Much more than a Market

POLICY PAPER - APRIL 2024

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AUTEUR
ENRICO LETTA

45, RUE D'ULM 75005 PARIS
LEGRANDCONTINENT.EU
GEG@ENS.FR

POUR CITER L'ÉTUDE
ENRICO LETTA, MUCH MORE THAN A MARKET, GROUPE D'ÉTUDES GÉOPOLITIQUES, POLICY PAPER, APRIL 2024.

Much more than a Market

The Single Market was born in a smaller world

The Single Market is a product of an era when both the EU and the world were 'smaller', simpler, and less integrated, and many of today's key players had not yet entered the scene. When Jacques Delors conceived and presented the European Single Market to the world in 1985, the EU was known as the European Communities. The number of Member States was less than half of what it is today. Germany was divided into two, and the Soviet Union still existed. China and India together constituted less than 5% of the global economy, and the acronym BRICS was unheard of. At that time, Europe, on par with the US, was at the centre of the world economy, leading in terms of economic weight and innovation capacity, representing a fertile ground for development and growth. The Single Market was established to strengthen European integration by eliminating trade barriers, ensuring fair competition, and promoting cooperation and solidarity among Member States. It facilitated the free movement of goods, services, people, and capital through harmonisation and mutual recognition, thereby enhancing competition and fostering innovation. Furthermore, to guarantee that all regions could equally benefit from market opportunities, cohesion funds were introduced. This comprehensive approach has been pivotal in driving economic integration and development across the EU.

Tailored for the world of that time, the Single Market proved from the beginning to be a formidable boost for the European economy, as well as a powerful factor of attractiveness. Today, more than thirty years after its inception, the Single Market continues to be a cornerstone of European integration and values, serving as a powerful catalyst for growth, prosperity and solidarity. However, the international scenario has profoundly changed, highlighting the need to develop a new Single Market.

The Single Market has always been intrinsically linked to the EU's strategic objectives. Often perceived as a project of a technical nature, on the contrary it is inherently political. Its future is tied to the EU's strategic objectives and thus to the context in which the EU acts. Therefore, it should never be considered a completed endeavour, but rather an ongoing project. Still, an immediate boost is needed to bring the Single Market at a par with the current context and to prepare it for continuous evolution in line with the dynamics of our time.
It is precisely because of its constantly evolving nature that the Single Market has always been called to adapt to the evolving European and global context. Since the elaboration of the Single European Act, a constant and gradual work of conceptual reflection, involving the elaboration of Reports and Action Plans, was carried on, specifically by the European Commission and its Commissioners. Along these lines, in 2010 the Monti Report provided critical reassessments and set forth recommendations for its reinvigoration. My report is positioned within this continuum, with the objective of conducting a thorough examination of the Single Market's future following a succession of crises and external challenges that have fundamentally tested its resilience.

The new Single Market for a larger world

Europe has changed fundamentally since the Single Market was launched, to a large extent thanks to its own success. Integration has reached high levels in many, though not all, sectors of the economy and society, and 80% of national legislation results from decisions adopted in Brussels. However, with 27 Member States the diversity and complexity of the legal system in force in Europe significantly increased, as also the potential benefits from economies of scale. These developments no longer allow us to rely on mere convergence of national legislation and mutual recognition, which have become too slow and complex or just insufficient to benefit from economies of scale.

Several factors call for updating the cardinal points of the Single Market, aligning them with the European Union's new vision for its role in a world that has grown «larger» and undergone significant structural transformations.
The global demographic and economic landscape has dramatically shifted. Over the past three decades, the EU's share of the global economy has diminished, with its representation among the world's largest economies sharply decreasing in favour of rising Asian economies. This trend is partially driven by demographic changes, with the EU facing a shrinking and ageing population. In contrast to the growth observed in other regions, the birth rate within the European Union is alarmingly declining, with 3.8 million babies born in 2022, a decrease from the 4.7 million births recorded in 2008. Furthermore, even without considering Asian economies, the EU Single Market is lagging behind the US market. In 1993, the two economic areas had a comparable size. However, while GDP per capita in the US increased by almost 60% from 1993 to 2022, in Europe the increase was less than 30%.

