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From: Trio Presidency
To: Working Party on Competitiveness and Growth (High Level)
Subject: Discussion paper: 30 years of the Single Market

Delegations will find in Annex a Trio Presidency discussion paper on 30 years of the Single Market, in view of the meeting of the Working Party on Competitiveness and Growth (High Level) on 16 February 2023.

‘Europe stands at the crossroads. We either go ahead - with resolution and determination - or we drop back into mediocrity. We can now either resolve to complete the integration of the economies of Europe; or, through a lack of political will to face the immense problems involved, we can simply allow Europe to develop into no more than a free trade area’.

This is an excerpt from the 1985 White Paper on the Completion of the Internal Market and the White Paper did indeed catalyse the further completion of the EU Single Market, which took place on 31 December 1992. Today the Single Market is one of the most important achievements of the EU and the world’s largest single market area, consisting of almost 450 million EU consumers. The Single Market is also a powerful engine for jobs and mobility between Member States. It has shown its response capability and resilience during the pandemic and the war in Ukraine, both of which have seen strong coordination, solidarity and cooperation between EU Member States.

The 30-year anniversary of the Single Market provides an opportunity to take stock and set out the direction for the future of the Single Market. Resolute action is needed to strengthen EU competitiveness and reinvigorate the EU Single Market.

In this regard, the Annual Single Market Report, together with the Single Market Scoreboard, published by the European Commission on 31 January 2023, form the basis for the discussions under this agenda item. We invite delegates to discuss the contents of these publications and the untapped potential of the Single Market.

The untapped potential of the Single Market

Although the Single Market is Europe's most valuable economic asset and its main source of resilience, companies and citizens continue to report obstacles. Unjustified barriers to free movement hamper the economies of scale offered by the Single Market, which is detrimental to the interests of consumers and businesses alike. In 2022, the Commission presented a comprehensive inventory of barriers affecting the functioning of the Single Market, highlighting 31 horizontal and 52 sector-specific barriers¹. There is clearly room for improving and strengthening the Single Market.

Trade in services is often highlighted as the best example of the still untapped potential of the EU Single Market. Statistics show that intra-EU trade in this area remains broadly at the same level as EU trade in services with the rest of the world. This indicates that there is more to be done to facilitate trade in services within the EU.

Not all service sectors have the same potential for trade integration, however. Digital services are, for example, often more open to cross-border trade, whereas services that require physical proximity between customers and the supplier are less well placed for trade across borders. The European Commission has indicated that the greatest potential for further integration probably lies in service sectors that are economically important but currently have relatively low levels of integration, such as construction, wholesale and retail, professional services, and tourism.

As regards the free movement of goods there is also potential for further integration. Though services often capture the attention, this does not mean that there are no obstacles to trade in goods. For example, a survey from 2020 indicated that up to 71 % of SMEs trying out the current mutual recognition system for non-harmonised goods faced a market access denial decision.² Another example concerns national requirements regarding circularity (labelling, packaging, certification etc.) where the recent proposal for a Regulation establishing a framework for setting eco-design requirements for sustainable products seeks to address fragmentation and to improve the functioning of the Single Market.

¹ SWD(2020)54, Business Journey on the Single Market: Practical Obstacles and Barriers.

² COM(2020) 93, p. 5.

Availability of goods and services in the Single Market

A well-functioning Single Market also plays a key role in the EU's open strategic autonomy and strong economic base and in achieving the green and digital transformations. It provides the platform and scale for policy measures to be effective and more impactful. The Single Market is of crucial importance to accelerate the diffusion and uptake of clean and digital technologies. It enables businesses and consumers to access the required goods, services, skills, investments, and transformational technologies. This *availability dimension* demonstrates the Single Market's potential as a vehicle for resilience, boosting international competitiveness and achieving the green and digital transitions. In this regard, supply side disruptions have been reported, for example with regard to installation services for clean energy technologies such as solar panels and heat pumps. In this context, the objective of the proposal for the Single Market Emergency Instrument is to make the single market more resilient, as it aims to anticipate, prepare for, and respond to the impacts of crises.

Moreover, since the COVID-19 pandemic, the Commission has intensified actions to support the business case for the green and digital transitions and create an attractive business environment. Measures have been rolled out to address regulatory bottlenecks, support innovation, engage with and mobilise stakeholders, secure access to raw materials and decarbonised energy, boost resilience and strategic supply chains, increase availability of skills, ensure a level playing field, and project the EU's environmental and social standards and values globally.

The governance of the Single Market

For the Single Market to operate smoothly, the European and national levels need to work synchronously. Novel approaches and partnerships, as well as collaborative tools, can help build a common understanding and increased trust between authorities, and a shared implementation culture. Moreover, digital technologies and user-friendly e-government solutions can help to reduce the administrative burden for businesses and administrations. To strengthen the Single Market, it is important to continuously evaluate the governance tools available and to improve them where possible. An overview of some of these tools follows.

The Single Market Enforcement Task Force (SMET) was launched in 2020 and provides a high-level forum in which the European Commission and Member States work together on addressing concrete Single Market barriers and obstacles. To achieve this, SMET members jointly prioritise some of the most pressing barriers on the Single Market, assess national practices in implementing Single Market rules, and develop concrete solutions together for addressing the identified priority barriers. SMET also works to improve the functioning of other Single Market instruments.

At grass roots level, the Internal Market Problem Solving Network (SOLVIT) is available as an informal problem-solving network for EU citizens and businesses. Over its past 20 years, SOLVIT has helped more than 28 600 citizens and businesses, solving the problems in more than 85 % of the cases received. It will remain important to ensure that the SOLVIT network has the resources and authority it needs to continue fulfilling its role.

Another avenue for EU citizens is the Single Market Obstacles Tool (SMOT) which allows users of the Your Europe portal to report obstacles they encounter in the Single Market. Though designed to handle individual cases, SMOT's potential can be harnessed further by connecting it to other data sources such as Your Europe Advice, SOLVIT and the Enterprise Europe Network (EEN).

Finally, notifications of national measures are an important tool for preventing barriers to the EU fundamental freedoms. In fact, the prevention of barriers is often more effective than removing already existing ones. The notification system for requirements affecting the free movement of goods has been in place for almost 40 years and is the gold standard for transparency measures in the EU.

Points for discussion:

- The Commission highlights construction, retail, professional services, and tourism as potential priorities for further integration on the Single Market. In your view, are there other priority services sectors to unlock the potential of the Single Market?
 - How could EU legislation on goods help to further unleash the potential of the Single Market?
 - How do you view the best way forward in using digital governance tools to prevent trade barriers and improve enforcement collaboration on the Single Market?
 - How can we leverage the Single Market to catalyse the green transition and to avoid supply side disruptions, such as delayed installation of clean energy technologies including solar panels and heat pumps?
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