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BUSINESSEUROPE VIEWS ON THE FUTURE SINGLE MARKET POLICY

Single Market Forum

Public Hearing on the Future Direction of Single Market Policy

Committee on the Internal Market and Consumer Protection (IMCO)
Tuesday 9 November, 15.00-18.30
European Parliament, Hemicycle, Brussels

ADDRESS BY PHILIPPE DE BUCK DIRECTOR GENERAL OF BUSINESSEUROPE

Mr Chairman,

Ladies and Gentlemen,

I would like to thank the Internal Market Committee of the European Parliament for inviting BUSINESSEUROPE to present the views of the business community on the "*Future Direction of Single Market Policy*".

We appreciate the opportunity to be in front of this Committee which has always demonstrated its strong support for the Single Market, most recently with the report by Mr Grech on "*A Single market for Consumers and Citizens*".

I am particularly glad to be in this panel with the European Consumer Organisation BEUC.

- To start, let me make one thing clear: **European businesses are fully committed to the single market**, as it is a key driver for economic growth:
 - With 30 countries and 500 million citizens, annual cross-border investment flows of 430 billion euro and 70% of Member States' exports being destined for other EU countries, the benefits from closer integration are undeniable.
 - Nevertheless, barriers to the free movement of people, goods, services and capital still represent an economic potential between 275 and 350 billion euro. To give you an example, services account for about 70% of EU GDP. Nine out of ten jobs are created in the services sector. Yet, cross-border services only account for 5% of the EU's GDP, compared with 17% for goods.
 - The single market is good for consumers, as it provides them with more choice, more competition and lower prices.
 - Our single market is also good for businesses. It is where companies grow stronger and get ready to the challenges of globalisation.



The single market has been the cornerstone of European integration. However, the crisis has created serious challenges coming from protectionist trends – where competition and state aid rules play a key role – and has led to weaker political support and disenchantment from citizens.

BUSINESSEUROPE believes the Single Market Act is taking up the challenges that Europe is facing today. But it will need support from Parliament, Council, Member States and stakeholders.

As the title of this panel underlines, the Act rightly focuses on communication with business and citizens on the rights and opportunities offered by the single market. We fully agree with the need to work together to bridge that gap - which was emphasised earlier by Professor Monti - between the single market in the rule book and what happens in practice.

How to reach businesses and citizens and better respond to their needs? To fully address this question we need to look closely at the following essential aspects:

- A fundamental improvement in the **governance of the single market** is key. It will serve to address the concerns of a part of Europe's citizens and companies. When the Commission implements the Single Market Act following the consultation, it should focus on:
 - Setting up a truly integrated strategy to ensure coherence and synergies between the various EU policies.
 - Better enforcing the existing rules – I will come back to this.
 - Increasing focus on better regulation, to avoid laws that create unnecessary burdens. We need less, but better and more targeted action.
 - Ensuring that systematic impact assessment accompanies new initiatives.
 - Taking into account the needs of SMEs better: in particular, insufficient harmonisation and red tape are major obstacles for small businesses. Single market policy should better help SMEs to express their full potential.
- As I mentioned, **better implementation and enforcement** are another key element. The EU produces a lot of legislation. Action must now focus on effective implementation and enforcement of existing rules:
 - The Commission is the primary guardian of the single market. It should ensure closer monitoring of implementation of EU legislation.
 - This must be complemented by a renewed partnership with Member States, who should do more to ensure correct application of EU rules. The Single Market Act's rightly focuses on strong enforcement.
 - Citizens and companies should have easy, cost-effective and quick access to tools to solve disputes. Actions to improve the use of Alternative Dispute Resolution (ADRs) are good: they can provide quick, effective and affordable redress while avoiding excessive litigation.
 - However, businesses have serious concerns on the introduction of judicial collective actions at EU level. They are too costly, complex and long. This is a position shared by BUSINESSEUROPE and EUROCHAMBRES.



