estimate the potential economic gain from policy initiatives favoured by the Parliament that could boost Europe's economic performance over time. Such gains - or 'European added value' - come principally either from additional GDP generated or from a more rational allocation of existing public resources, through better coordination of public spending at national and European levels. The latest analysis suggests that there are potential gains to the European economy (EU-28) of over **2,200 billion euro** to be achieved, if the policies advocated by the Parliament in a series of specific areas were to be adopted by the Union's institutions and then fully implemented over the ten-year period from 2019 to 2029. This would be, in effect, a 'two trillion euro dividend', representing a boost of some **14 per cent of total EU GDP** (2.2 trillion out of 15.3 trillion euro in 2017).

The **ten broad policy clusters** where greater common action can boost the European economy - adding up to 2,213 billion euro - are listed below and captured in graphic form in the 'Cost of Non-Europe Map' featured on the next page:

- Classic single market (713 billion euro)
- Digital economy (178 billion euro)
- Economic and Monetary Union (EMU) (322 billion euro)
- Environment, energy and research (502 billion euro)
- Transport and tourism (51 billion euro)
- Social Europe, employment and health (142 billion euro)
- Citizens' Europe (58 billion euro)
- Justice and Home Affairs - Migration and borders (55 billion euro)
- Justice and Home Affairs - Security and fundamental rights (125 billion euro)
- EU external policy (67 billion euro).

These ten policy clusters can in turn be broken down into **fifty specific policy areas** that form the building-blocks of this analysis. These are set out in synoptic form under the heading 'Latest analysis' below. In the following section, readers will find a brief summary of the potential economic gains in each of those 50 areas. Then in the more than 200 pages that follow, the 50 policy areas are in turn unpacked in much greater detail, with hyperlinks to relevant research, whether undertaken by the European Parliamentary Research Service (EPRS) or outside bodies. Finally, there is a chart showing the evolution of the amounts identified as potential European added value, by policy area, in the successive editions of this document since 2014.



Background

The concept of 'non-Europe' was first pioneered and developed in the European Parliament in the early 1980s, through a report commissioned (by its Special Committee on European Economic Recovery) from two leading economists, Michel Albert and James Ball. The Albert-Ball Report, *Towards European Economic Recovery in the 1980s*, published in August 1983, argued that the 'absence of a genuine common market', together with other obstacles to intra-Community trade, imposed a systematic handicap on the European economy, which was underperforming (compared to its potential) by the equivalent of approximately 'one week's work per year on average' for every worker, representing 'a cost of the order of two per cent of GDP'.

This 'cost of non-Europe' became a powerful rationale for launching a detailed legislative programme to complete the single market during the first eight years of the Delors Commission, starting in January 1985. The cost that could be avoided by successful completion of the single market was quantified in greater detail in the landmark Cecchini Report, published by the European Commission in April 1988. *The Cost of Non-Europe in the Single Market* suggested the potential gain to the European economy to be in the order of 4.5 per cent (and potentially 6.5) of GDP. Subsequent analysis of the economic impact of over 3,500 individual measures adopted at EU level to complete the single market, in the period since the mid-1980s, points to a boost to collective GDP of over 5.0 per cent - or around 1,500 euro per citizen per year - with calculations of the GDP boost varying between 1.7 and 8.5 per cent.

The idea of there being a 'cost of non-Europe' can be applied much more widely than in relation to the single market, although it is perhaps easier to quantify in this specific policy area than in some other sectors. The central notion is that the absence of common action at European level may mean that, in a defined policy area, there is an efficiency loss to the overall economy and/or that a collective public good that might otherwise exist is not being realised. The concept of cost of non-Europe is closely related to that of 'European added value', in that the latter attempts to identify the collective benefit of undertaking - and the former, the collective gain which is foregone by not undertaking - policy action at European level in a particular field.

The *Mapping* process to date

The potential multiplier effect of either deepening existing European action or undertaking new action remains strong. Since 2012, the European Added Value Unit of the European Parliamentary Research Service (EPRS) has been estimating the potential economic gain from policy initiatives favoured by the Parliament that could boost the European economy over time. Such gains would come principally either from additional GDP generated or from a more rational allocation of public resources, through better coordination of public spending at national and European levels. This approach is based not on an assumption of higher public spending (unless it could have a high multiplier effect), but rather on identifying actions which could either increase the long-term growth potential of the economy without additional expenditure - as in building a wider and deeper digital single market to complement the classic single market - or ensure the better spending of existing public resources - as in the more systematic of coordination of national and European defence or development policies. The philosophy is thus one of 'growth without debt', suited to the reality of the constrained public spending possibilities facing governments since the economic and financial crisis of 2008.

The on-going, and regularly updated, assessments of the economic gains to be realised by such initiatives, all advocated at various times by the European Parliament, have already been brought together in four editions of a publication entitled *Mapping the Cost of Non-Europe, 2014-19*, published by the European Added Value Unit between March 2014 and December 2017. This analysis has drawn on a mixture of in-house EP research, research commissioned from outside experts by the EP, and external analysis published by other public bodies, think tanks and academia.

The initial assessment made in spring 2014 covered 24 policy areas and indicated a potential economic gain of some **800 billion euro per year** - or some six per cent of then EU GDP - after full running-in over a period of up to ten years. This would represent a permanent upward shift in GDP, with the biggest gains being through the digital single market (at 260 billion euro) and the classic single market (235 billion euro), with several other areas ranging up to 60 billion each.

By the time of the fourth edition of *Mapping the Cost of Non-Europe, 2014-19*, published at the end of 2017, a more detailed and up-dated analysis across 34 policy areas pointed to overall potential gains to the European economy of up to **1,750 billion euro** (1.75 trillion euro) - or some 12 per cent of then EU GDP. The biggest gains were identified in the following fields: further measures to complete the classic single market (615 billion euro), the development of the digital single market (415 billion euro), moves towards more integrated energy markets and greater energy efficiency (250 billion euro), fighting tax fraud and tax evasion (169 billion euro), and further work to complete economic and monetary union (129 billion euro).

Latest analysis of potential economic gain: 2.2 trillion euro

Since January 2018, the *Mapping the Cost of Non-Europe* exercise has been expanded to cover 50 policy areas, including multiple aspects of justice and home affairs, and new fields such as data protection and cyber-security. Where possible, an initial assessment has also been made of any gains that may already have been realised in these fields - such as in aspects of the classic and digital single markets - as a result of some of the policies advocated by the European Parliament having been proposed (in whole or in part) by the European Commission and then enacted by the Council and Parliament, during the course of the current five-year EU political cycle (2014-19).

