
Increasing European added value in an age of global challenges

Mapping the
cost of non-Europe
(2022-2032)



EXTRACT FROM A STUDY

EPRS | European Parliamentary Research Service

European Added Value Unit
PE 734.690 – January 2023



EN

Increasing European added value in an age of global challenges

Mapping the cost of non-Europe (2022-2032)

Although European integration is a key driver of growth, peace, environmental protection and social prosperity, persistent challenges remain and potential crises can be anticipated. Looking forward, a number of possible pathways are open to Europe. The European Parliament favours the path of ambitious, collective EU action, where significant potential gains can be realised, not only for today, but also for various possible future scenarios.

This is an extract from a study seeking to support the European Parliament in defining the political agenda and stimulating the debate about a sustainable path forward. It investigates the potential benefits that could be achieved in 50 policy areas, taking into account the state of EU legislation and its untapped potential, and applies quantitative analysis tailored to each policy area. If the EU does not pursue the path of ambitious, collective action, the benefits identified might not materialise fully, leading to a 'cost of non-Europe'.

The study finds that further EU integration could generate over €2.8 trillion per year by 2032 and help to achieve the EU's objectives in the areas of social rights, fundamental rights and the environment. Gains from further EU integration would not replace or undermine those from actions taken at national, regional or local level, but rather complement and reinforce them.

AUTHORS

This paper is an extract from a study of the European Added Value Unit, part of the European Parliamentary Research Service (EPRS).

To contact the authors, please email: EPRS-EuropeanAddedValue@ep.europa.eu

Lauro Panella was the editor of the study.

Individual chapters have been drafted by:

Lauro Panella, Meenakshi Fernandes, Aleksandra Heflich, Lenka Jančová, Christa Kammerhofer-Schlegel, Klaus Müller, Cecilia Navarra and Jerome Saulnier, of the European Added Value Unit; and Zsolt Pataki, Strategic Foresight and Capabilities Unit in EPRS.

The authors would like to thank Lena Vestberg, for her editorial assistance, and Marco Centrone, Anja Puc and Agnes Schelling, trainees in the European Added Value Unit, for their research assistance.

Directorate-General for Parliamentary Research Services (EPRS),
European Parliament.

LINGUISTIC VERSIONS

Original: EN

Manuscript completed in January 2023.
Brussels, © European Union, 2023

DISCLAIMER

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the Parliament is given prior notice and sent a copy.

PE 734.690
ISBN: 978-92-848-0076-6
DOI:10.2861/192710
CAT: QA-04-22-323-EN-N

Increasing European added value in an age of global challenges

Mapping the cost of non-Europe (2022-2032)

Introduction

European integration has been a key driver of growth, peace and social prosperity.

European integration has been crucial to driving economic growth for half a century, generating significant gains in gross domestic product (GDP) and social prosperity for EU Member States. One of Europe's landmark achievements is the single market, which affects and generates benefits for millions of businesses and consumers every day. This project alone has been shown to have fostered a 6 % to 8 % expansion in EU GDP that would not have been achieved otherwise.¹ More broadly, **European integration has been effective in advancing peace, democratic governance, environmental protection and innovation across the Member States and in promoting resilience in the face of crises.**

The European project was put to the test with the COVID-19 pandemic. The restrictive measures adopted by the Member States to curb the spread of the virus affected the free movement of people in particular and partially also that of goods. **EU action was integral to reinforcing public health systems, mitigating socio-economic impacts, and coordinating the resumption of safe travel.**

The joint coronavirus vaccine scheme enabled Member States to leverage their negotiating position to obtain vaccines at lower prices. The SURE programme, designed to mitigate unemployment risk in an emergency, helped Member States preserve jobs for workers and the self-employed during the pandemic, protecting incomes and facilitating recovery. The Next Generation EU (NGEU) package was launched to help Member States repair the economic and social damage caused by the pandemic while providing support for the green and digital transitions and envisioning a recovery that would make Europe more resilient and fitter for current and future challenges.

Persistent challenges remain and other crises can be anticipated.

Despite the benefits of EU action, challenges and questions remain.

- ❖ With regard to the **COVID-19 pandemic**, how is it that care work, carried out disproportionately by women, is still under-valued and invisible in society?
- ❖ With the ongoing **war in Ukraine**, how can the geopolitical risks and turbulence and the pressing issues of security, defence and the economy, or the need to ensure human rights, democracy and peace worldwide, still be ignored?

¹ T. Evas et al., [Coronavirus and the cost of non-Europe](#), EPRS, May 2020.

- ❖ In a context of **climate emergency**, how can the pursuit of harmful business practices, dependence on critical raw materials, and unsustainable consumption patterns and value chains still be defended?
- ❖ How can consideration not be given to the fact that, in the **digital space**, companies can undermine ethics and competition, threatening media freedom and democracy?

Increasingly, the world is characterised by challenges with cross-sectoral, trans-geographical and global consequences. The move towards a paradigm of so-called 'permacrisis' calls for a different approach to policymaking. **There is a need for systematic strategic thinking and the capacity to react quickly while ensuring transparency and democratic oversight and accountability.**

Further European integration can help respond to present and future challenges.

