
INTERNAL MARKET

The Single Market Act in Search of a Strategy

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Drowned out by the political drama surrounding the European Union's (EU) crisis management and economic governance debates, the EU has embarked on the urgently needed process of relaunching the Single Market. This contribution bases itself on the recently published "Single Market Act", as well as on the main preparatory documents, to reflect on the recommended course of action for the Trio Presidency.

A Single Market dream in urgent need of new momentum

Over the last two years, most of the EU's attention has been inevitably absorbed by efforts to weather the storms plaguing the monetary union. Hence, the focus has been on crisis management and "economic governance".

Yet, one piece of the puzzle vital to the EU's economic recovery as well as long term growth has, up to now, not received the interest it deserves, i.e. the effort to relaunch the Single Market. Indeed, given that a more integrated European market is an important catalyst for stimulating growth in the face of the economic and financial crisis, this component of the "E" in the "EMU" (Economic and Monetary Union) should urgently be given a more prominent role in the drive for economic recovery. One of the most striking examples of this untapped growth potential in the Single Market Project is undoubtedly the services sector, which, although it accounts for 70% of EU Gross Domestic Product (GDP), only makes up 24% of total EU trade.

The context in which today's Single Market operates is, however, different from that in 1992. For one, the financial crisis, rather than prompting increased market integration zeal, triggered a chain of protectionist reactions, thereby painfully revealing the remaining fragility of this cornerstone of European integration, so often taken for granted. However, even before the woes of the recent crises, the enthusiasm for further completing the Single Market had already faded considerably. Arguably, both the enlargement and the deepening of the

Union have contributed to this market integration fatigue. While enlargement has increased diversity within the Union, the gradual deepening of the integration process has meant that more nationally sensitive policy fields are being affected. This is especially noticeable in the area of free movement of workers as well as in the “people-intensive” services sector, and it explains much of the “socially”-inspired resistance. Hence, the polemic surrounding the adoption of the Services Directive seriously tarnished the whole market integration project, and left the Commission with a heavy political “internal market hangover”. Moreover, globalisation has intensified competitive pressure on the European economy, as well as interdependence with the rest of the world, and thus calls for a greater focus on the external dimension of Single Market Policy.

Given this increased urgency for a quantum leap in unlocking the Single Market’s growth potential, as well as the considerably altered context in which it operates anno 2011, a thorough rethink of this policy seems mandatory. It is clear that, rather than yet another gradual low-profile initiative, the Single Market needs a true “relaunch” addressing the many challenges. Convinced that such renewed momentum can only be created by means of a genuine “strategic” approach, this contribution seeks to establish how the Trio Presidency can contribute to this ambitious, yet indispensable, political project.

Towards a strategy for the Single Market?

During his second term, President of the European Commission José Manuel Barroso, sensed the necessity to make substantial progress in the domain of market integration and seized the opportunity of the upcoming 20th anniversary of the 1992 Single Market Programme to announce that the Commission would aim to “regain momentum in the internal market” by bringing forward “a major package for tomorrow’s Single Market”.¹ Aside from the Single Market Act itself, three preparatory documents laying the ground for this package are of particular relevance.

The Monti Report laying out a genuine strategy

In October 2009, Barroso asked former Commissioner Mario Monti to draw up a report setting out options and recommendations for the completion of the Single Market, which was to serve as a source of inspiration for the planned new Commission initiative. Monti sensed, however, that something more was needed than the “business as usual”-approach of drawing up a wish list of missing links, and thus set out to devise a genuine strategy to revive the Single Market.² After six months of consultations, he produced a 107-page long report on “A New

1. José Manuel Barroso, “Political guidelines to the next Commission”, 3 September 2009, available at: http://ec.europa.eu/commission_2010-2014/president/pdf/press_20090903_en.pdf, pp. 28-29

2. Mario Monti, “A New Strategy for the Single Market: At the Service of Europe’s Economy and Society” (hereafter “Monti Report”), 9 May 2010, available at: http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf

Strategy for the Single Market”, which *also* contains a list of problem areas and missing links, but devotes almost double the amount of pages to an analysis of the *forces de résistances* and strategic measures to address them.