The rules-based international order faces serious challenges, entering a phase marked by the resurgence of power politics. The European Union has traditionally committed to multilateralism, free trade, and international cooperation, principles that have formed the bedrock of its global governance and economic strategies. These values have steered the EU's interactions on the international stage, fostering a rule-based order that has been central to its foundational ethos and operational framework. However, wars and trade conflicts are increasingly undermining the principles of a rules-based international system, posing significant threats to the very foundation upon which the EU has constructed its external relations and policies. Vladimir Putin's war on Ukraine represents a rupture after which nothing can remain the same. The new European posture materialised with the Versailles Declaration of March 2022, later followed by the Granada Declaration of October 2023 and the recently updated European Commission Economic Security Strategy.

The European Union's success rests upon the pillars of free trade and openness. Compromising these ideals threatens the very foundation upon which the EU is built. Therefore, we must address the complex international framework with the goal of preserving peace and upholding the rule-based international order, while also guaranteeing the Union's economic security. In this complex endeavour, it is essential to continue investing in the enhancement and promotion of European standards, reinforcing the Single Market's role as a robust platform that supports innovation, safeguards consumer interests, and promotes sustainable development.
Another crucial dimension to address concerns the perimeter of the Single Market. At the inception three sectors were deliberately kept outside the integration process, considered too strategic for their operation and regulation to extend beyond national borders: finance, electronic communications and energy. The exclusion at the time was motivated by the belief that prioritising domestic control over these areas would better serve strategic interests. However, national markets, initially designed to protect domestic industries, now represent a major brake to growth and innovation in sectors where global competition and strategic considerations call for swiftly moving to a European scale. Even within the original perimeter, the Single Market is in need of an overhaul: particularly, the intra-EU provision of services continues to encounter significant barriers that need to be addressed and removed to unlock the full potential of the Single Market.

For this larger world, we need a strong political commitment to empower a new Single Market. This new framework must be able to protect the fundamental freedoms, based on a level playing field, while supporting the objective of establishing a dynamic and effective European industrial policy. To achieve these ambitious objectives, we need speed, we need scale, and above all we need sufficient financial resources.

A collective effort for a new Single Market: 400 meetings, 65 European cities

During the journey across Europe that accompanied the elaboration of the Report from September 2023 to April 2024, I visited 65 European cities and I took part in more than 400 meetings where I had the opportunity to interact, following a method of active listening and open discussion, with thousands of people across the entire continent. The dialogue involved all national governments and the main European institutions, in addition to all political groups within the European Parliament. Similarly, outside the EU, discussions took place with countries that share the Single Market without being EU members and with all candidate countries for accession. Social partners – trade unions and business associations - as well as third sector, employers of services of general interest and civil society groups were consulted, often several times, both in Brussels and in various national capitals. Furthermore, there were numerous meetings with citizens and debates held in universities or within think tanks, not only in major European cities but also in inland and rural areas.

This journey has contributed to the development of a dynamic collective reflection on the future of the Single Market. As the author of the Report, I naturally take full responsibility for the analyses and proposals contained within it. However, in order to formulate them, itinerant listening and interaction throughout Europe proved to be crucial.

During this journey, I also experienced firsthand the most glaring paradox of EU infrastructure: the impossibility of travelling by high-speed train between European capitals. In a continent as small and densely populated as ours, which has also embarked on the path of environmental sustainability, it would have been natural to travel by train, the quintessential green mode of transportation. However, this is currently impossible and seems unlikely to change in the near future, as concrete operational plans remain merely theoretical. This is a profound contradiction, emblematic of the problems of the Single Market. Indeed, our continent quickly and effectively developed the high-speed rail system, but except for the Paris-Brussels-Amsterdam axis, it remained within national borders. We have not even managed to connect the three main European capitals of Brussels, Strasbourg, and Luxembourg. Despite high-speed rail transforming the internal economic and social landscapes of many European countries, enhancing mobility and development opportunities, these benefits have not extended across the Single Market. This is due to tax incentives, which are mostly national and disadvantage international operators. The industry is prepared and has launched several successful initiatives, however a European approach to regulation and tax incentives, rather than a national one, is necessary. The coming years must prioritise the planning, funding, and implementation of a major plan to connect the European capitals with high-speed rail. This project must become one of the pillars of the fair, green, and digital transition. It can mobilise energies and resources and, above all, can deliver gradual results benefiting not only future generations but also the current ones.