The EU's capacity to take joint action that is more effective than 27 countries' individual actions is tested almost every day. In line with the principle of 'subsidiarity', the EU and its Member States have to identify the appropriate level of decision-making to overcome the challenges they are facing, considering both the current state of EU integration and how it has developed in recent decades. In practice, **the key question is if and to what extent the aggregation and coordination of budgets, oversight and competences at EU level generate added value and higher benefits, compared to the action considered by Member States at national level.**

In some cases, **the aggregation of competences at EU level allows for the realisation of projects or the provision of public goods that would not have been available** if these competences had been kept scattered at Member State level – for example, in the field of research and development (R&D) or in the creation of big data infrastructure. The European Health Emergency Preparedness and Response Authority (HERA) was recently created to improve preparation and response in a common and coordinated way to any type of health or sanitary crisis that emerges at EU level. The EU could also generate additional capacity and resources to meet the growing demand for European 'public goods'.

Efficiency gains could be realised by transferring competences to EU level and making better use of limited existing resources. In addition, aggregating competences could generate savings by administering some projects at EU level, allowing for lower administrative costs. **Aggregating competences at EU level, rather than leaving them at national level, could be the only and most efficient option for integrating the economic impact of externalities.** This is particularly relevant in environmental policy, where many issues are transnational by nature and where tackling the underlying sources of externalities requires at least a coordinated approach. In turn, these gains that would not have been realised otherwise could potentially generate further positive 'second order' effects.

Europe is at a crossroads: The European Parliament calls for ambitious, common action.

Looking forward to the next 10 years, Europe faces different possible paths: 1) the status quo; 2) strategic, collective action; and 3) fragmentation. The **'status quo'** would be the simple continuation, until 2032, of policy actions that have already been initiated, without substantial additional EU action. The path of **'strategic, collective action'** would initiate new policy actions to promote the anticipatory capacity and response of the EU, while the path of **'fragmentation'** would see the effectiveness of EU action dissipate due to divergent positions across Member States.

The path of strategic, collective action is aligned with the United Nations Sustainable Development Goals (SDGs). It calls for an integrated strategy that does not consider only one type of interest and does not distinguish artificially between economic, social, environmental and fundamental rights impacts. Following this approach, sustainability and upward harmonisation of environmental and social conditions are key drivers of prosperity.

The path of strategic, collective action also recognises the importance of anticipation and preparedness. Few crises cannot be anticipated, and the question is not what will occur, but rather when it will occur. The role of joint action at EU level could be determined in advance in a democratic manner and help to support a more effective response to a crisis.

As the only democratically elected EU institution, **the European Parliament has consistently called for strategic, collective action**, and for further European integration where significant potential gains can be realised, not only for today but for different possible futures. During the 2019-2024 legislature, the European Parliament has called for EU-level legislation in a number of areas, including the rule of law, digital finance, artificial intelligence, workers' protection, legal migration, and gender-based violence.

The cost of non-Europe: What can be achieved through ambitious, common action?

Drawing primarily on positions taken by the European Parliament from the beginning of the 2019 legislature, including those which have not yet been responded to by the European Commission, this study investigates the potential gains from further European integration over the next 10 years. **The potential gains of pursuing the path of strategic, collective action compared to the 'status quo' can be understood as the 'cost of non-Europe'.**

EU actions that define the path of strategic, collective action are within reach and within the limits of the existing treaties. This ambitious goal requires collective action on public goods, such as upward harmonisation of environmental and social standards, the reduction of inequalities, and widespread protection of fundamental rights.² The possibility for the EU to make efficiency gains and to lower the costs of implementing some policies, such as the cost of borrowing money on financial markets, as compared to Member States, could free resources for this purpose.

This study is the latest step in the series of analyses started in 2012 by the European Parliament's European Added Value Unit (which became part of the European Parliamentary Research Service (EPRS) in 2014) that aim to estimate the potential economic gain generated from joint action at EU level. This research activity has evolved and expanded since the concept of 'the cost of non-Europe' came into being several decades ago.³

² J. Saulnier, [Improving the quality of public spending in Europe – Budgetary 'waste rates' in EU Member States](#), EPRS, October 2020.

³ The concept was originally pioneered in the 1980s, through a report commissioned (by the European Parliament's Special Committee on European Economic Recovery) from two leading economists, Michel Albert and James Ball. The Albert-Ball Report, 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'.

The European Parliament produces cost of non-Europe analyses as part of its commitment to upholding the Interinstitutional Agreement on Better Law-Making.⁴ Cost of non-Europe reports serve to spark debate and ideas for the setting of priorities and the political agenda.⁵

The analysis takes into consideration the state of EU legislation, its capabilities and its impacts.⁶ It applies analytical models, evaluation and impact assessment methods (e.g. general equilibrium model, regressions, cost-benefit analysis, data envelopment analysis) that are tailor-made for the specific area analysed, develops quantitative and qualitative estimations, and complements economic analysis with an assessment of potential impacts in all areas – social, environmental, or on fundamental rights – where possible and relevant.

Some of these analyses have been published before in other cost of non-Europe reports and European added value assessments, while other analyses are updated or completely new. In the context of the EPRS's initiative on stress-testing EU policies,⁷ **the readiness of the EU's legislative framework for disruptive events and developments was taken into consideration.**

This edition of the 'cost of non-Europe'⁸ seeks to recognise the full range of impacts of EU action (economic, social, environmental, and on fundamental rights) and aims to shed light on the channels of transmission between policy proposals and potential results.

