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BUSINESSES CALL FOR FRESH POLITICAL ENGAGEMENT TO RENEW ECONOMIC INTEGRATION IN THE SINGLE MARKET

Joint statement by BusinessEurope, DIGITALEUROPE,
ERT, Eurochambres and EuroCommerce.

27 June 2022

In the wake of the economic fallout created by the Russian invasion of Ukraine, rising energy prices, the ongoing COVID pandemic and Brexit, the time is ripe for the renewal of European integration. This is the best way to generate economic growth, secure employment and promote social inclusion for future generations.

On top of being one of the pillars of peace and prosperity, the Single Market is the bedrock of the EU economy and the foundation upon which many of the EU's current objectives are being built. It is instrumental to our ability to absorb external shocks, leverage geopolitical power, strengthen open strategic autonomy, drive recovery and deliver on the green and digital transitions. The business community recognises its own responsibility and fully embraces the constructive contribution it can make to address the current challenges. For its part, the public sector has an important role to play, by reducing market fragmentation and removing red tape including for cross-border business operations. Jumpstarting the motor of Single Market is the best opportunity we have; and it is a responsibility which lies fully in the hands of governments. It should be undertaken urgently for the sake of creating new growth and jobs, as well as avoiding social hardship in the coming decade.

According to the European Commission's estimate, the benefits of removing barriers to the Single Market for goods and services could amount to €713 billion by the end of 2029; (1) a sum similar to the investments foreseen under the 'Next Generation EU's recovery package. Moreover, igniting the integration engine is budget-neutral and would not pose any additional burden on taxpayers. Prioritising the Single Market is low-hanging fruit in times of depleted national budgets.

WHAT WE ARE CONCERNED ABOUT

The signatories of this statement are deeply concerned about the negative prospects for the European economy. More than that, we are troubled by the European Union's lack of initiative to really deepen the Single Market in the past decade.

Businesses no longer experience the Single Market as a true free trade area. EU legislation too often allows for differentiated transposition in EU Member States and the Commission's enforcement policy is lacking teeth against Member States which introduce national rules or administrative requirements leading to further market fragmentation. Companies cannot scale-up to other countries without facing a wide variety of barriers and their innovative drive is hampered by the myriad of technical limitations, undermining the EU's capacity to be globally competitive. Especially SMEs are struggling with the growing number of compliance obligations and the costs that are associated with them, which is in turn hampering their ability to be competitive. Policy-makers at EU and national level should resist the temptation to regulate every element of the economy and instead aim to better evaluate and reduce the ever-expanding list of demands and requirements on companies. Otherwise, the EU becomes less attractive for businesses.

We see a clear discrepancy between, on the one hand, the lofty ambitions to "further complete the Single Market" as expressed in the many European Council conclusions,(2) European Parliament resolutions and Commission Communications over the past decade, and, on the other hand, the lack of determination for effective follow-up, implementation and enforcement, by Member States and the European Commission alike. This real lack of political ambition and administrative inaction have a cost on the prosperity of Europeans and put a serious brake on Europe's economic recovery in the coming decade.

WHAT THE EUROPEAN UNION NEEDS

The EU has a Treaty obligation to ensure “an area without internal frontiers” and that “the conditions necessary for the competitiveness of the Union’s industry exist (...) in accordance with a system of open and competitive markets.” (Articles 26 and 173(1) TFEU). This is why the EU should uphold the Treaty provisions on free movement and prioritise the transformation of the Single Market so it is the most attractive place to innovate, invest and do business in the world.

We need a 180-degree shift in the way politicians and the public administrations across the EU-27 deal with the Single Market today. Instead of undermining it, Member States should really commit to deepening the Single Market in the collective interest and to strengthen the EU’s place in the world.

Because the stakes are so high and the gains so tangible, we call upon the European Commission – in cooperation with the EU Member States and European Parliament – to spearhead the design of an all-encompassing programme to deepen the Single Market, overcome national interests and stimulate genuine progress in the free movement of goods, services, capital, people and data.

KEY RECOMMENDATIONS

Strategic

- The European Commission, European Parliament and Member States’ governments need to reinstate the idea of a Single Market as an economic union for free trade without internal obstacles and bring the freedoms back to the top of the political priorities.
- Remove all barriers to cross-border business operations and intra-EU investments, forming a fully-fledged Single Market for all economic activities. It means developing a true Union for Energy, Environment, Digital, Retail, Banking & Capital, Health as well as Defence, amongst others.

Policy-making

- Transcend the currently existing Single Market governance mechanisms and orient sufficient capacity in the public administration to removing all obstacles.
- Adjust the Commission’s policy programming towards improving the Single Market. The Commission Work Programme should spell out concrete actions to address behaviour or measures undermining the integrity of the Single Market.
- Build a real Digital Single Market in which data can flow freely across borders (“fifth freedom”) and enable true digital business models that can serve the whole EU market without additional requirements.
- Develop an Energy Union underpinned by the principles of the Single Market in order to deliver on the green transition, and security of supply objectives.
- Create a true Single Market for services by elimination of unjustified or disproportionate regulatory and administrative barriers and simplification of access-to-market, inter alia through better synergies with sustainability policies and effective freedom of establishment for all businesses in the EU.
- Preserve all the principles of the New Legislative Framework for products that has been a success for product regulation in Europe for decades.
- Use Key Performance Indicators on intra-EU trade in goods and services to drive progress.

Regulatory

- Strengthen the Better Regulation agenda with a Single Market test that serves as a safety net. This test should be a strong legal and institutional filter against any EU level proposals which potentially allow for market fragmentation. Any EU initiative should go hand in hand with the unconditional guarantee of freedom to trade in the Single Market.
- Ensure a regulatory regime that either provides full harmonisation law or effectively applies country of origin principles based on a culture of trust among Member States and their administrations. This is necessary to address over-implementation and gold-plating. National authorities should fully respect the principle of mutual recognition and stop restricting market access based on national rules.
- Only regulate what is necessary. Avoid excessive regulation which often creates preconditions for market fragmentation. Strongly commit to the 1-in-1-out principle based on proper evaluation of compliance costs and simplification, and prioritise a better and leaner implementation of the already existing legislation before proposing new initiatives.
- Avoid disproportionately prescriptive regulation, inter alia the use of delegated acts beyond non-essential technical issues or as replacement to market-driven standards.

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ANNEX

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BusinessEurope

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Barriers to the single market undermine EU recovery and supply chains

<https://www.eurocommerce.eu/resource-centre.aspx#PressRelease/14012>

Endnotes:

- (1) European Commission, 10 March 2020, [A new Industrial Strategy for a green and digital Europe \(europa.eu\)](https://ec.europa.eu/economy_finance/industrial-strategy-2020).
 - (2) A recent example is in the European Council Conclusions of 24-25 March 2022, <https://www.consilium.europa.eu/en/press/press-releases/2022/03/25/european-council-conclusions-24-25-march-2022/>.
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