

New Strategy for Completing the Single Market: A New Chance?

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The EU Single Market is supposed to be a driving force for prosperity and economic welfare. Yet lovers of Greek mythology might be inclined to think of Sisyphus, who was eternally condemned to roll a rock up a mountain, when observing the European Union's arduous efforts to encourage growth in the aftermath of the Sovereign Debt Crisis. A renewed strategy for completing the Internal Market in goods and services, which is to be published in autumn, presents a fair chance to provide new momentum. What will or should it entail and what are the expectations?

Persistent sceptics continue to claim the Internal Market will sooner or later be torn apart by a faltering Monetary Union. And indeed: So far, the EU and its member states have not managed to control all of the centrifugal forces - such as youth unemployment which has put a stranglehold on Southern Europe. In spite of this, the economy now shows the first signs of a slight recovery. With Spain's recession coming to a halt in the third quarter of 2013, growth rates have increased ever since.¹ Ireland and Portugal have also managed to leave the EU's rescue programme.

This is good timing to sustain a positive trend with a comprehensive strategy for the future of the Internal Market. Even though the document is not yet finalised, its core elements are beginning to take shape. In a hearing at the European Parliament, the incumbent Commissioner Elżbieta Bieńkowska announced plans to merge the free movement of goods and services into one concept, two policy matters which were handled separately in the past.² This move is motivated by the fact that goods and services, for example in telecommunications, increasingly come together in one package. The problem with this is that free movement of

services is perceived as being incomplete, as non-tariff barriers continue to exist. To ensure better mutual recognition of services takes place, the Commission is attempting to link the services sector with the free movement of goods. This does not always require new legislation, reflecting a rather hands-off approach by the Commission in line with its 'Better Regulation Agenda'.

More importantly, pooling resources together reaffirms the nature of internal market policy as a cross-sector domain. It encompasses heavyweight topics such as job creation, growth and competitiveness and more technical aspects in public procurement, contract law as well as enforcement policy. One of the cornerstones of the upcoming Internal Market Strategy will likely be Industrial Policy. As stated in President Jean-Claude Juncker's 'Mission Letter' to Ms Bieńkowska, "[...]the profile and importance of industry in the economy[...]" shall be raised "[...] from less than 16 % today towards an aspirational 20 per cent of EU GDP by 2020".³ This renaissance of Industrial Policy should not inspire visions of smoke and chimneys. Rather, the 20 per cent target places a strong emphasis on high technology and better infrastructure in order to help the EU keep pace with emerging economies such as China and India.⁴ It is particularly noteworthy that the Commission seems to regard the promotion of Small and Medium Enterprises (SMEs) as a major tool to achieve the comeback of manufacturing in the Single Market. Especially start-ups are promised better incentives for innovating, relocating and offering their goods and services across borders.⁵ This plan corresponds with the Commission's efforts to cut red tape ('High Level Group on Administrative Burdens'), illustrating

the Internal Market Strategy's aim to not solely support 'big business'.

Nevertheless, a renewed strategy for the Single Market will likely draw criticism from key stakeholders as the Commission will naturally struggle to meet all expectations. In its priorities for the Single Market, Business Europe, the largest interest group representing enterprises to the EU institutions, is asking the Commission for more precise guidance to national regulators for the free movement of goods; in order to improve implementation of technical standards, product safety rules and testing requirements.⁶ The corporate request for more efficient and centralised oversight may be at odds with the interests of small entrepreneurs, as SMEs may lack the means to comply with more sophisticated export rules. Arguing from a welfare-state perspective, the European Trade Union Confederation (ETUC) warns that better regulation and more efficiency may lead to a less social Single Market if elected members of the European Parliament are kept from changing legislation not fitting the business paradigm.⁷

What should a desirable Single Market Strategy entail? The controversial assessments presented above are indicative of the competing interests: Achieving efficient regulation, entirely democratic procedures and transparent customer standards at the same time will be as impossible as squaring the circle. The Commission should instead concentrate on fully implementing and improving the 2006 Services Directive to make services markets more integrated. The competitiveness of manufacturing in the EU hinges upon the presence of effective services, and vice-versa. SMEs and consumers would benefit from easier establishment and easier provision of cross-border services. According to a recent Eurobarometer poll, only 8 per cent of SMEs engage in cross-border activities.⁸ So far, it is simply too complicated and too costly to adapt to 28 different legal systems. A level-playing field would likely unlock substantial growth. An architect from Austria, for example, who temporarily provides

his services in Belgium, would then no longer be disproportionately affected by the potentially unfair regulation of professions.

Adding meat to the bone of mutual recognition of services would thus put consumers, large- and small-sized enterprises in a better position. President Juncker should put a clear focus on this. In this way he would deliver on his commitment of leading a Commission for all stakeholders and European citizens. A well-conceived strategy for completing the Internal Market stands a good chance of providing the Single Market with a more profound rationale to face the challenge of global competition.

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