Looking at the presence of common goods, economies of scale and spillover effects, identified as drivers of more profitable joint EU action, the study offers a range of macro and micro estimations, followed by foresight checks and valuable insights into concrete proposals that could be implemented to achieve higher-level objectives, or that could be envisaged under different scenarios.

Further EU integration in 50 policy areas could generate over €2.8 trillion per year by 2032. It could also help to achieve the EU's objectives in the areas of social rights, fundamental rights and the environment.

This study investigates the potential gains of EU action in 50 policy areas. On aggregate, the analysis suggests that **the EU economy could achieve at least €2.8 trillion in gains if the policies advocated by the European Parliament in a series of specific areas were to be adopted by the EU and then fully implemented over the 10-year period.**

⁴ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making, OJ L 123/1, 12 May 2016.

⁵ 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 detail in the landmark Cecchini Report, published by the European Commission in April 1988. It suggested the potential gain to the European economy to be in the order of 4.5 % (and potentially 6.5 %) of GDP.

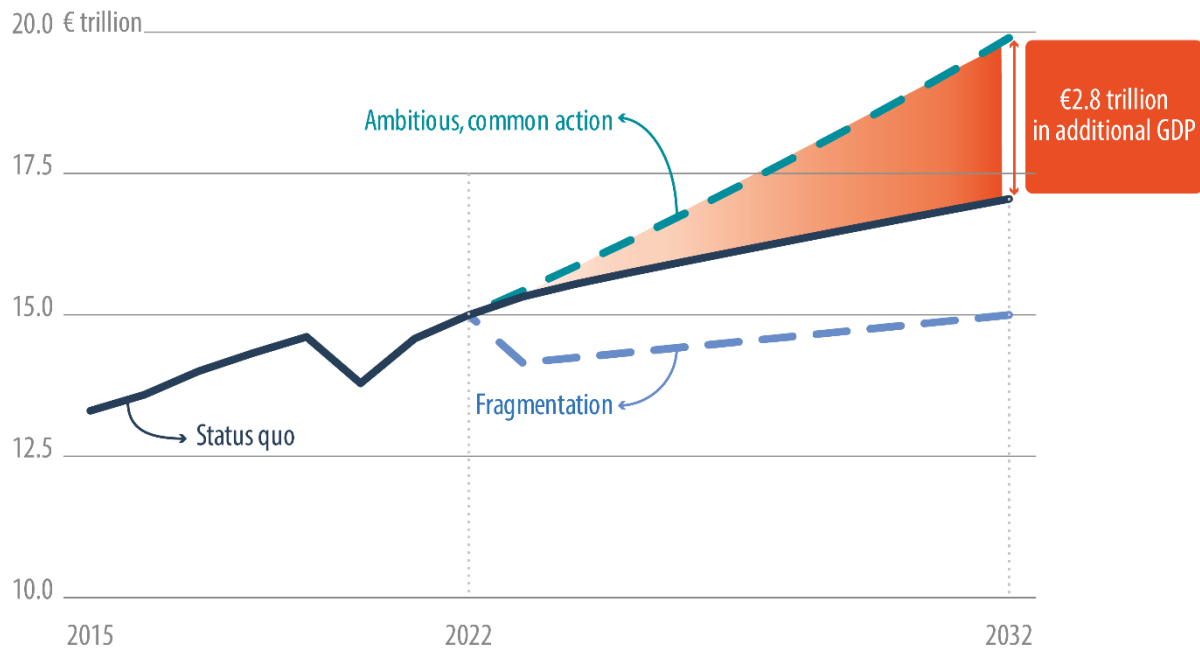
⁶ The cut-off date for the analysis was 15 September 2022. Data, parliamentary reports and studies published after that date may not be reflected.

⁷ M. Fernandes and A. Heflich, [How to stress-test EU policies – Building a more resilient Europe for tomorrow](#), EPRS, January 2022.

⁸ While reading the quantitative estimates, it is important to be aware that they are based on different methodologies, so figures across policy areas are not fully comparable.

Figure 1 shows the impact in terms of potential added value (in euros), by showing where different levels of ambition and the consequent GDP could go.

Figure 1: Following the path of strategic, collective action could offer the EU potential added value of €2.8 trillion by 2032



Source: EPRS.

The baseline has been calculated by EPRS on the basis of scenarios and long-term projections made by the European Commission⁹ and the OECD.¹⁰ It reflects past (from 2015 to 2021) and projected real GDP in euro in purchasing power parity until 2032, with 2022 as the base year.

The baseline projection assumes a simple continuation, until 2032, of policy actions that have already been initiated, without substantial additional EU action ('no policy change' scenario). Under this scenario, real GDP would grow from a value of about €15 trillion in 2022 to about €17 trillion in 2032, which would translate to an average annual real GDP growth rate of 1.3 % over the period.¹¹

This 'cost of non-Europe' scenario shows the overall impact of policy action envisaged in the 50 sub-chapters of the study, with an implementation horizon of 10 years. **Compared to the baseline, the analyses find that an additional €2.8 trillion could be generated**, thus bringing total real GDP to

⁹ European Commission, [The 2021 Ageing Report: Economic & Budgetary Projections for the EU Member States \(2019-2070\)](#), Institutional Paper 148, May 2021.