The latest work, set out in the present study, looks forward to the opportunities of the next five-year cycle in EU policy-making, starting with the election of the new European Parliament, which will convene in July 2019. This analysis suggests that potential economic gains to the European economy (EU-28) of over **2,200 billion euro** (2.2 trillion euro) could be achieved, by the end of the ten-year period from 2019 to 2029, if policies advocated by the Parliament in the 50 fields studied here were to be adopted by the Union's institutions and fully implemented. This would offer, in effect, a 'two trillion euro dividend' from common EU action, representing some 14 per cent of total EU GDP (itself 15.3 trillion euro in 2017). The long-term potential boost to the EU economy would, if realised, be very significant: in any one year, it could potentially be as big as the whole quantitative easing programme undertaken by the European Central Bank in the decade following the economic and financial crisis of 2008.

Fifty policy areas

The **fifty areas** under specific review here, grouped in their ten broad policy clusters, are listed below, followed by the latest calculation of the annual potential gain, given in billions of euro, after a full running-in period of up to ten years, with the latter adding up to 2,213 billion euro:

1) <u>Classic single market</u> *(713 billion euro)*

- Completing the single market for goods (183 billion euro)
- Completing the single market for services (297 billion euro)
- Guaranteeing consumer rights (58 billion euro)
- Promoting the collaborative or sharing economy (50 billion euro)
- Addressing corporate tax avoidance (85 billion euro)
- Combatting value added tax fraud (40 billion euro)

2) <u>Digital economy</u> *(178 billion euro)*

- Completing the digital single market (110 billion euro)
- Promoting internet connectivity (58 billion euro)
- Cyber-security (10 billion euro)

3) <u>Economic and Monetary Union (EMU)</u> *(322 billion euro)*

- Better coordination of fiscal policy (30 billion euro)
- Completing Banking Union (75 billion euro)
- Common deposit guarantee scheme (5 billion euro)
- Common unemployment insurance scheme (17 billion euro)
- Building more integrated capital markets (137 billion euro)
- Pan-European pension product (58 billion euro)

4) <u>Environment, energy and research</u> *(502 billion euro)*

- Climate change (under assessment)
- Strengthened water legislation (25 billion euro)
- More integrated energy market with greater energy efficiency (231 billion euro)
- Promoting research and innovation (40 billion euro)
- Robotics and artificial intelligence (206 billion euro)

5) <u>Transport and tourism</u> *(51 billion euro)*

- Single European Transport Area (6 billion euro)
- Developing tourism policy (6 billion euro)
- Stronger passenger rights (0.4 billion euro)
- Odometer manipulation in motor vehicles (9 billion euro)
- Liability rules and insurance for autonomous vehicles (30 billion euro)

6) <u>Social Europe, employment and health</u> *(142 billion euro)*

- Reducing the gender pay gap (43 billion euro)
- Better information for and consultation of workers (12 billion euro)
- Social enterprises and mutual societies (15 billion euro)
- Addressing health inequalities (72 billion)

7) <u>Citizens' Europe</u> *(58 billion euro)*

- Free movement of economically-active EU citizens (53 billion euro)
- Creativity and cultural diversity (0.5 billion euro)
- Cross-border voluntary activity (0.06 billion euro)

- Protection of children, family and property relations (0.6 billion euro)
- Establishment and mobility of companies (0.26 billion euro)
- Legal cooperation and litigation in civil and commercial matters (4 billion euro)
- EU law on administrative procedure (0.02 billion euro)

8) ***Justice and Home Affairs - Migration and borders*** *(55 billion euro)*

- Legal migration (22 billion euro)
- Asylum policy (23 billion euro)
- Border control and visa policy (10 billion euro)
- Citizenship and residency by investment schemes (under assessment)

9) ***Justice and Home Affairs - Security and fundamental rights*** *(125 billion euro)*

- Combatting violence against women (23 billion euro)
- Equal treatment and non-discrimination (0.5 billion euro)
- Fighting organised crime, corruption and cyber-crime (82 billion euro)
- Coordinated action against terrorism (16 billion euro)
- Procedural rights and detention conditions (0.2 billion euro)
- Data protection (3 billion euro)

10) ***EU external policy*** *(67 billion euro)*

- Less duplication in security and defence policy (22 billion euro)
- Improved coordination of development policy (9 billion euro).
- Improved common consular protection for EU citizens (0.9 billion euro)
- Promoting international trade (35 billion euro).

Economic analysis

The potential economic benefits of the various EU policy initiatives analysed here may be measured in terms of additional GDP generated or by savings in public or other expenditure, through more efficient allocation of resources in the economy as a whole. An example of additional GDP generated would be the potential multiplier effect over time of widening and deepening the digital single market on a continental scale, or indeed of further completing the existing single market in goods and services. An example of greater efficiency in public expenditure would be more systematic coordination of spending in the field of defence policy, including joint defence procurement, where there are considerable duplications or dis-functionalities in present arrangements. An example of potential future costs avoided would be the benefit of effective action ensuring the resilience of the Banking Union to forestall any future banking or sovereign debt crises, or increased cooperation in fighting tax evasion and avoidance.

The analysis in this paper builds in large part on a series of more detailed pieces of work undertaken in recent years for individual European parliamentary committees by the European Added Value Unit of EPRS. This work often takes the form of *European Added Value Assessments* - to accompany formal legislative initiatives proposed by the European Parliament - and *Cost of Non-Europe Reports* in specific policy sectors. The choice of research areas is thus closely related to specific work of, or requests, or policy positions expressed, by parliamentary committees. It also draws on other research, undertaken independently by outside think tanks and academic bodies, which bears upon other requests made by the Parliament in its various legislative and own-initiative reports in this and previous parliamentary terms.

The detailed analysis set out in this *Mapping the Cost of Non-Europe, 2019-24* seeks to provide a reliable estimate of the size of potentially measurable gains to the EU economy from the various policy initiatives listed. It does not claim to make exact predictions, on the basis of one economic model, but rather it seeks to illustrate the potential order of magnitude of possible efficiency gains that could be realised from common action in the 50 policy fields. The analysis is based on work from a variety of sources, which are referenced in footnotes, often with hyperlinks, and it is constantly updated and refined as new evidence becomes available. It characteristically errs on the side of caution in estimating potential gains. When an underlying study offers a range of potential gains, the low-range value is often selected, even if there is substantial upside potential to this estimate over the medium to long term, from dynamic effects that cannot easily be quantified. Likewise where figures are specific to the year in which a study was conducted, they are not necessarily inflation-adjusted, leading in some cases to an under-estimate of potential gains.

The approach by the European Parliament in the field of cost of non-Europe dovetails with parallel economic research undertaken in the academic and think-tank community more widely, both in respect of particular EU policies and the wider benefits of EU membership itself. For example, a study produced by three economists (Campos, Coricelli and Moretti) in 2014[1], which attracted considerable public attention, sought to quantify the economic benefits of EU membership for the 19 member states which acceded to the Union in the successive enlargements from 1973 to 2004. Although the size and nature of the economic gain might vary by member state, and derive predominantly from different factors in each case - whether intra-EU trade liberalisation (for the 10 member states joining in 2004), the single market (for the United Kingdom), the single currency (for Ireland) or labour productivity (for Finland, Sweden and Austria) - the overall conclusion was that national incomes were already on average 12 per cent higher in those countries than they would otherwise be, as a result of membership and its associated economic integration. Their study also found that such gains are generally permanent and tend to increase over time.

