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NOTE

From: Presidency
To: The High Level Working Group on Competitiveness and Growth
Subject: The future of the Single Market

Delegations will find in Annex a Presidency note on the future of the Single Market, in view of the meeting of the High Level Working Group on Competitiveness and Growth on 8 November 2018.

The Future of the Single Market

- (1) The purpose of this note is to deliver input for the discussion at the Competitiveness Council on 29 November 2018 that will feed into the debate of the European Council in December. This should be done in parallel to European Commission's work on its Communication on Single Market that is foreseen to be issued on 21 November 2018.
- (2) A well-functioning and competitive Single Market is vital for the sustainable growth in Europe. The Single Market, which turns 25 this year, is one of the European Union's greatest achievements and is at the very heart of the European Project. The free movement of goods, services, persons and capital inside the world's largest economic area (over 15 trillion euro GDP)¹ means that European businesses and consumers are able to benefit from enormous opportunities, greater choice of goods and services, as well as lower prices.
- (3) Nevertheless, the full potential of the Single Market has yet to be tapped: the existing Single Market acquis falls short of bringing about genuine integration. Significant obstacles and barriers to the free movement principle still remain, particularly when it comes to the cross-border provision of services. The continued deepening of the Single Market - that is, removing these remaining barriers and obstacles - requires a new approach to policy-making in order to succeed. This new approach should deliver real results to entrepreneurs, consumers and citizens.

¹ Eurostat

- (4) First of all, some advocate for a **need to reframe the Single Market concept** in order to set new goals in building the Single Market to better reflect the current economic reality. Especially, the new concept should bring together and highlight the interlinkages and implications between Single Market policy, digitalisation and industrial policy. The focal point of the Single Market should be shifted to fostering the Union's global competitiveness. Such an approach would thus concentrate on opportunities (i.e. increase of competitiveness) instead of shortcomings.
- (5) By focusing on global competitiveness we should have a **more holistic approach to challenges and opportunities within the Single Market**. Given that it is ever more difficult to draw distinct lines between goods and services and different Union policies, the new concept should be comprehensive at its core by linking those different but intertwined policies together. Topics such as data mobility, artificial intelligence, collaborative economy, digital skills, etc are key areas of today's economy that need our attention to secure the Union's success in the global data driven market. From this it is evident that all **policies should be fit for the digital age**.
- (6) Therefore, the **abolishment of the division between the Single Market and the Digital Single Market** should be given some consideration as digitalisation and digital economy are essential and integral parts of the Single Market and major enablers for offering extensive potential for growth and competitiveness. This approach would aim at allowing the exploitation of the full potential of digital technologies in the Union. In order to achieve a well-functioning Single Market, the same rules need to apply on an equal footing both online and offline. Removing such a division would be an important step towards unifying the Single Market rulebook.

- (7) Furthermore, experience from some other areas of EU policy could be useful in assessing the needs for the future of the Single Market. For example, the ownership and use of data have become more and more relevant, as few big companies outside Europe dominate many markets by using and controlling data through platforms. This is one of the major challenges for the development of the Single Market. Therefore, it is important to **combine the efforts in the field of internal market policy and competition policy** in order to better understand how the market functions and find the most efficient means to tackle the related problems, as well as to help the Union companies to participate in these important value chains.
- (8) In addition, it would also be necessary to streamline the Single Market initiatives with other policies at sectoral level. One of the possibilities for achieving this would be **putting the end-user experience into the centre of any future Single Market approach**. This means solving real problems and seizing real opportunities as experienced on the ground. Such an approach would entail defining priority cross-border user group(s), developing an understanding of the entrepreneur's experience through process mapping at all levels of interaction with regulations and public services across policy fields (incl. taxation, insurance, social standards, safety, etc.) and determining the areas where that experience could be improved. In a similar vein, the Unions' start-up community is advocating for a "scale-up test" under which all new policies – local, national and European – would be evaluated through structured dialogue with the start-up and broader business community to assess the impact any new policy on growth, productivity gains and company scaling.²

² <http://scaleupeuropemanifesto.eu/>

- (9) Key to a well-functioning Single Market is a strong governance and more rigorous enforcement of the rulebook. Enforcement in the Single Market is crucial for increasing Europe's competitiveness. Hence, **more focus should be put on implementation, application and enforcement** in areas that matter most. It is apparent that many of the obstacles present in the Single Market are not necessarily stemming from outdated or insufficiently harmonised Union legislation but may instead be induced by lack of clear political ownership in the process of implementation. A Single Market Scoreboard could be a good basis for tackling such a problem as it provides insights to some of the trends in our Single Market. However, its analytical data could be further developed so that it would allow us to systematically measure progress towards our goals in the Single Market. Furthermore, a more coherent complaint system could be endorsed by linking mechanisms such as SOLVIT and the EU Pilot and additionally providing for a system for filing actual complaints to the European Commission.
- (10) It is evident that making progress will involve action at the Union level, but also at national level. Member States have to reflect on their own restrictions and regimes and **take political ownership of taking the Single Market forward**. In this regard, it could be considered to promote small scale Single Market related experimentation initiatives. Single Market experimentations could thus be first tested by piloting Member States, best practices could be shared and then rolled out to the Union level on the basis of such testing. This would create additional momentum, legitimacy and political ownership in the process. In addition, it is important to remind that the Member States need to be involved in the early stages of the decision-making process of the European Commission before envisaging future measures so as to induce political ownership later on. In this regard, the introduction of *ex ante* and *ex post* collaboration mechanisms are essential.

- (11) Ultimately, if we succeed in tapping into the full potential of the Single Market, the benefits to be gained are considerable: a boost to EU GDP by somewhere between 5-9% as well as the creation of at least 7.5 million jobs by 2030.³

Questions for discussion:

- 1) *As internal market barriers are the outcome of different policies and there is still such a divergence between goods and services in the Single Market, when increasingly these are coming together, is there a need to **reinvigorate the Single Market approach?** What could be the **aims and concrete actions** of a new approach that would improve the global competitiveness of the Union?*
 - 2) *What can be done further to guarantee that Member States and the Commission take appropriate **political ownership in enforcement?***
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³ European Parliament. Cost of Non-Europe in the Single Market; European Parliament. EU single market: Boosting growth and jobs in the EU.