¹⁰ OECD, [The long game: Fiscal outlooks to 2060 underline need for structural reform](#), October 2021.

¹¹ An average annual inflation rate of 2 % is assumed over the projection horizon, in line with the ECB mandate and EMU long-term objectives. We therefore assume a nominal average GDP growth rate of 3.3 % over the period in the baseline scenario.

a value of almost €20 trillion in 2032. This is a rather ambitious but reasonable¹² estimation, as it would mean an average annual real GDP growth rate of 2.9 % over the period.

The last scenario is reported for illustrative purposes to emphasise the cost of fragmentation, as analysed in some recent publications.¹³ It assumes the occurrence of a new major economic crisis in 2023, of a proportion similar (we assume a shock of -5.6 % for real GDP for the EU as a whole) to the economic crises of 2020 and 2009. Then, the trend real GDP growth rate from 2024 is assumed to be halved compared to the baseline, as dislocation effects and negative spillovers impact the EU's potential growth rate. The result is a total net real GDP loss of €2 052 billion compared to the baseline, and of €4 899 billion compared to the 'cost of non-Europe' scenario. In this fragmentation scenario, the average annual real GDP growth rate would fall to 0.6 % over the period.

Gains from further European integration would not reduce the benefits for Member States.

The European Union is not built in such a way that the transfer of competences from national to EU level leads to a reduction in the benefits for its Member States. **This 'cost of non-Europe' identifies those actions in which a transfer of competences to the EU produces greater benefits than if the Member States acted on their own.** This does not mean that common integration would be better 'per se', but it is rather an illustration that there are policy areas where, by doing so, additional potential income, additional budgetary capacity or additional welfare gains can be generated.

How to read the study.

The analysis is structured in terms of 50 policy areas that are organised in 10 policy chapters. The policy chapters are organised in a thematic manner, starting from the macroeconomic dimension of EU policy (e.g. classic single market, consumer protection, European transport area), then moving to the social and microeconomic aspects (e.g. Erasmus+, health, education, employment) and lastly the external dimension (e.g. defence and multilateralism).

Section 2 presents a summary of the key findings for each of the 10 policy chapters.

Section 3 presents findings for each of the 50 policy areas, which are structured as follows:

- ❖ Key proposition
- ❖ More detailed analysis of the potential benefit
- ❖ European Parliament position
- ❖ Commission and Council responses so far
- ❖ Looking forward

The assessment of potential benefits includes a quantitative calculation of the potential economic impacts as well as an assessment of other interlinked impacts.

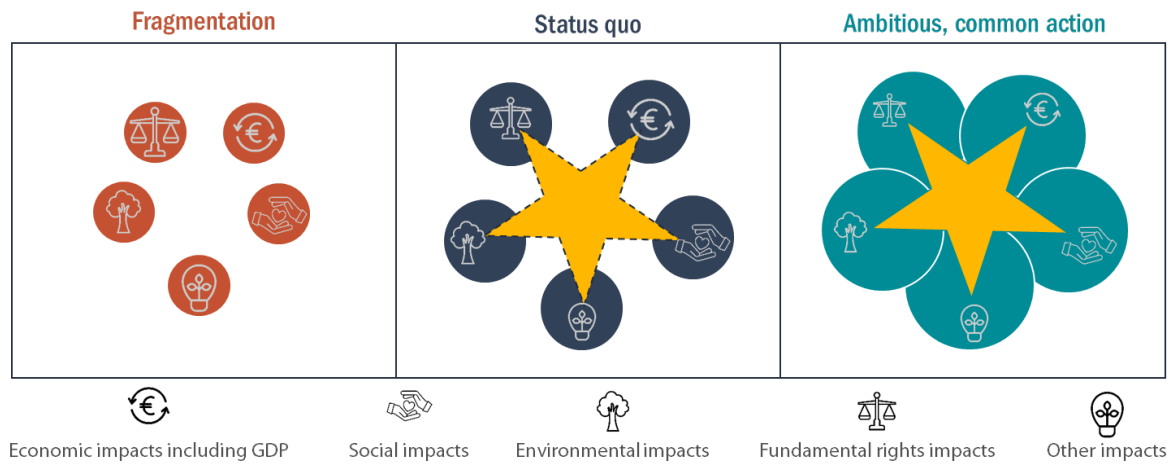
As depicted in Figure 2, more ambitious, common action could not only produce economic impacts, but also greater gains in terms of social and environmental benefits as well as promotion of

¹² A real GDP average annual growth rate of 3 % and an average annual inflation rate of 2 %, i.e. a nominal GDP growth rate of 5 %, was the assumption that originally served as the basis for the setting of EMU objectives.

¹³ G. Felbermayr, J. Gröschl and I. Heiland, [Undoing Europe in a New Quantitative Trade Model](#), IFO Working Paper, 2018; J. In 't Veld, [Quantifying the economic effects of the single market in a structural macromodel](#), Discussion Paper 94, European Economy, European Commission, 2019; T. Evas et al., [Coronavirus and the cost of non-Europe](#), EPRS, May 2020.

fundamental rights. Greater consideration of all types of impacts and their interlinkages can promote upward convergence and generate more added value.