The European Investment Bank (EIB), for its part, has been undertaking a systematic analysis of the impact of its borrowing and lending activity on EU GDP, which it calculates will by 2020 be 2.3 per cent higher than it otherwise would be if such activity had not occurred, with EFSI activity representing 0.7 of that 2.3 per cent figure. The Joint Research Centre of the European Commission has likewise estimated the impact of EU cohesion policy over the period 2007-15 as having increased

[1] N Campos, F Coricelli and L Moretti, 'Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union using the Synthetic Counterfactuals Method', IZA Discussion Paper No 8162, May 2014.

overall Union GDP by 0.7 per cent, with the impact averaging around 2.7 per cent in less developed regions of the Union.

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April 2019.

Summary of potential economic gains in 50 EU policy areas

1) Classic single market (713 billion euro)

- Completing the single market for goods (183 billion euro)
- Completing the single market for services (297 billion euro)
- Guaranteeing consumer rights (58 billion euro)
- Promoting the collaborative economy (50 billion euro)
- Addressing corporate tax avoidance (85 billion euro)
- Combatting value added tax fraud (40 billion euro)

➢ ***Completing the single market for goods***: The single market in goods lies at the heart of the European single market and has been key to the latter already boosting EU GDP significantly - recent estimates suggest by about 6 to 8 per cent - over the third of a century since the single-market programme was launched in 1985. Trade in goods currently generates around a quarter of EU GDP and three-quarters of intra-EU trade: the OECD calculates that it is around 60 per cent higher than if the single market and customs union did not exist. EP research suggests that further action in this specific field - whether by continued adoption of harmonised product rules, wider application of the principle of mutual recognition (wherever such rules do not exist), better transposition and implementation of existing EU law, and/or speedier remedies for non-enforcement of the latter - could boost the EU economy by between 1.2 and 1.7 percent of EU GDP, or **between €183 and €269 billion**. Studies by other organisations have put the figure at between 0.2 and 4.7 per cent of EU GDP. The potential for further progress is confirmed by the fact that intra-EU trade in goods, at around 25 per cent of GDP, is still significantly below that found in a comparably integrated continental market-place, namely the United States, where it represents some 40 per cent of the economy.

➢ ***Completing the single market for services***: Services account for three-quarters of EU GDP and nine out of ten new jobs created in the economy. However, the share of services in intra-EU trade is still only around 20 per cent, a surprisingly low figure. Progress was made through the EU Services Directive in 2006, establishing the framework for a single market in covering around two-thirds of services activity within the Union. However, national regulations still persist in many sectors, and the degree of openness in the regulated professions varies greatly, limiting consumer choice and keeping some prices higher than they would otherwise be. Analysis by the European Commission suggests that two-thirds of the long-term potential gain from completing the single market in services has still to be realised. EP research suggests the unrealised potential gain to be in the order of **€297 billion** or close to 2 per cent of EU GDP. Parallel research points to a gain of between 0.6 and 5.6 per cent of EU GDP, depending on what the definition of services includes.

➢ ***Guaranteeing consumer rights***: European citizens enjoy certain rights to consumer protection which are not always clear or enforceable in practice. Consumers need to know that they are adequately protected before, during and after the conclusion of business-to-consumer contracts if the single market is to operate fairly and effectively. The broadening and better application of existing EU law, such as the Consumer Credit Directive, including the elimination of certain bad practices - for example, people purchasing commercial guarantees to which they are already entitled in law - would lead to greater certainty, fairer competition and lower compliance and litigation costs. EP research has estimated a potential efficiency gain of around **€58 billion** per year from a limited series of measures in this field, whilst a recent European Commission study suggests that the loss to consumers in six markets, whether in direct costs or time wasted, is between €20 and €58 billion per year.

- ***Promoting the collaborative economy***: The collaborative or sharing economy is developing rapidly and challenging business models in several parts of the economy. It is based on collaborative platforms that create an open market-place for the temporary use of goods and services, often provided by private individuals. EP research identifies the long-term potential economic gains from better tax and regulatory policies at EU level in this sector as being in the order of **€50 billion** per year, based on the clearer and more consistent application of competition policy, tax law, and labour-market regulation and working conditions, for example.
- ***Addressing corporate tax avoidance***: The recent Panama Papers and Lux Leaks revelations have highlighted the need for the EU and its member states to give higher priority to countering tax evasion, tax avoidance and aggressive tax planning, and to develop increased cooperation and transparency in these fields, in particular by ensuring that corporate taxes are paid where value is created. Tax revenue losses for the EU as a result of profit-shifting, aggressive corporate tax planning and cost-ineffective regulation could amount between €223 billion and €293 billion, or an average of €258 billion, per year, and distort the allocation of resources in the economy. Taking into account the measures already coming on stream, even if only one-third of the average potential losses could be recovered through further initiatives advocated by the Parliament, this would still generate **€85 billion** per year in additional revenue to national tax authorities.
- ***Combatting VAT fraud***: Revenues lost to the public finances on account of non-compliance or non-collection of Value Added Tax (VAT) in the EU - the so-called 'VAT gap' - amount to almost €150 billion. Cross-border trade is exempt from VAT and so provides a loophole for unscrupulous operators to collect VAT and then vanish without remitting the money to the tax authorities. It is estimated that €40-60 billion of the annual VAT revenue losses of member states are caused by organised crime groups and that two per cent of those groups are behind 80 per cent of missing trader intra-community (MTIC) fraud. European Commission proposals, supported by the EP, would help reduce cross-border fraud by up to 80 per cent, or about **€40 billion** annually, as well as resulting in smoother cross-border transactions and lower costs for businesses and the public.

2) <u>Digital economy</u> (178 billion euro)

- Completing the digital single market (110 billion euro)
- Promoting internet connectivity (58 billion euro)
- Cyber-security (10 billion euro)

➢ ***Completing the digital single market***: Estimates vary of the potential long-run impact of EU GDP of the successful completion of the digital single market in Europe, but all analyses suggest it would be substantial. Using different models, the Joint Research Centre of the European Commission and the latter's DG ECFIN have at various times estimated the potential benefit at between €85 billion and €256 billion per year - or respectively 0.6 and 1.9 per cent of EU GDP - whilst the McKinsey Global Institute has put the figure at around €375 billion per year and EP research in 2014 suggested a figure of €415 billion per year. The definition and scope of the digital single market varies between these studies, as does the methodology adopted. Among areas frequently encompassed are e-commerce, e-procurement, e-payments, e-invoicing, e-government, cloud computing and online and alternative dispute resolution systems. (Internet connectivity is included in some studies and not in others: see below). In several of these areas, the European Commission has since brought forward legislative proposals, some of which have now been adopted by EU law-makers. Accordingly, the realisable figure over the next decade, for the purpose of this analysis, is currently thought to be around **€110 billion euro**, but could easily be higher.