The inspirations from my journey across Europe have been numerous and motivating. However, among the many topics addressed in European and national debates, one has emerged as predominant everywhere. This is the issue of supporting and financing the goals that all together, we have identified as central for the coming years and which the EU seems to have now irreversibly embraced. These are bold and positive choices that will accompany European life for at least a decade and will be vital for us and for future European citizens. These choices, while also offering considerable opportunities, will also inevitably come with significant costs. Firstly, the commitment to a fair green, and digital transition. This choice reflects a long-term commitment to transforming European society and economy in a sustainable and equitable manner. The upcoming legislative term is identified as crucial for ensuring the implementation and success of this comprehensive transition. Secondly, the decision to pursue enlargement. The focus here lies not merely on the goal itself but on the careful execution of its implementation. Setting a clear direction for the integration of new members into the EU represents one of the main challenges for the next years. Thirdly, the need to enhance the EU's security. In the new world disorder, characterised by profound and systemic instability, the future of the EU cannot ignore the need to ensure the security of European citizens. This will imply more demanding positions and decisions in the field of defence.

It now appears certain that these three main strategic directions will guide the EU in the coming years. It is no longer a question of whether Europe will pursue them but how it will do so. This will certainly be a heated debate. I have had a clear perception of this in the many meetings during the journey, where discussions were everywhere constructive but quite lively. Similarly, I also came away with another distinct impression: for European citizens, it is clear that pursuing this path will entail high collective costs. Therefore, as long as there is no clarity and transparency on how those funds will be identified and who will pay for them, the concern among citizens themselves and among the vital forces of our societies will be increasing. In order to avoid political backlash, the issue of financial support and cost allocation for the transition, enlargement, and new security frontiers must find clear, straightforward and transparent answers.

Building the Single Market of the future will be one of the key conditions for meeting these financing needs. My analysis intentionally does not exceed the scope of the mandate received from the EU Council and the Commission - developed under the present Belgian, Spanish, and Hungarian trio Presidency of the Council of the EU - and aims to provide the most concrete and operational contribution possible to the work programmes of those institutions and to Mario Draghi's Report on the future of European competitiveness.

The Single Market is all of us: everyone must play its own role

The Single Market is not merely an abstract concept, it is the cornerstone of the process of EU integration. To develop an efficient one, that is capable of creating the conditions to make Europe prosper, we need everyone

– EU institutions, Member States, business, citizens, workers and civil society – to play its own role. Failure of any one to play their part is equivalent to failure of the whole chain.

The forthcoming Multiannual Financial Framework represents a critical juncture for the ambitious proposals detailed in this report, challenging all actors to reaffirm their dedication to developing a new Single Market. The next legislative period, from 2024 to 2029, provides a strategic opportunity to advance this vision. By considering new economic trends and global competition, this period could catalyse a significant transformation of the Single Market into a truly 'European Market', setting the stage for a comprehensive leap forward in our integrated economic framework.

A fifth freedom for a new Single Market

The Single Market framework, rooted in the definition of the four freedoms, – the free movement of people, goods, services and capital – is fundamentally based on 20th-century theoretical principles. This becomes evident when considering how this categorization now seems outdated, failing to reflect the evolving dynamics of a market increasingly shaped by digitalization, innovation and uncertainties related to climate change and its impact on society. The distinction between goods and services has become increasingly blurred, with services often integrated into goods, and fails to capture the intangible aspects of the digital economy.