At the core of Monti’s proposed strategy lies a unique attempt to seek an overarching political consensus or political “grand bargain” on the Single Market Project between the competing European economic models, and in particular between the Anglo-Saxon free market and continental social-market models. By way of specific measures addressing conflicts between market integration and social objectives, he hopes to persuade social-market economies to commit more truthfully to market integration and competition. In other words, the core of the compromise proposed by Monti is: a stricter enforcement of the Single Market rules to satisfy the Anglo-Saxon model adherents, in exchange for targeted policy measures addressing social concerns –including in particular a limited form of tax coordination– to conciliate the social-market economies with further market integration.

To maximize the chances of success for what would be a “quantum leap” in the Single Market Project, Monti holds on to the technique of a package deal. In other words, the proposals addressing gaps and bottlenecks are to be bundled together with the consensus-building measures and the initiatives to improve “delivery”, in an overall package deal containing “something for everyone”. This should allow Member States to compromise on certain issues and to strike a good deal on others.

Monti further emphasises the need for a comprehensive approach that integrates policies traditionally not regarded as policies for the Single Market “into a Single Market strategic objective”. To ensure a unitary vision of the Single Market across policy areas, European institutions should reorganise their operation to a certain extent. Within the Commission, an overarching Single Market Group of Commissioners could be created so as to ensure that an integrated approach is adopted towards Single Market policy formulation. Furthermore, the European Parliament and the Council should adopt a more integrated approach and treat Single Market measures beyond the confines of the Internal Market and Consumer Protection (IMCO) Committee and the Competitiveness Council formation. The European Council, for its part, should make the Single Market a key priority and assist the Council in adopting an integrated approach.

A committed European Parliament

Almost in parallel, the European Parliament produced a Resolution on delivering a Single Market to consumers and citizens based on an own-initiative report by Louis Grech.³ At the core of this report lies the call for a new paradigm of political thinking, which places

3. European Parliament, Resolution, “Delivering a Single Market to Consumers and Citizens”, P7_TA(2010)0186, 20 May 2010

the European citizen at the heart of EU policymaking, thereby hoping to increase public support for the Single Market. This is thought to depend on the adoption of a holistic and common approach to the Single Market in which economic, consumer protection, social, environmental and health policy objectives are fully incorporated. The report also devotes considerable attention to the “governance” of the Single Market, emphasizing the need for stricter enforcement, political leadership by the Commission and political ownership by Member States.

The European Parliament has shown itself to be truly committed to making the Single Market relaunch a success and it is in the course of adopted⁴ three reports following up on the Commission’s Draft Single Market Act.

The Single Market Act

On 27 October 2010, the Commission finally published its long-awaited Communication “Towards a Single Market Act”⁵, with the ambitious objective of relaunching the Single Market. Yet, rather surprisingly given the urgency of the matter and the preparatory fieldwork done by Monti, the Commission did not come forward with a definitive Single Market Act but rather with a “proposal” as the basis for a four-month public consultation, following which a final Single Market Act was ultimately published on April 13, 2011.⁶

Whereas the Draft SMA contains 50 proposals, the Commission decided to limit its final SMA to a total of 12 key priority actions. Truthful to the successful methodology of the 1992 Single Market Programme, the objective is to have a key action adopted for each of these “twelve levers”, aimed at boosting growth and strengthening confidence by the end of 2012. Based on an evaluation of the results in terms of growth creation and confidence-building, the Commission will then propose a second phase with new proposals addressing other sources of growth and trust. Since the more elaborate Draft SMA is important for the Commission’s “narrative” regarding the Single Market relaunch, both the Draft and the final version will be analysed together.

The Draft SMA and final SMA should clearly be credited for breaking with the tradition of lists of disparate technical proposals and for attempting to devise a more coherent and engaging political project to relaunch the Single Market. A novelty in the Commission’s approach is undoubtedly its attempt, in line with Monti’s suggestion, to squarely address the causes of citizen’s dissatisfaction with the Single Market. For that purpose, great emphasis

4. European Parliament, Resolutions, *Governance and Partnership in the Single Market*, P7_TA(2011)0144; *Single Market for Enterprises and Growth*, P7_TA(2011)0146; *Single Market for Europeans*, P7_TA(2011)0145, 6 April 2011.