➢ ***Promoting internet connectivity***: Estimates locate the potential long-term boost to EU GDP from European-level policies to promote improved internet connectivity - notably through the deployment of wireless high-speed broadband and faster roll-out of fixed high-speed broadband - at about 0.8 per cent of GDP after full running-in over 30 years. Assuming a positive impact of 0.4 per cent of GDP over the next decade, the boost to the European economy would be in the order of **€58 billion** per year.

➢ ***Cyber-security***: Providing a secure cyber environment is important in guaranteeing citizens' unobstructed and safe participation in many aspects of the digital era: opinion polls suggest that some 87 per cent of Europeans see cyber-crime as an important challenge and (in 2016) 80 per cent of European companies were hit by at least one cyber-security incident. Updating the existing legal and policy framework on cyber-security in the way advocated by the EU institutions can generate an efficiency gain to the European economy of at least **€10 billion**, on the basis of calculations undertaken by the European Commission.

3) **Economic and Monetary Union** (322 billion euro)

- Better coordination of fiscal policy (30 billion euro)
- Completing Banking Union (75 billion euro)
- Common deposit guarantee scheme (5 billion euro)
- Common unemployment insurance scheme (17 billion euro)
- More integrated capital markets (137 billion)
- Pan-European pension product (58 billion)

➢ ***Better coordination of fiscal policy***: Unless national fiscal policies are effectively coordinated, there can be significant negative 'spill-over' effects between the EU member states participating in Economic and Monetary Union (EMU), and across the European economy more widely, in the event of a severe crisis. Better fiscal coordination increases the sustainability and resilience of member states and confidence and solidarity between them, and should exert a counter-cyclical effect, allowing greater margin for manoeuvre for countries affected by significant output losses in any downturn. EP research suggests that the potential annual efficiency gain of improved coordination of fiscal policy within the European Union could amount to around **€30 billion** on an annualised basis.

➢ ***Completing Banking Union***: The purpose of the EU Banking Union is to safeguard financial stability in Europe, breaking in particular the vicious circle between banks and sovereign borrowing costs. It also contributes to reduce the current fragmentation of European financial markets, by promoting a single framework for supervision, prevention and resolution. Resting on the foundations of the single rulebook, two key building-blocks of an effective Banking Union - the single supervisory mechanism and the single resolution mechanism - are now in place. Taking account of progress made, EP research suggests that some **€75 billion** of potential gains (or close to 0.5 per cent of EU GDP) can still be realised in this field. Other research suggests that completing Banking Union would deliver net macro-economic gains of between €35 and €130 billion per year.

➢ ***Common deposit guarantee scheme***: While national deposit guarantee scheme (DGSs) are already in place and provide protection for covered deposits of up to €100,000, they are not backed by a common European scheme. A common deposit guarantee scheme, taking the form of a European Deposit Insurance Scheme (EDIS), would provide a stronger and more uniform degree of insurance cover across the euro area and reduce the vulnerability of national deposit guarantee schemes to large local shocks. EP research suggests that the average annual cost of not having an EDIS, taking into account the potential reduced flight of deposits from EU banks in the case of a severe sovereign or financial crisis, is around **€5 billion** on an annualised basis.

➢ ***More integrated capital markets***: The EU is progressing towards the building of a more integrated Capital Markets Union, with the aim of increasing lending alternatives to companies, in particular start-ups and SMEs. However, about 75 per cent of firms still rely on banks for external funding. A more integrated capital market would allow a better access to stock markets, with investors facing fewer barriers when investing in other EU countries. EU households would also make the most of their savings and have greater opportunities to invest. As a result, the EU could improve its average potential growth performance and capital would more easily be directed towards the more productive and innovative investments. Improved integration and development of capital markets would also valuably complement Banking Union, as they both facilitate economic adjustment and contribute to increasing economic resilience. EP research estimates that the potential benefits from more fully integrated and more effectively-regulated EU capital markets could be in the order of **€137 billion** per year.

- ***Common minimum unemployment scheme***: The creation of a common unemployment insurance scheme for the euro area could act as an automatic stabiliser during any future periods of serious economic downturn. Had such a scheme been in place during the 2008 economic and financial crisis, EP research suggests that it would have stabilised household incomes by delivering a well-targeted stimulus, and attenuated the GDP loss in the worst affected euro-area member states by some €71 billion over four years, equivalent to approximately **€17 billion** in any one year.

- ***Pan-European pension product***: Pension systems, and in particular public pension schemes, have ensured that most of the older people in the majority of EU countries are protected against the risk of poverty. Nowadays, at the age of 65, people can expect to live for another 20 years. For this and other reasons, Member States encourage the build-up of private pension savings as a way to soften the burden of ageing populations on social security schemes and to complement public pension benefits. A pan-European pension product (PEPP) could be an attractive complement, particularly to young people and the self-employed, and especially in member states with under-developed occupational and/or private pension systems. Estimates suggest that the introduction of a PEPP could contribute about half of the growth of the personal pension market in the EU between now and 2030, representing a figure of some €700 billion or an average **€58 billion** per year.

4) **Environment, energy and research** (502 billion euro)

- Climate change (under assessment)
- Strengthened water legislation (25 billion euro)
- More integrated energy market with greater energy efficiency (231 billion euro)
- Promoting research and innovation (40 billion euro)
- Robotics and artificial intelligence (206 billion euro)

- ***Climate change***: In Europe alone, the total reported economic losses caused by extreme weather patterns and other climate-related developments since 1980 are believed to have amounted to over €436 billion. Recent, though not exhaustive, research on the cost of climate change suggests that the potential benefits to the EU economy from currently-planned mitigation policies will be in the order of around **€160 billion** per year. This corresponds to the additional loss, in terms of consumer welfare, that would be incurred if the global temperature rises by more than two degrees Celsius by the end of the century, with EU climate policy targets, supported by the EP and other EU institutions, being missed. This figure is not included in the current *Mapping the Cost of Non-Europe* exercise, because it relates to the cost of the non-achievement of an established EU policy and is measured over a much longer timescale than any other policy under consideration. However, it is under active assessment and powerfully highlights the added value to European citizens of coherent EU-level action in this policy field.

- ***Strengthened water legislation***: The effective use and management of water is an important part of an efficient and environmentally sustainable economy. However, inadequate investment in the sector and an incomplete regulatory regime are resulting in risks for citizens and continued problems in water infrastructure, water cleanliness and flood risk management. EP research suggests that targeted EU action in four specific fields - to help restore flood-plains, reduce pharmaceutical residues in urban waste-water, promote use of more efficient waste-water equipment, and increase water-metering - could bring an efficiency gain of some **€25 billion** per year to the European economy.