In an era where technology increasingly dominates, Europe grapples with the challenge of keeping pace with swift global advancements. The continent has not developed a robust industry or cohesive ecosystems capable of capturing the benefits of the new wave of enhanced innovation. This has led to a reliance on external technologies now vital to European companies. The European Union's difficulty in converting its research potential into European industries competing in global markets stems from various factors. A coordinated and comprehensive European technology policy would undertake the broad, long-term investments necessary for ambitious and costly technological development. In recent years, the European Union has effectively implemented substantial digital regulations, thus preventing the potential fragmentation that could have resulted from individual Member States introducing their own rules and protecting us from the sway of external regulatory forces. However, relying solely on this strategy is inadequate for nurturing the level of innovation necessary to realise our goals. Currently, the European Union holds a vast but underutilised pool of data, expertise and startups. Without full utilisation, there's a risk that this wealth of resources could end up benefiting other global entities better positioned to capitalise on it and hamper our strategic autonomy and economic security. The collective intelligence of the twenty-first century, which combines the knowledge and skills of people, new forms of data, harnessing the power of technology, has the untapped potential to transform the way we understand and act regarding the future. To achieve this goal, it's vital to stimulate innovation and foster the development of leading industrial ecosystems capable of producing entities of global importance within Europe.

Establishing a strong European technological infrastructure poses a strategic challenge, necessitating a shift in governance. This involves granting enhanced authority to a collective industrial policy at the European scale, moving beyond national confines. It's imperative to implement European strategies characterized by a definitive vision and centralised coordination, which are able to draw in substantial private investments. Without the presence of significant European technology corporations, Europe will continue to be susceptible to cybersecurity threats, misinformation campaigns, and potential military confrontations.

Hence, it is crucial that we fully tap the potential of our research and development strengths and maximise the opportunities offered by the Single Market. Europe faces an urgent imperative to prioritise the establishment of technological foundations that foster knowledge and innovation, by equipping individuals, businesses, and Member States with the necessary skills, infrastructures, and investments, to enable widespread prosperity and industrial leadership.

Towards the end of his term, Jacques Delors hinted at the necessity of exploring a new dimension for the Single Market. One potential avenue for this exploration lies in the addition of a fifth freedom to the existing four, to enhance research, innovation and education in the Single Market. The integration of the fifth freedom into the Single Market framework reinforces its role as a cornerstone of European integration. It would transform existing dispersed knowledge, fragmentations and disparities into unified opportunities for growth, innovation, and inclusivity. A competitive environment for frontier research and new business models that favour investment in new technologies is essential for maximising public interest sharing and limiting the concentration of private value from data collection and profiling. Hence, the fifth freedom transcends merely facilitating the movement of research and innovation outputs; it critically entails embedding research and innovation drivers at the core of the Single Market, thereby fostering an ecosystem where knowledge diffusion propels both economic vitality, societal advancement and cultural enlightenment. Under this framework, the EU will be better suited to position itself not only as a global leader in setting ethical standards for innovation and knowledge diffusion, but a creator and a maker of new technologies - and their evolutionary patterns - developed and deployed in a manner that respects freedom, privacy, security, and benefits the most.

Operationalizing the fifth freedom requires a multifaceted approach encompassing policy initiatives, infrastructure enhancements, collaborative frameworks, and an unwavering commitment to foster innovation, open science and digital literacy. This report sets out both inspiration and concrete proposals to be explored. Among its first flagship initiatives, the next European Commission should develop, in consultation with all EU institutions and Member State, a comprehensive and ambitious action plan to flesh out and implement the fifth freedom.

Among various sectors poised to benefit from the implementation of a fifth freedom, the healthcare sector stands out prominently. Its critical importance, underscored by the recent pandemic, positions it to greatly leverage this new framework which promises to enhance cooperation and drive innovation. This initiative is particularly vital as European healthcare urgently requires significant revitalization. The EU's increasing reliance on external suppliers for chemically synthesised active ingredients, components, and finished products has led to a steep decline in European production - from 53% in the early 2000s to less than 25% today. Moreover, the migration of European talent in search of opportunities outside the EU is severely undermining the Union's capacity for innovation. In light of these issues, along with demographic shifts and potential future crises, it is imperative that the EU takes decisive action to foster integration within its healthcare sector and ensure sustainable access to healthcare for all its citizens.

