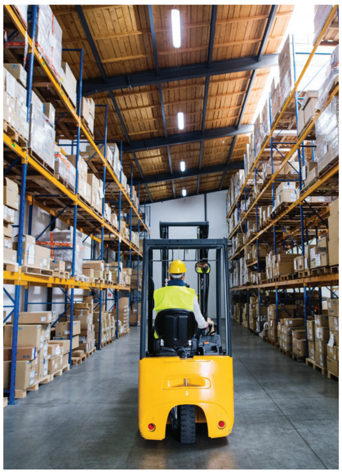
European Economic and Social Committee
Employers' Group

EU SINGLE MARKET
The next generation




- The single market has been a key pillar of Europe's economic success, but needs to be adapted to new developments and demands, such as the twin transition, in order to contribute to a competitive and successful European Union.

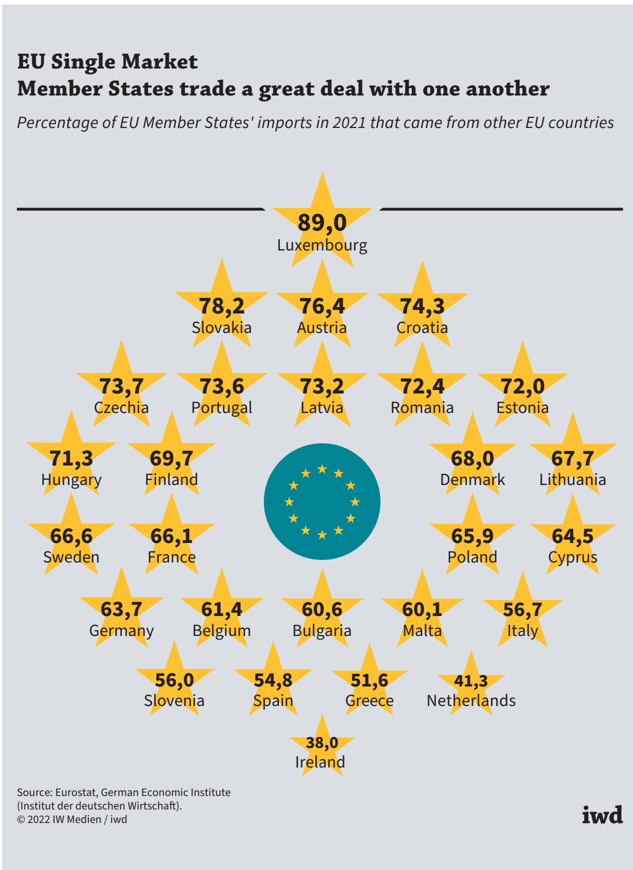
- A successful continuation of the single market demands improvements in several areas, including European energy and industrial policy, an energy union, a banking union, a more favourable framework for businesses large and small, and more public support for the European project, more efficient public services, and improved infrastructures for IT, energy and transport.

- Priority should be given to policies that foster innovation by private companies and access to venture capital, particularly for new entrepreneurs, and the development of cooperation between industry and science, particularly universities and research institutes.

- The single market can facilitate the operations of SMEs by creating common standards for their services and products, enabling them to operate and work across borders, while at the same time cutting red tape and streamlining procedures. One indispensable condition is that there is consistency between EU legislation and the implementation and enforcement of that legislation in Member States. The "think small first" principle must once again take precedence.

- Reporting and verification obligations must be simplified, kept to what is necessary, and be transparent and understandable. A standardised digital reporting portal, such as electronic reporting, is one solution for dealing with posting requirements more quickly and involving less red tape.

- A secure and affordable energy supply remains key for economies and societies. The single market could help by improving cross-border flows. The regulatory framework governing the EU's energy market needs to focus on European and not just national supply security.



Since the European single market was established, harmonisation and mutual recognition of standards have enabled companies to sell their products in a market of over 450 million people. It accounts for 61% of intra-EU trade by companies, and is the basis for Europe's economic prosperity, thus benefitting its citizens, consumers, workers and companies. The European Commission estimates that 25% of the EU's gross domestic product is generated by the internal market.

Between 1993 and 2021, exports of goods to other EU countries increased from EUR 671 billion to over EUR 3.4 trillion. The single market has helped make the EU one of the most powerful trading blocs in the world, but it still falls short of its potential; studies find that there is still scope for between EUR 183 billion and EUR 269 billion in trade per year. For comparison: in 1993, the EU's GDP was worth USD 8.6 trillion, the USA's was USD 5.8 trillion and China's was USD 4.7 trillion. In 2022, the EU's stood at around USD 15.8 trillion; well behind China with USD 17.89 trillion and the USA with USD 25.46 trillion.

New developments, such as the digital transformation and the transition to a less carbon-intensive and more sustainable economy, require new adjustments, as do the changing needs of consumers, employees and companies and new geopolitical conditions.

A strategy for the future of the internal market needs to be accompanied by well-performing market surveillance, effective customs control at our borders, mechanisms to ensure the enforcement of EU legislation and address infringements efficiently, and an assertive administration. To carry out these tasks, investments in human and technological resources are needed.

But current investment rates in infrastructure remain well below pre-2009 levels when rates of infrastructure investment reached 2.2 percent of GDP across the bloc, and lead to an investment gap of EUR 2 trillion.

Ultimately, the secure and affordable supply of energy remains key for economies and societies. But since 2013, most EU Member States have been net importers of energy, making the region energy-dependent and vulnerable to external shocks. This is a major weakness. Since 1996, the EU has been working on an internal energy market but progress remains too slow. The EU's energy policy needs to prioritise interconnections and keep a focus on European and not just national supply security.

As well as economic aims, the EU single market also serves political objectives, such as resilience and sustainability. Care must be taken to ensure that its functioning is not jeopardised by overburdening its actors with political and administrative demands that endanger its competitiveness.

TO GO FURTHER

1) The **digital single market** offers massive growth potential. The EU Member States are currently positioned very differently: France had the most big data companies in 2021 with 606, while Greece only had 34. The data economy has also recently developed less strongly in the EU countries than in the USA and Japan. An active policy is necessary to reverse this trend; in particular: **making the free movement of data a further "freedom" of the single market**.

2) The proliferation of national industrial policies in the EU includes measures, specifically in the form of industry subsidies, that deviate from the core principles of the single market. Such deviations accentuate disparities between Member states, in terms of industrial and economic development and threaten the future of the single market. An open-ended **assessment of competition and State aid rules** is needed to align national and European means to strengthen the single market again.

TO AVOID

The future Single Market does not need:

- uneven implementation of EU legislation in various Member States
- a complacent European Commission not fulfilling its role as "guardian of the treaties"
- national gold-plating in the transposition of EU legislation
- hurdles to innovation and development of new business models due to regulatory constraints

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