➢ ***More integrated energy market with greater energy efficiency***: Despite significant progress in recent years, there is still scope for the realisation of a fully integrated EU energy market, as lack of coordination and regulatory barriers continue to restrict competition. As a result, many consumers still faces limited choices of supplier and are denied the benefits of lower energy prices. Households and businesses should also be able to fully participate in the energy transition, managing their consumption while benefiting from the introduction of smart demand management technology and transparent information. Finally, investments towards using energy more efficiently would boost EU GDP while contributing to lower Europe energy bills, increase security of supply, and help protect the environment. Based on EP and other research, it is reasonable to assume that a more integrated energy market could increase potential GDP by up to €29 billion per year while a full implementation of EU's energy efficiency measures could bring additional gains of around €202 billion per year. In total, a more integrated market with greater energy efficiency could thus generate potential benefits of up to **€231 billion** per year.

➢ ***Promoting research and innovation***: Successful research and innovation (R&I) are key to economic prosperity and sustainable development. Although the EU accounts for one-fifth of the world's research and development (R&D) investment, the Union's competitors and main trade partners are investing proportionally more: in 2015 China's R&D activity overtook the EU28's, with an expenditure of over 2.0 per cent of GDP, whilst the figures for the United States and Japan are respectively somewhat below and above 3.0 per cent. In 2018, the European Commission put forward a proposal for a deeper developed EU research and innovation programme. Based on existing findings and using various macroeconomic simulations, the proposed programme could achieve potential efficiency gains up to **€40 billion** per year.

➢ ***Robotics and artificial intelligence***: The growth of robotics and artificial intelligence (AI) have an enormous economic potential for the EU. Appropriately regulated, they can have positive implications for individuals and society as a whole, improving the qualities of life, health and the environment, and providing citizens with new business opportunities which can underpin economic growth. It is estimated that the worldwide economic impact of the development of robotics and AI could fall within a range of €2 and €12 trillion by 2030. Appropriate EU policies to promote and regulate these new technologies could help realise a potential efficiency gain within the European economy of **€206 billion** per year.

5) <u>Transport and tourism</u> (51 billion euro)

- Single European Transport Area (6 billion euro)
- Developing tourism policy (6 billion euro)
- Stronger passenger rights (0.4 billion euro)
- Odometer manipulation in motor vehicles (9 billion euro)
- Liability rules and insurance for autonomous vehicles (30 billion euro)

➢ ***Single European Transport Area***: Despite significant progress made over the last 20 years in creating a single market for transport, the sector still suffers from multiple barriers that generate substantial additional costs affecting the environment, safety, human health, and the competiveness of the economy. EP research suggests that removing inefficiencies in the transport sector has the potential to yield annual gains of at least **€5.7 billion** for the European economy. In doing so, it would improve mobility for citizens, enhance environmental sustainability, ensure better intra-EU connectivity and greater international competitiveness.

- ***Developing tourism policy***: Although the EU is the leading tourism destination in the world - representing around 40 per cent of total international visits - its tourism industry continues to face many challenges and to be hampered by market inefficiencies of various kinds. EP research suggests that further benefits can be achieved by addressing sectors with the highest potential of efficiency gains from further EU action, such as promoting the development of SMEs in the food-related sector, backed by quality accommodation, bringing potential benefits of **between €5.7 and 6.8 billion** per year.

- ***Stronger passenger rights***: EU passengers travelling by air, road (bus), rail and water (sea and inland waterway) are protected by a specific legislative framework, which is virtually unique in the world. However, significant challenges remain to be addressed both legally and practically in the respect and execution of these rights. These include differences in the level of protection from one mode of transport to another, cases of non-application of passenger rights, and low awareness of such rights. EP research suggests that the cost to citizens and businesses resulting from the absence of a consolidated framework for passenger rights within the EU is in the order of at least **€355 million** per year.

- ***Odometer manipulation in motor vehicles***: Up to 50 per cent of used cars traded among EU member states have illegally manipulated odometers - (the instrument which measures the distance travelled by such a vehicle) - with a view to increasing the vehicle's market value. Imported cars have a much higher rate of manipulated odometers with the number of kilometres clocked also higher than in the cars sold on national markets. EP research shows that the total economic costs of odometer fraud in second-hand cars traded cross-border in the EU is at least €1.3 billion per year, with the most probable fraud rate scenario yielding an **€8.8 billion** economic loss.

- ***Liability rules and insurance for autonomous vehicles***: The growing shift towards connected and autonomous vehicles (AVs) will have a major impact on the automotive sector and potentially bring substantial socio-economic benefits. By 2050, autonomous vehicles could potentially contribute €17 trillion to the European economy. It is widely assumed that AVs would have the potential to save human lives, minimise the financial cost of car accidents, improve urban mobility, decrease congestion and negative environmental impacts, provide more inclusive forms of mobility for the elderly and people with special needs, and increase productivity. EP research estimates that accelerating the 'adoption curve' for AVs by five years, through clarification of liability rules at European level, would boost the economy by **€29.6 billion** per year.

6) <u>Social Europe, employment and health</u> (142 billion euro)

- Reducing the gender pay gap (43 billion euro)
- Better information for and consultation of workers (12 billion euro)
- Social enterprises and mutual societies (15 billion euro)
- Addressing health inequalities (72 billion euro)

- ***Reducing the gender pay gap***: Despite efforts in recent years to close the gender pay gap, the gross hourly pay of women in the EU economy is still 16 per cent lower than that of men. This is due both to 'segregation effects' and to pay discrimination, but overall earning inequalities include also the gap in employment and in hours worked, with lost earnings estimated at between €241 and €379 billion per year. Reducing the gender pay gap still further is not only desirable in its own right, but it would have a positive effect on the European economy, as the gap reduces economic efficiency, inter alia, by preventing labour from being allocated in an optimal way. It would increase productivity and job satisfaction, and reduce staff turnover and litigation disputes. EP research suggests that a one per cent decrease in the gender pay gap increases the size of the economy by 0.14 per cent. It follows that even if EU action on pay transparency and improved access to different forms of leave and flexible working arrangements were to reduce the pay gap by only 2.0 per cent, EU GDP would rise by 0.28 per cent, or **€43 billion** per year.