A Single Market to Play Big

Demographic shifts and the restructuring of the global economy risk compromising the overall role of the European Union in the world. However, it is by no means certain that this decline in influence is irreversible. With strategic adaptations, we have the potential to confront it. The EU can still benefit from highly impactful assets, but relying solely on existing capabilities will not suffice. Europe's future influence will depend on the performance and scalability of its businesses. Today, European companies suffer from a stunning size deficit compared to their global competitors, primarily from the United States and China. This disparity penalises us in numerous areas: innovation, productivity, job creation, and ultimately, the security of the EU itself. Therefore, it is crucial to support large EU companies in becoming bigger and competing on the global stage. This can enable diversification of supply chains, attract foreign investment, support innovation ecosystems, and project a strong EU image. Ultimately, a thriving economy supported by robust companies puts the entire Union in a position to negotiate more favourable trade agreements, shape international standards, and successfully tackle unprecedented crises and global challenges. Allowing EU companies to scale up within the Single Market is not just an economic imperative but also a strategic one.

However, not all EU companies and markets are in need of a bigger size. We must not mimic models that are consistently different from our own and that do not fit with the European reality. Our model, which thrives on the essential link between large and small enterprises, actively safeguarding a level playing field, must be preserved. This model is a fundamental strength and the bedrock of our social market economy. No company can be allowed to grow undermining fair competition, which underpins consumer protection and economic progress. At the same time, the implementation of the principle of fair competition should not result in European markets being dominated by large foreign companies benefitting from favourable rules in their domestic markets.

The lack of integration in the financial, energy, and electronic communications sectors is a primary reason for Europe's declining competitiveness. As previously noted, we are now facing the consequences of decisions made when the world was «smaller» to retain a predominantly national focus in these sectors. There is an urgent need to catch up and strengthen the Single Market dimension for financial services, energy, and electronic communications. This entails establishing an integrated framework between the European and the national level. This model comprises a two layers approach with a EU centralised authority responsible to guarantee the coherence of rules having a Single Market dimension, while issues, which for size or relevance remain national, should be dealt by independent national authorities within a common framework. In this framework, each entity must have a defined role, as robust collaboration between the European and national levels ensures the system's effectiveness. The markets in question must evolve towards a European dimension, surpassing the national confines that currently hinder any substantial competition with American, Chinese, or Indian conglomerates. By identifying the European one as the relevant market, we can finally enable market forces to drive consolidation and growth in scale, in full respect of the European principles, objectives and rules.

Several key decisions recently outlined in official documents - among which the Statement by the ECB Governing Council on advancing the Capital Markets Union, the Statement of the Eurogroup in inclusive format on the future of Capital Markets Union and the Commission White Paper 'How to master Europe's digital infrastructure needs?' - are moving in a favourable direction, signalling a growing consensus. This trend is also evident in the critical choices made by European Institutions concerning energy independence and the restructuring of the electricity and gas market design.

Leveraging the full benefits of the Single Market in the energy sector requires in the coming years a further leap in interconnectivity and a massive investment in Europe's infrastructure networks, from upgrading the electricity transport and distribution grids to building a backbone hydrogen infrastructure. This will allow to maximise Europe's renewable potential, ensure secure and more affordable energy and expand energy supply choices for industry.

In this context, while the EU will become significantly more able to produce domestically the energy to power its growth as it advances towards a net zero future, the European economy will need to continue to import some of its energy from the rest of the world, and thus must develop strategically an infrastructure network connecting it to reliable partners, in the Neighbourhood East and South and beyond.

In the Report, concrete Road Maps to speed up integration in finance, energy and electronic communications are identified, with a focus on the need to achieve progress within the next European legislature (2024-2029). Without these essential results, the goal of European economic security and the aim of establishing an effective European industrial policy are out of reach. The lessons drawn from recent crises underscore the pressing need to move from deliberation to decisive action.
There are many examples of how decisions and policies set at EU level have determined policies in other parts of the world. Technical standards which were able to satisfy different needs across 27 Member States have proven valuable also for the needs of other countries across the globe. A stronger Single Market will determine standards which will become global reference, making it easier for European companies to provide goods and services to the rest of the world. A big, European market will therefore help make the global market more European.