- Existing problem-solving tools such as SOLVIT should be further promoted. In 2009 alone, SOLVIT dealt with over 1500 complaints by citizens and businesses, on mostly services, goods and taxation issues in the single market. 86% of these cases were resolved successfully. But SOLVIT is still underused. Actions to promote this network are highly recommended.
- There are still barriers to the **free movement of people, goods, services and capital**. In total they still represent an unfulfilled potential of almost 350 billion euro.
 - The growth potential is huge in particular in the area of **Services**: as recognized by the Single Market Act, the potential gains from high-quality implementation of the Services Directive range between 60 billion and 140 billion euro. This represents an increase between 0.6 and 1.5% of EU GDP.

BUSINESSEUROPE and EUROCHAMBRES will organise an event on 31 January 2011 to jointly present recommendations for implementation of the Services Directive. Meanwhile, we look forward for the upcoming reports on the services directive by this House and by the Commission.
 - The single market for **Goods** is another central area for this Committee. Many barriers continue to exist in practice. Efforts must continue, starting from proper implementation of the “Goods Package”.
 - Making it easier to do business cross-border for SMEs is also key. BUSINESSEUROPE and EUROCHAMBRES stressed many times how the **European Private Company Statute** would help achieving this. The Council should adopt this proposal swiftly.
- The Single Market Act rightly stresses the importance of supporting **innovation** to face international competition.
 - Did you know that patenting costs in the EU are ten times higher than in the US? This amounts to a tax on innovation. These costs need to be drastically reduced.
 - BUSINESSEUROPE and EUROCHAMBRES fully support the first priority of the Single Market Act, calling on Parliament and Council to conclude negotiations on the EU Patent based on the current compromise.
- Europe needs to tackle down barriers preventing the **Digital Single Market** to produce full benefits for consumers and businesses.
 - Completing the Digital Single Market by 2020 will boost EU GDP by more than 4% [Study by European Policy Centre and Copenhagen Economics, “The Economic Impact of a European Digital Single Market”, March 2010].
 - The specific measures of the Single Market Act aimed at creating a true Digital Single Market should take priority: in particular measures to successfully disseminate digital technology, promote digital inclusion and develop next-generation networks are key.
 - Close coordination with the implementation process of the Digital Agenda is also needed.



- Growing concerns have been expressed about the **social dimension** of the single market. European social partners contributed to a balanced debate on this issue with a joint report on the ECJ rulings in the Viking, Laval, Rüffert and Luxembourg cases.

The Single Market Act proposes nine recommendations on social aspects. In particular:

- An analysis of the social impact of all proposed single market legislation, to ensure that the guarantees of the EU Charter of Fundamental Rights - including the right to take collective action - are taken into account. A further guarantee is not necessary.
- We can accept a proposal to ensure better implementation of the Posting of Workers Directive. This proposal should focus on enforcement without reopening a debate on the working conditions applying to posted workers.

Social partners must in any case be consulted on future initiatives in this area.

- As a final element, we call for a pro-active policy to support the **international dimension** of the single market through trade agreements and high level dialogues.
 - The single market is an asset which should be used as a springboard to meet the challenges and grab the opportunities of the global market.
 - In particular in the key area of procurement, there is a persistent imbalance in openness of public procurement markets between the EU and its trading partners. The extent to which EU procurement markets can sustainably remain open whilst third countries maintain an unlevel playing field is an open question.
 - Market surveillance is also an area that deserves specific attention.

Conclusion

Let me clarify that for some proposals of the Single Market Act it is too early to make a full assessment, as much will depend on their actual content.

There are however a few proposals that are concerning: this is for instance the case for the public procurement legal framework, where we are happy with the current rules and believe that any move to revise them is premature.

Almost twenty years after the launch of the Internal Market project, we are at a key junction for further integration. We should not miss this window of opportunity.

Beside the Parliament's support, what is key is securing strong political commitment to implement the Single Market Act's proposals, and achieving better cooperation with Member States.

You can count on BUSINESSEUROPE to remain for sure an active and supportive partner. We look for an open and constructive dialogue with the Institutions and the other stakeholders.

Thank you for your attention.