Figure 2: Ambitious, common action requires consideration of all impacts and their interlinkages and can generate greater benefits



Source: EPRS.

Summary of key findings in 50 EU policy areas

This section provides a summary of key findings across 10 broader policy chapters. Each policy chapter includes several areas which are supported by concrete policy actions.

A brief summary of quantitative and qualitative impacts follows for each policy area. Quantitative impacts represent annual GDP growth. Qualitative impacts include social and environmental impacts, impacts on fundamental rights and other impacts. Rather than providing an exhaustive summary per policy action and its economic impact, this section highlights key findings from a broader perspective and provides a full range of impacts.

1) Classic single market and single transport area

- ❖ **Completing the single market for goods** (sub-chapter 1): Improve implementation and enforcement, reduce excessive administrative complexity, tackle unnecessary national requirements, and address unharmonised labelling standards and other remaining obstacles to trade at various levels.
- ❖ **Completing the single market for services** (sub-chapter 2): Continue to deepen cross-border provision of services, reduce distortions induced by national home bias, expand harmonisation, reduce administrative burdens, and tackle barriers to cross-border provision of services and remaining excessive requirements.
- ❖ **Consumer protection policy** (sub-chapter 3): Provide consumers with relevant information on commercial guarantees of durability and software updates, ban practices related to early obsolescence, address fragmentation of rules on consumer credit, and adapt product safety rules in light of new technologies.
- ❖ **Single European transport area** (sub-chapter 4): Support a shift to sustainable public transport modes, eliminate infrastructure bottlenecks and underdevelopment that hinder connectivity to and between all EU regions, develop multimodality, improve safety and reliability, and build passenger-oriented transport systems.
- ❖ **Geographical indication protection for non-agricultural products** (sub-chapter 5): Establish EU-wide protection for geographical indications of non-agricultural products, and guarantee its accessibility, fairness and capacity to convey reputation and generate trust.
- ❖ **Addressing the corporate income tax (CIT) gap** (sub-chapter 6): Implement the G7/OECD agreement, create a common rulebook for businesses operating in the single market in more than one Member State, reduce red tape and cut compliance costs, combat tax avoidance, and provide a simpler and fairer way to allocate taxing rights between Member States, improve exchange of information and transparency, and support digitalisation and effective tax administration.
- ❖ **Combating value added tax (VAT) fraud** (sub-chapter 7): Reduce complexity, fragmentation and the high level of compliance costs, address tax fraud vigorously, improve exchange of information and transparency, and support digitalisation and effective tax administration.

Such actions, called for by the European Parliament, could generate **economic benefits of at least €644 billion per year by 2032.**

These benefits would mainly stem from the free movement of goods, services, capital and people, while also resulting from fair and simpler taxation. This would help to ensure a level playing field, where increasing competition is beneficial and where efficiency gains and economies of scale allow for a better use of resources and more solidarity between Member States. It would also allow for greater protection of fundamental rights, particularly the rights to freedom to conduct a business and freedom of movement.

More generally, it would increase equality between workers, transparency, legal certainty and fairness in taxation. Consumer protection would be enhanced, while the risk of social erosion and lower social standards would be reduced.

Regarding environmental impacts, it could lead to a more efficient use of resources, a lower risk of reduced environmental standards and a lower risk of environmentally harmful products in the EU.

2) Green transformation

- ❖ **Transformation of EU energy systems** (sub-chapter 8): Conduct ambitious, united EU action to transform energy systems, including forward-looking common action on regulations (e.g. adequately pricing carbon), budgets (ambitious EU-level allocations beyond 2027) and social aspects (redistribution of revenues from carbon pricing to support the most vulnerable in EU society).
- ❖ **Averted climate change impacts** (sub-chapter 9): Conduct ambitious, united climate policy both at EU level and internationally. In parallel to mitigation efforts, reinforce action on climate adaptation.
- ❖ **EU-driven global deforestation** (sub-chapter 10): Introduce a mandatory due diligence system that prevents commodities and products issuing from deforested land being placed on the EU market, monitor countries with the highest deforestation risk and benchmark them and, in parallel, act at international level and ensure EU policy coherence.
- ❖ **Improving environmental quality through efficient environmental expenditure** (sub-chapter 11): Improve quality of public spending on the environment through better efficiency and effectiveness, and by improving transparency, monitoring and reporting.

EU-level action in the area of **green transformation could bring €439.5 billion in economic benefits per year** if addressed in a united and ambitious way.

These benefits would come from regulatory measures, budgetary allocations and redistribution of climate revenues to vulnerable citizens. The latter will help to attenuate negative social impacts.

Successful green transformation will also bring climate and environmental benefits, such as lower greenhouse gas emissions and averted socio-economic damage from the worst effects of climate change. Efficient public spending could bring additional resources to this unprecedented transformation and serve to close the investment gap.

3) Digital transformation

- ❖ **Provision of digital services** (sub-chapter 12): Harmonise e-commerce rules, enhance consumer protection (transparency of contract terms or commercial communications), and create a framework for content management. Establish and implement a single digital gateway and create a European digital identity.