- ***Better information for and consultation of workers***: Not only do employees enjoy the right to appropriate levels of information under the EU Charter of Fundamental Rights, but the process can have a positive effect on the economy, especially at times of redundancy, when advance notification has been shown to encourage successful redeployment, especially accompanied by job-search assistance and training. EP research on the costs and benefits of possible improvements in the current EU legislative framework estimates that it could generate efficiency gains of around **€12 billion** per year, notably by reducing the number of redundancies (by around 22 per cent), as well as reducing the incidence and severity of industrial conflicts, employee 'quit rates' and health costs, and by increasing the likelihood of workers finding new jobs.
- ***Addressing health inequalities***: Being healthy and/or able to live a good life when sick is one of the most important issues for every human being. Although the EU only has a supporting competence in health policy, access to cross-border healthcare and better coordination and promotion of best practice between member states can bring considerable benefits. Based on analysis by the European Commission and others of the costs of major health inequalities, both between and within EU member states, leading to poorer health among several social groups or in certain localities, there could be a potential gain for the European economy of up to **€72 billion** per year from more effective action in this field. A health dimension could be introduced to other EU policies - such as greater use of existing structural funds to support projects that and that improve health infrastructure, increase health research and training, contribute to healthier living and promote 'active ageing'.
- ***Social enterprises and mutual societies***: There are two million social enterprises within the EU, employing over 14 million people. They take a wide variety of legal forms - whether as foundations, cooperatives, mutual societies, associations or companies – and there is currently no European legal framework to help them to benefit fully from the single market. A more coordinated EU approach would generate economic and social added value, including greater economies of scale through access to a larger market, reduced transaction and enforcement costs, greater access to finance and public contracts, and potentially higher visibility and consumer confidence. The notions of European mutual foundations or European foundations would make their operations easier, as would an EU certification system. In the latter case, a 'European social economy label' could offer them the opportunity to distinguish themselves from other businesses, without having to register separately in each member state, whilst allowing them to choose the legal form under which they prefer to conduct their operations. EP research suggests that even if such action were to boost the sector by only 2.0 per cent, it would represent a gain of some **€15 billion** per year.

7) <u>Citizens' Europe</u> (58 billion euro)

- Free movement of economically-active EU citizens (53 billion euro)
- Creativity and cultural diversity (0.5 billion euro)
- Cross-border voluntary activity (0.06 billion euro)
- Protection of children, family and property relations (0.6 billion euro)
- Establishment and mobility of companies (0.26 billion euro)
- Legal cooperation and litigation in civil and commercial matters (4 billion euro)
- EU law on administrative procedure (0.02 billion euro)

➢ ***Free movement of economically-active EU citizens***: Citizens have the right to look for a job in another EU country, live in that country and access its labour market. They have to pay taxes and contribute to social security, but enjoy the same rights as nationals. It is estimated that in 2017, a GDP gain of €106 billion was achieved thanks to free movement to main destination countries. If trends continue at their current rate - where the number of employed, working-age EU citizens residing in another member state rose from 2.5 to 3.8 per cent in the decade 2007-17 - the continued use of free movement would result in 5.4 per cent of such persons, or around 12 million people, falling into this category by 2027. EP research suggests that such an increase would be worth around **€53 billion** to the EU economy per year, in constant prices. The amount would be significantly higher, if one took cross-border workers, posted workers, remittances and the impact on public revenues into account.

➢ ***Creativity and cultural diversity***: Culture is one of Europe's greatest assets, with 80 per cent of citizens considering that the diversity of the continent's culture sets Europe apart and gives it special value. The cultural and creative sectors are also drivers of innovation, generating over €500 billion in GDP per year and employing 7.5 per cent of Europe's workforce. Among challenges they face are digitisation, fragmentation of markets, limited circulation of works and barriers to accessing lending and equity, especially given the difficulty of valuing intangible assets and the prevalence of micro-enterprises in the sector. Research suggests that if, by introducing new financing facilities and further developing existing ones - with easier access to equity and co-financing, including use of 'business angels' and crowd-funding - the funding gap in the sector could be reduced by a quarter, the potential GDP gain could be up to **€494 million** per year.

➢ ***Cross-border voluntary activity***: Volunteering - conducted of a person's own free will, primarily within a non-governmental organisation, for a non-profit cause - offers many benefits, both for the volunteers and for the sectors and local communities which they help. However, a range of regulatory and financial burdens have traditionally limited access to volunteering, especially for younger people. These include lack of legal recognition across borders, barring access to social security benefits, for example, and the fact that skills acquired during volunteering are not consistently recognised. EP research has estimated the cost of such barriers at around **€65 million** per year, the European Commission believes that, with a multiplier effect of around four times, the 50,000 participants per year in its new European Solidarity Corps could boost the economy by €810 million per year.

➢ ***Protection of children, family and property relations***: The number of international couples and families within the EU continues to increase, as more individuals exercise their right to free movement. EP research suggests that current gaps and inconsistencies in the EU legal framework addressing the protection of children, family and property relations in cross-border situations generate annual costs of around **€619 million**. These costs are driven mainly by the divergences in member-state rules, in interpretation and application of EU rules, and in lack of mutual recognition of a specific legal status or administrative decision. Action is needed in relation to cross-border adoption of children, representation in case of incapacity, recognition of civil status and property rights, and reimbursement of damages from traffic accidents.

- ***Establishment and mobility of companies***: European company law is an important cornerstone of the single market. It facilitates freedom of establishment, reduces operational burdens on companies, enhances their competitiveness and promotes transparency. According to Eurostat data, 17 million limited-liability companies in the EU generate an annual added value of around €4.9 trillion. However, companies wishing to move to another member state still face significant obstacles, costs and legal uncertainties, limiting the degree of market integration. EP research suggests that the improvement of the EU legal framework in respect of mergers, divisions, conversions and agency of companies has the potential to generate an efficiency gain of **€264 million** per year.

- ***Legal cooperation and litigation in civil and commercial matters***: The number of people and companies involved in cross-border transactions is ever increasing. However, enforcing rights in another member state is still challenging. Differences in civil procedural rules among member states create difficulties and costs for the parties involved and can be a source of mistrust among judiciaries when it comes to recognising or enforcing foreign judgements. EP research suggests that legislative action introducing EU common minimum standards for civil procedure could reduce annual costs for citizens and businesses by between €258 to 773 million annually. Moreover, EU action to expedite settlement of commercial disputes could generate further European added value in the range of at least **€3.7 billion**, and potentially €5.7 billion, annually.

- ***EU law on administrative procedure***: Every citizen has a legally-enforceable right to good administration in his or her relations with the EU institutions, bodies and agencies. As it stands now, the EU administrative law is highly fragmented, generating uncertainty, costs and delay. EP research suggests that a clearer and more consistent approach, codified in the form of an EU law on administrative procedure, would reduce transaction costs and waiting time for individuals in their dealings with the EU administration, to the value of at least at least **€20 million**.

8) Justice and Home Affairs - Migration and borders (55 billion euro)

- Legal migration (22 billion euro)
- Asylum policy (22 billion euro)
- Border control and visa policy (10 billion euro)
- Citizenship and residency by investment schemes (under assessment)

- ***Legal migration***: The EU aims at building a comprehensive immigration policy in which legally resident third-country nationals (TCNs) should be treated fairly and in a non-discriminatory manner. However, a number of gaps and barriers remain due to the lack of incorporation and implementation of international and EU human rights and labour standards, and the sectoral approach taken in the EU legal framework, failing to cover all TCNs. This contributes in turn to TCNs experiencing differences the employment rate, over-qualification, lower job quality, lower earnings and poorer long-term integration outcomes. EP research estimates that further EU action in the area of legal migration could result in up to **€22 billion** in benefit to the economy per annum. Additional gains could be made by addressing the fragmented national policies in this area, which are currently undermining ability of the EU as a whole to attract the workers and researchers it needs.