5. European Commission, Corrected Communication, “Towards a Single Market Act”, COM(2010) 608 final/2 replacing COM(2010) 608 final, 27 October 2010, available at: <http://register.consilium.europa.eu/pdf/en/10/st13/st13977-re01.en10.pdf>

6. European Commission, Communication, *Single Market Act*, COM(2011)206 final, 13 April 2011, available at: http://ec.europa.eu/internal_market/smart/docs/20110413-communication_en.pdf#page=2

is laid the social aspects of the Single Market Project and, more generally, the strategic objective of placing the European citizen at the heart of the integrated market. Hence, the final SMA contains potentially far-reaching proposals concerning social cohesion (such as the announcement of legislation clarifying the exercise of freedom of establishment and freedom to provide services alongside fundamental social rights, like the right to take collective action) as well as social entrepreneurship.

The Commission has also – to a certain degree – followed up on the European Parliament and Monti’s call for a more “holistic or comprehensive approach” to the Single Market, wherein the interconnection and interdependence between Single Market policies and other EU policies is recognised. Aside from policy measures intended to appease citizens’ – mainly social – concerns, the Commission also integrated other EU policy objectives, such as sustainability, innovation, etc. Unfortunately, this intention to create a “global” strategic package for relaunching the Single Market has not been matched by the concrete political action of placing other policies at the service of an overarching Single Market Project. On the contrary, almost simultaneously with the release of the Draft SMA, the Commission published a multitude of overlapping communications and reports in the domains of industrial policy, citizens’ rights, digital agenda, etc.

In respect of governance of the Single Market, the Commission relies heavily upon the paradigm of “partnership”. The public and stakeholders are to be fully involved by means of more dialogue, as exemplified by the four-month consultation process on the Draft SMA and, on a more permanent basis, a “new framework for dialogue”. Member States and local governments are called upon to co-manage the Single Market by way of, for example, the increased use of the mutual evaluation process, the extension of the Internal Market Information System, etc. Moreover, by involving all actors as closely as possible at all stages – i.e. preparation, implementation, evaluation or monitoring, enforcement the Commission hopes to trigger a “collective commitment” towards the Single Market.

Recommendations

A general recommendation to the Trio Presidency would be to guard over the strategic character of this much needed Single Market relaunch and ensure that it is not watered down to a mere technical exercise resulting in a list of disparate proposals. If genuine political momentum is to be created, a “strategic” approach seems indispensable.

Being one of the core community competences, the Single Market is probably one of the domains where the rotating presidency has the most opportunity to “prove its value”. As a crucial actor in the legislative negotiations, both between the different Member States within the Council, and, increasingly, between the Council and the European Parliament, the rotating presidency can exercise considerable influence.

Therefore, within the Council, the Presidency should:

- ensure that the legislative proposals implementing the 12 key priorities are put high on the agenda and their adoption is fast-tracked.
- attempt to use the “package deal technique”, as also advocated by Monti and which, at the time of the 1992 Single Market Project, aided the British and Belgian Presidencies in unblocking the adoption of the necessary legislative measures in the Council. In essence, this involves the bundling of legislative measures in packages, which are then to be, in principle, considered as a whole, thereby making across the board trade-offs possible and avoiding pick-and-choose exercises capable of paralyzing any ambitious project.
- seek to obtain a more general political consensus between Member States on an ambitious relaunch of the Single Market Project as whole. Indeed, although the intention to take into account the citizens’ concerns and to place the citizen at the heart of the Single Market is essential, it should not distract from the fact that what is really needed to make headway in completing the Single Market is political agreement between Member States. Even though the draft SMA and SMA did, regrettably, not take up the “grand bargain”-idea carefully constructed by Monti, the rotating presidency should strive to convince the different positions about their mutual interest in a stronger Single Market corrected with, or complemented by, specific social measures.
- ensure an integrated approach by treating Single Market measures beyond the confines of the Competitiveness Council formation; while entrusting the Competitiveness Council a coordinating role in this treatment of Single Market priorities within the different Council formations.

Lastly, the Trio Presidency should also strive to strengthen political commitment to this project at the highest level, assisting and encouraging President Barroso and the President of the European Council, Herman Van Rompuy, in their efforts to create the necessary political momentum.