- ❖ **Digital transition of SMEs** (sub-chapter 13): Support digitalisation of SMEs through raising awareness, sharing of best practices, providing dedicated financing instruments, re-skilling of the workforce, and developing Digital Innovation Hubs based on a sectoral approach and targeted to SMEs' needs.
- ❖ **Cybersecurity and data governance** (sub-chapter 14): Introduce harmonised rules for products with digital elements, develop cybersecurity standards for artificial intelligence (AI) and 5G, and create a framework for safe and secure data exchange.
- ❖ **Regulating the platform economy** (sub-chapter 15): Guarantee workers' rights and improved working conditions for platform workers. Implement the OECD taxation agreement on digital platforms and relevant single market regulations.
- ❖ **Ethical and liability aspects of artificial intelligence** (sub-chapter 16): Establish a common EU framework on ethical aspects of AI and robotics and common EU action on liability and insurance.
- ❖ **Data transfers and privacy of communications** (sub-chapter 17): Further support the implementation and enforcement of the General Data Protection Regulation (GDPR), reflect the conclusions by the Court of Justice of the European Union (CJEU) ruling in Schrems I and II to all reviews of adequacy decisions with third countries, and update the current rules on privacy and electronic communications (ePrivacy).

The above actions could generate significant benefits for the EU economy and society. **In economic terms, EU action to support digital transformation could yield yearly benefits worth €384 billion.**

The estimated benefits would come from more harmonised rules on e-commerce, cybersecurity, and liability rules. Policy measures to support digitalisation of SMEs, representing the backbone of the EU economy, would contribute to GDP growth and higher employment rates. EU action would have wider positive impacts on society – including better protection of personal data, privacy and fundamental rights – and has the potential to help close the digital gap. Digital technologies also have the potential to bring environmental benefits in terms of better energy use, if designed sustainably and as long as there is effective coordination between the two objectives.

4) Economic and monetary union (EMU)

- ❖ **Better coordination of fiscal policy and sustainability of public finances** (sub-chapter 18): Reduce excessive and artificial complexification, clarify fiscal rules by focusing on an expenditure benchmark, apply responsible flexibility when necessary, and avoid one-size-fits-all and theoretical approaches. Move towards effective coordination of fiscal policy, possibly by setting up an EU treasury, continue to improve the European Semester and address issues linked to enforcement and compliance, in particular through systematic and greater involvement of the Parliament in economic agenda-setting and in the Semester.
- ❖ **Completing banking union** (sub-chapter 19): Continue to improve the crisis management framework and the provisions of the existing deposit guarantee scheme directive, and make progress on setting up a European deposit insurance scheme (EDIS). Tackle national barriers to banking integration and address remaining high levels of non-performing loans in some jurisdictions. Ensure that banks are further integrated and diversify their investments in sovereign bonds geographically. Make progress on sovereign bond-backed securities (SBBS). Pursue harmonisation, particularly regarding taxation, insolvency regimes and barriers to the provision of services in the single market.

- ❖ **Financial market integration and resilience** (sub-chapter 20): Continue to diversify sources of EU financing to support risk taking and innovation. Tackle persistent home bias, which has resulted in the EU lacking cross-border financing diversification and risk sharing. Think more strategically to reduce dependencies, to develop global EU financial centres and to continue benefiting from the development of sustainable finance.
- ❖ **EU macro stabilisation instruments** (sub-chapter 21): Continue to improve and develop the temporary support to mitigate unemployment risks in an emergency (SURE) and consider the possible creation of a permanent European unemployment benefit reinsurance scheme. Assess the economic and social impact of SURE more comprehensively. Continue to ensure the deployment of Next Generation EU (NGEU) and assess the impact and effectiveness of related reforms in national recovery and resilience plans (NRRPs). Ensure that the Parliament is informed about the ongoing assessment of the NRRPs, so that it can exercise its right of democratic scrutiny over the Commission's assessment and implementation of the Recovery and Resilience Facility (RRF). In view of the war in Ukraine, evaluate the role of the RRF in the rollout of REPowerEU.
- ❖ **Digital finance, crypto currencies and crypto-assets** (sub-chapter 22): Support healthy development of new digital technologies and innovation in the financial sector that takes into account the need to protect users, to avoid harmful levels of risk taking and to address the lack of transparency in some areas. Ensure the adoption of appropriate rules covering transparency, disclosure, authorisation and supervision of transactions. Effectively address market manipulation, money laundering and other criminal activities. Reduce the high carbon footprint of digital activities, particularly crypto-asset mining activities.

Such actions, called for by the European Parliament, could generate economic benefits of **at least €321 billion per year by 2032**.

These benefits would mainly stem from responsible fiscal policies and financial stability, which would facilitate solidarity, and from the full positive impact of EU macro stabilisation instruments. This would help to ensure a level playing field that prevents isolated actions by some Member States, fiscal profligacy, and 'freerider' behaviour. This would lower the risk of a sovereign debt crisis in the EU, lower the risk of fragmentation and reduce waste of budgetary resources by Member States.