- ***Asylum policy***: There are currently significant structural weaknesses and shortcomings in the design and implementation of the Common European Asylum System (CEAS) and related measures. They point to the need to address issues such as better compliance with international and EU norms and values, lower levels of irregular migration to the EU and costs of border security and surveillance, increased asylum process effectiveness and efficiency, faster socio-economic integration of asylum-seekers, increased employment and tax revenues, and reinforced protection of human rights in countries of return. EP research suggests that the economic benefit of adopting policy options in these fields would be at least **€22.5 billion** per year.

- ***Border control and visa policy***: The unexpectedly high number of migrants arriving at the EU's external borders in 2015 and 2016 exposed structural deficiencies in EU external border management policies, notably in terms of checking migrants and asylum seekers. These deficiencies, together with concerns relating to internal security, led several Schengen states to temporarily reintroduce internal borders. In addition to an economic loss from closing internal borders - a 'cost of non-Schengen' thought to be at least €10 billion per year - this situation has had a negative impact on the migrants, receiving societies, their residents, and trust in the EU as such. EP research estimated that the cost of existing arrangements in the latter respect to the European economy amounts to approximately €27.5 billion per year. The net benefits of adopting a number of policy options for the EU to tackle the identified gaps and barriers would be at least **€10 billion** per year (€4 billion for border control and €6 billion for visa policy).
- ***Citizenship and residency by investment schemes***: Several member states have citizenship by investment (CBI) or residency by investment (RBI) schemes in place - also known as 'golden passports' and 'golden visas' – which allow access to residency or citizenship in exchange for specified investments in the countries concerned. In some cases, concerns have been raised about the scope for corruption, money laundering, and/or tax evasion and avoidance, as well the potential to distort the single market and undermine the integrity of European citizenship. A range of EU initiatives designed to increase the transparency, accountability and due diligence surrounding such schemes are under active consideration, and the potential economic benefit to the EU economy of such actions is also under assessment.

9) <u>Justice and Home Affairs - Security and fundamental rights</u> (125 billion euro)

- Combatting violence against women (23 billion euro)
- Equal treatment and non-discrimination (0.5 billion euro)
- Fighting organised crime, corruption and cyber-crime (82 billion euro)
- Coordinated action against terrorism (16 billion euro)
- Procedural rights and detention conditions (0.2 billion euro)
- Data protection (3 billion euro)

- ***Combatting violence against women***: Between a quarter and one third of all women in Europe have experienced physical and/or sexual violence since the age of 15. There are no legally-binding instruments specifically addressing women victims of violence at EU level. As a result, prevention, protection and assistance vary across the Union. The EU has signed the Council of Europe's Istanbul Convention on preventing and combatting violence against women and domestic violence, which, once ratified, will be binding on both the Union and its member states. EP research estimates the overall social and individual cost of violence against women to be around €230 billion per year, including a direct GDP loss of some €30 billion and the cost of increased use of the criminal and civil justice systems of €34 billion. Should violence be reduced by 10 per cent by policy measures advocated by the Parliament, the gain to the economy would be around **€23 billion** per year.

- ***Equal treatment and non-discrimination***: The notions of equal treatment and non-discrimination are fundamental to the values on which the European Union is founded. However, one in five people within the EU experience discrimination in some form each year. Beyond the discrimination and violence against women (analysed above), racial discrimination is widespread, people with disabilities struggle to fully exercise their right to independent living, whilst LGBT people encounter new waves of discrimination and hate crimes. Despite existing EU legislation and action, there are still significant gaps and barriers to equal treatment and to adequate prevention and prosecution of, and compensation for, hate crimes within the Union. EP research suggests that further EU-level action to certain issues - notably by ensuring better implementation of existing legislation, adopting new protections in respect of discrimination based on religion and belief, sexual orientation, disability and age, and extending hate-crime safeguards to LGBT - could generate an economic gain to up to **€527 million** a year.

- ***Fighting organised crime, corruption and cyber-crime***: Organised crime and corruption operate in a mutually-reinforcing relationship. Organised crime groups (OGCs) attempt to bend the rules in their favour by corrupting officials. Corruption undermines the rule of law, which in turn provides more opportunities for organised criminals. With the development of modern technologies, OCGs have expanded their activities to cyber-crime, such as online payment fraud and extortion using malicious software. Lack of implementation of international and EU norms poses one of the main barriers to the effectiveness of this struggle by the EU and its member states. EP research suggests that a more coordinated approach could save the European economy at least **€82 billion** euro annually.

- ***Coordinated action against terrorism***: Terrorism remains one of the most important issues the EU is facing at the moment. The EU fights terrorism through supporting various national measures and exchanges, including those preventing radicalisation and recruitment, measures addressing terrorist financing and regulating the possession and acquisition of weapons and explosives, as well as instruments aimed at strengthening security at the Union's external borders. This includes active cooperation with third countries and international organisations. Nevertheless, the costs of terrorist activity within the EU remains approximately of **€15.9 billion** per year. Addressing a number of gaps and barriers in EU counterterrorism policy may result in a better prevention and prosecution of terrorist activity.

- ***Procedural rights and detention conditions***: Notwithstanding significant action and cooperation at EU level, the rights and detention conditions of those suspected of committing a crime and serving a sentence in the Member States continue to fail to live up to international and EU standards. EU legislation on suspects' rights is limited to setting common minimum standards. Moreover, certain areas have not been comprehensively addressed, such as pre-trial detention, contributing to prison over-crowding in a number of EU member states. This situation impacts on the individuals concerned and their families, as well as on society more generally. EP research has estimated the cost to the European economy of excessive application of pre-trial detention measures at €162 million annually, and that disproportionate use of the European Arrest Warrant adds another €43 million, or a total of **€205 million** per year.

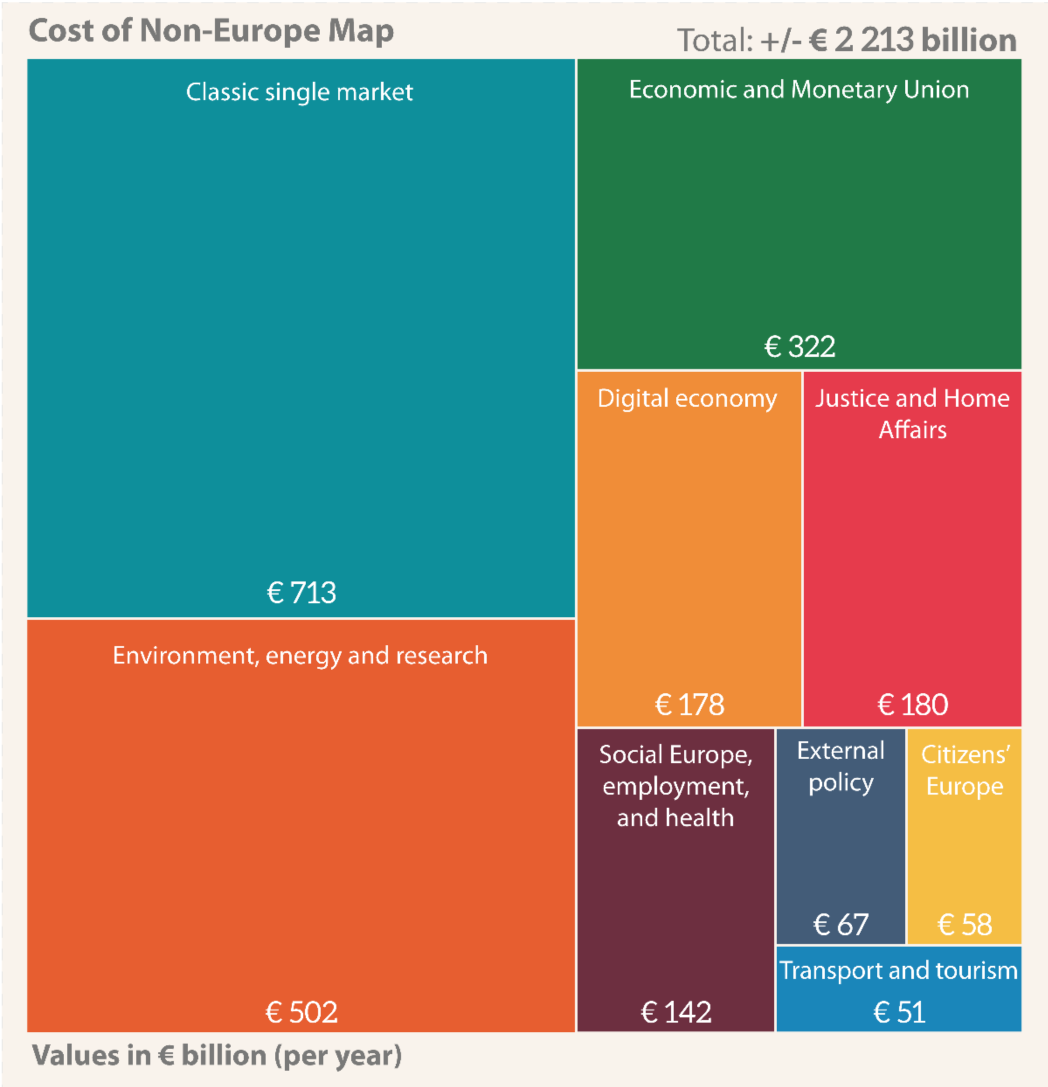
- ***Data protection***: Data protection is a fundamental right under the EU Charter of Fundamental Rights and the recent General Data Protection Regulation (GDPR), covering the public and private sector , and Data Protection Law Enforcement Directive, covering police and judicial cooperation, have updated data protection standards for citizens in a coherent and positive way. However, there is still the potential to clarify and simplify arrangements in respect of e-privacy in electronic communications, by updating legislation in this field. In addition to safeguarding citizens' rights, potential savings to the European economy of some **€3.25 billion** per year could be envisaged.

10) EU external policy (67 billion euro)

- Less duplication in security and defence policy (22 billion euro)
- Improved donor coordination in development policy (9 billion euro).
- Improved common consular protection for EU citizens (0.9 billion euro)
- Promoting international trade (35 billion euro)

- ***Less duplication in security and defence policy***: Although EU member states are collectively the second largest defence spenders in the world, now budgeting over €220 billion per year (on a rising curve), the traditional fragmentation of armed forces and of military purchasing, reflected sometimes in the non-interoperability of equipment, results in unnecessary overlaps and duplication - whereas increased cooperation can offer greater efficiency, especially backed by greater standardisation of equipment and specialisation of tasks. EP research suggests that, despite important recent progress in this field, led by both the EU and NATO, there are still at least **€22 billion euro** per year of efficiency gains to be realised, a view which dovetails with research by other bodies, such as the Bertelsmann Foundation, McKinsey and the Italian Institute for International Affairs.
- ***Improved donor coordination in development policy***: The EU and its member states are collectively the biggest player in global development aid, spending €76 billion on official development assistance. Although the EU has been closely involved in the definition of global aid effectiveness criteria and tools, the existence of three different types of EU assistance - provided directly by the European Commission, indirectly through the intergovernmental European Development Fund (EDF), even if administered by the Commission, and bilaterally by the member states - can hamper effectiveness and lead to some duplication and overlap. EP research suggests that efficiency gains of some **€9 billion** per year, including both direct savings and better results in recipient countries, could be achieved through better coordination in this field, notably by fuller coordination of country allocations.
- ***Improved common consular protection for EU citizens***: A growing number of EU citizens move, travel and work outside the EU borders. The Treaties give them the right to enjoy diplomatic and consular protection in a country where their own member state is not represented. Enhanced diplomatic assistance for those citizens could be beneficial not only for them but to reduce unnecessary costs through duplication of support. It has been estimated that savings of around **€860 million** per annum could be realised by providing at EU level a number of diplomatic services that today are operated by member-state diplomatic missions.
- ***Promoting international trade***: Taking account of both goods and services, the EU is the world's largest trading power. International trade should bring welfare gains through specialisation and productivity increases and to allow access to resources that are domestically scarce, and to technology and innovation produced abroad. At the same time, the EU strives to ensure that its trade policy respects human rights, labour, environmental, and health and safety standards and principles. Whilst multilateral (WTO) and bilateral trade frameworks are both highly important to the Union, recent progress has tended to be in the latter area. The European Commission has assessed the potential economic benefit to the EU economy of recently concluded free-trade agreements with New Zealand, Australia and Japan to be in the range of €2.1 billion to €35 billion per year, and it had expected a Transatlantic Trade and Investment Partnership (TTIP) to come in at around €68 billion per year. On a similar basis, the long-run potential gain from one further EU free-trade trade agreement with a major third-country or group of countries could reasonably be posited at around **€35 billion** per year.

Cost of Non-Europe Map, 2019-24



List of detailed analysis of potential economic gains in 50 EU policy areas, to be found in the full study

This is an extract of a study bringing together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy through pursuing a series of policy initiatives recently advocated by the Parliament – from a wider and deeper digital single market to more systematic coordination of national and European defence policies or increased cooperation to fight corporate tax avoidance. The benefits are measured principally in additional GDP generated or more rational use of public resources.

The latest analysis suggests that there are potential gains to the European economy (EU-28) of over 2,200 billion euro that could be achieved, if the policies advocated by the Parliament in a series of specific areas were to be adopted by the Union's institutions and then fully implemented over the ten-year period from 2019 to 2029. This would be, in effect, a 'two trillion euro dividend', representing a boost of some 14 per cent of total EU GDP (itself 15.3 trillion euro in 2017). The study is intended to make a contribution to the on-going discussion about the European Union's policy priorities over the coming five-year institutional cycle, from 2019 to 2024.

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