5) Education, EU-financed research programme, and culture

- ❖ **Erasmus+** (sub-chapter 23): Clarify conditions to extend the programme to people of different ages and backgrounds, and to those with fewer opportunities, such as people with disabilities and citizens living in remote areas. Monitor the implementation of measures through the Erasmus+ National Agencies.
- ❖ **EU-financed research programme** (sub-chapter 24): Complete the implementation of a stronger ERA, increase investment to achieve ambitious goals in the energy and environmental sectors, and strengthen the legislative framework to increase the effectiveness and performance of public research systems.
- ❖ **Creativity and cultural diversity** (sub-chapter 25): Continue to implement the Creative Europe programme, and increase the competitiveness and supervise the recovery of the cultural and creative sector after the pandemic.
- ❖ **Media freedom and pluralism** (sub-chapter 26): Strengthen the legislative framework to enhance the transparency of media ownership, step up protection and working conditions

for journalists, limit foreign influence in democratic processes in the EU, promote media literacy programmes to complement educational programmes, and strengthen monitoring tools and their utilisation.

The above actions could generate **economic benefits of at least €69.5 billion per year**.

These benefits would stem from better access to knowledge, education and training throughout the EU. A series of actions in these areas would have a wider positive impact on society, including income generation, job creation and the dissemination of knowledge, while promoting social cohesion, cultural diversity and human development. This would also promote the development of positive attitudes towards the EU and a better ranking in the global race to competitiveness. Environmental benefits could also be realised through better coordination on research and innovation to face long-term challenges such as climate change and loss of biodiversity.

6) Joint EU health policy

- ❖ **Towards a joint EU health policy** (sub-chapter 27): Enhance EU preparedness and its response to health crises, coordinate cross-border healthcare measures, establish a dedicated EU fund to improve hospital infrastructure, complement the launch of HERA and adopt a renewed mandate for the European Medicines Agency (EMA).
- ❖ **Ensuring equitable access to and affordability of medication across EU Member States** (sub-chapter 28): Leverage joint procurement to ensure equitable access and affordability of medication for EU Member States, ensure more transparency over pricing and market launches of new medication, and revise the legislative framework for pharmaceuticals.
- ❖ **Protecting workers from asbestos** (sub-chapter 29): Enhance existing instruments and pursue additional strategies to protect workers/citizens from asbestos. Examine the feasibility of EU legislative proposals, together with the call for a European framework for national asbestos removal strategies.

Such actions could generate economic benefits of **at least €46.5 billion per year by 2032**.

This benefit would come in terms of increased budgetary efficiency in consolidating healthcare expenditure at EU level in the areas of prevention and procurement. This would allow Member States to reduce prices paid for pharmaceuticals while ensuring more equitable access to medication. Internalising spillover and scale effects through joint procurement of medication would disproportionately benefit smaller and poorer Member States. A successful framework for protecting workers from asbestos would have a clear impact not only on businesses but also on public health over the long term.

7) Employment, mobility, social and cohesion issues

- ❖ **Measures to fight poverty and inequality** (sub-chapter 30): Sustain the level and the upward harmonisation of minimum wages, sustain minimum income policies to ensure people can live in dignity, and support the fight against precarious employment.
- ❖ **Free movement of workers** (sub-chapter 31): Ensure full recognition of vocational training qualifications, reinforce coordination of social security systems, ensure portability of benefits, and ensure equal treatment for cross-border workers.
- ❖ **Promotion of pathways for legal migration and access to employment** (sub-chapter 32): Develop pathways for legal and safe migration, and facilitate access to employment and

social inclusion of third-country nationals in the EU (especially students, family members of migrants, and asylum-seekers and refugees).

- ❖ **European structural and investment funds** (sub-chapter 33): Increase EU-supported public investment to boost the green and digital transitions and support vulnerable areas, increase flexibility in mobilising EU public spending, and encourage synergies between different EU instruments through a strategic planning process.
- ❖ **Digitalisation of European reporting, monitoring and audit** (sub-chapter 34): Revise monitoring processes and data collection, introduce a common EU database for all programmes under shared management of EU funds, make use of the ARACHNE integrated data tool obligatory, and introduce an EU-wide unique identifier to determine beneficiaries of EU funds.
- ❖ **European works councils** (sub-chapter 35): Inform and consult workers more systematically, guarantee that time and resources allow for substantial involvement by workers, and increase coverage.
- ❖ **Social enterprises and non-profit organisations** (sub-chapter 36): Provide an enabling legal framework to scale up such enterprises and organisations, harmonise definitions and cross-border treatment, develop support through public procurement, and support financing.

EU action in the above areas could generate economic benefits of at least **€334.1 billion per year** over a 10-year horizon.

These benefits derive from increased employment, improved working conditions and wages that also translate into a larger tax base, and by improved allocation of human capital, due to better employment integration of mobile EU workers and third-country nationals. This would be supported by improved industrial relations, including more inclusive governance of enterprises. Crucial to these gains is the reduction of poverty and in-work poverty, the reduction of inequalities, including gender and intersectional inequalities, and greater social inclusion. From a broader perspective, mobilisation of EU public expenditure (and its greater efficiency) and promotion of upward harmonisation in social standards are expected to favour the convergence process, reduce the possibility for harmful competition and improve cohesion at both local and EU level.

8) Justice and the rule of law

- ❖ **Rule of law and control of government** (sub-chapter 37): Strengthen monitoring efforts and application of the conditionality mechanism, and expand its application to apply to breaches of the law apart from the budget.
- ❖ **Corruption** (sub-chapter 38): Strengthen the legislative framework on corruption, boost transparency requirements for EU public procurement, and regulate citizenship and residence by investment schemes.
- ❖ **Serious crimes and terrorism** (sub-chapter 39): Strengthen police and judicial cooperation at an operational level, improve EU measures to confiscate criminal proceeds and assets, and monitor the effectiveness of counter-radicalisation programmes.
- ❖ **Access to justice** (sub-chapter 40): Promote the effectiveness of EU instruments such as the European Arrest Warrant, and promote mutual recognition of judicial decisions.

- ❖ **Border control and visa policy** (sub-chapter 41): Clarify conditions for reintroducing internal border checks to better balance the need to ensure freedom of movement with security, and address the root drivers of displacement and irregular migration.

Such actions, called for by the European Parliament, could generate significant benefits for the EU. **In economic terms, EU action on justice and the rule of law could generate at least €153.9 billion per year by 2032.**

These benefits would stem from greater protection of fundamental rights, in particular the rights to dignity and liberty, as well as the right to a fair trial and effective remedy. **Greater protection of fundamental rights can enhance the public's trust in institutions, which is the bedrock of democracy.**

EU action could facilitate the free movement of people, goods and services, thus strengthening the single market, while also attracting tourism, trade and legitimate investment. There could also be environmental benefits, to the extent that efforts to promote climate justice could be realised.

9) Gender equality, non-discrimination and civil rights

- ❖ **Gender-based violence** (sub-chapter 42): Define gender-based violence (GBV) as a new area of crime, expand the mandate of the equality bodies, and support school programmes and training for civil servants on the specific issues posed by GBV.
- ❖ **Gender inequalities on the labour market and in care work** (sub-chapter 43): Promote pay transparency, gender-sensitive classification of occupations, work-life balance, valuation of care work, and investment in the care economy.
- ❖ **Equal treatment, non-discrimination and hate crime** (sub-chapter 44): Adopt or amend legislation to extend protection against discrimination and hate crime, and promote implementation and enforcement of the existing EU legislative framework.
- ❖ **Asylum policy** (sub-chapter 45): Introduce EU humanitarian visas, expand the mandate of the European Asylum Support Office (EASO), and ensure human rights and financial accountability in external funding and the return of irregular migrants to third countries.
- ❖ **Migrant discrimination on the labour market** (sub-chapter 46): Promote the alignment of rights of non-EU national workers with those of national workers, and their enforcement by the European Labour Authority.

EU action in these policy areas could generate significant benefits. **In economic terms, EU action on gender equality, non-discrimination and civil rights could generate at least €284.5 billion per year by 2032.**

These benefits would be driven by the greater realisation of fundamental rights to equality, as well as the right to fair and just working conditions, which would unleash human capital that already exists in the EU. EU action would promote social inclusion and mental health for groups that are subject to discrimination, and contribute to a more diverse and multicultural society.

10) International cooperation, external action and global governance

- ❖ **Promoting sustainable trade and value chains at the global scale** (sub-chapter 47): Support global upward harmonisation of social, environmental and governance standards, and mandatory due diligence in the entire value chain for companies, also covering activities in third countries.

- ❖ **EU common defence** (sub-chapter 48): Move towards common EU defence, increased defence budget integration, and integration in procurement and R&D.
- ❖ **Common diplomacy and promotion of multilateralism** (sub-chapter 49): Further support common diplomatic representation and consular protection of EU citizens, and promote rules-based multilateralism and democratisation through the role of the European Parliament.
- ❖ **Better coordination of development policy** (sub-chapter 50): Further coordinate EU development policy, lower volatility and improve policy coherence for development.

EU action in these areas could generate significant economic benefits, as well as benefits that go beyond the economic dimension. The economic gains amount to **at least €169.7 billion per year**.

They would stem, firstly, from integrated investment in global governance towards sustainability, avoiding races to the bottom, addressing global imbalances and inequalities, and promoting peacebuilding. Secondly, a major channel of EU added value is greater efficiency of public spending, avoiding duplication and decreasing administrative costs, by exploiting economies of scale.

Improving living and working conditions worldwide, and addressing global public goods (such as the fight against climate change) has benefits for all, including the EU economy. Promoting business practices other than short-termism would have benefits for companies themselves through the improved quality of production processes and increased profitability.

Although European integration is a key driver of growth, peace, environmental protection and social prosperity, persistent challenges remain and potential crises can be anticipated. Looking forward, a number of possible pathways are open to Europe. The European Parliament favours the path of ambitious, collective EU action, where significant potential gains can be realised, not only for today, but also for various possible future scenarios.

This is an extract from a study seeking to support the European Parliament in defining the political agenda and stimulating the debate about a sustainable path forward. It investigates the potential benefits that could be achieved in 50 policy areas, taking into account the state of EU legislation and its untapped potential, and applies quantitative analysis tailored to each policy area. If the EU does not pursue the path of ambitious, collective action, the benefits identified might not materialise fully, leading to a 'cost of non-Europe'.

The study finds that further EU integration could generate over €2.8 trillion per year by 2032 and help to achieve the EU's objectives in the areas of social rights, fundamental rights and the environment. Gains from further EU integration would not replace or undermine those from actions taken at national, regional or local level, but rather complement and reinforce them.

This is a publication of the European Added Value Unit
EPRS | European Parliamentary Research Service

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

ISBN 978-92-848-0076-6, doi:10.2861/192710, QA-04-22-323-EN-N