An effective Single Market for Electronic Communications Networks and Services

Electronic Communications represent one of the sectors in which liberalisation policies backed by pro-competitive regulation at the European level have worked best: new entrants challenged former incumbents; retail prices have fallen; switch towards fibre optic network has progressed and the evolution from 3G towards 5G networks is, although slowly, proceeding. Still, there is a long way to match consistently across the EU 2030 Compass targets to adequately address connectivity needs due to significant differences between Member States and considerable investment gap. Important disparities remain between the various member countries in terms of investments, organization, industry and market development, as well as in terms of territorial coverage of ultra-wideband.

The residual fragmentation in rules and industries at the National level hinders a crucial final step towards a Single Market for Electronic Communications.

Despite the implementation of the 'Telecom Single Market Regulation', which has introduced the 'Open Internet paradigm' into the acquis Communautaire, the EU still includes, currently, 27 distinct national electronic communications markets. This enduring fragmentation hinders the scale and growth of pan-European operators, limiting their ability to invest, innovate, and compete with their global counterparts. The scale of disparity is stark: an average European operator serves only 5 million subscribers compared to 107 million in the United States and a staggering 467 million in China. In addition, a comparison with global counterparts in terms of telecommunications investment shows GDP-adjusted per capita levels of €104 in Europe in 2021 compared to EUR €260 in Japan, €150 in the United States and €110 in China.

Persistent declines in revenues characterise long-term trends, with only slight improvements seen in fixed network services within limited national markets. The economic sustainability of the entire EU electronic communications sector is at risk unless immediate action is taken, with costs being borne by workers and citizens.
There are a number of critical issues. While on the one side, it is recognised that European pro-competitive regulation has brought, over the years, greater benefits to end users in terms of (price of) access to services (compared for example to the U.S.), on the other side, many industry players complain excessive entry of operators

into the market, fostered by a liberalisation and regulation approach that that may have generated strong incentives for 'excessive entry' by small-scale, territorially focused operators and, consequently, unsustainable market balances harbouring low incentives for innovative investment. Today, in a European market with more than 100 operators, keeping the focus only on pro-entrant regulation, would be detrimental for a technology switch towards advanced networks that require massive investments.

In the mobile markets, where access is not regulated, an antitrust approach focused on market entry when evaluating mergers led to the same result. Moreover, spectrum policies, concerning frequencies used for mobile TLC and fixed-mobile services, are still fragmented. While band uses are harmonised at the European level, spectrum assignments still follow national rules, in timing, capacity and spectrum distribution among operators and allocation criteria (including coverage requirements). Rules about electromagnetic emission levels and tower infrastructure policies are fragmented as well. This prevents the creation of a single spectrum market and pan-European operators of high scale, reducing investment and benefits for end users. Two possible actions to address these issues in the short to medium term are to ensure convergence of exposure limits on the basis of the 1999 EC Recommendation on maximum levels of electromagnetic field exposure (which must be regularly reviewed to take into account the scientific evidence and the evolving international guidelines), and the adoption of a unified European Union position on the forthcoming decisions on the higher 6 GHz band.

Finally, another critical issue concerns the evolution of wider global digital markets and of internet architecture, and the resulting unbalanced relationship between TLC and large online platforms. While the regulation continued to assume the prevalence of TLC operators in the digital world, other players – such as large online platforms – were assuming the role of gatekeepers in access to online services and thus as drivers of demand. In other words, existing sectoral regulation has introduced significant regulatory asymmetries between TLC operators and large gatekeepers in many emerging relevant markets. The new regulations on Digital Services and Market (DSA and DMA) have started to effectively address this unbalance.

In the global landscape, digital technologies drive industrial productivity and citizen well-being. A healthy and secure electronic communication sector is crucial for the green transition, innovation, and resilience of the Union, especially in terms of cybersecurity. Unsteady economic sustainability of operators may worsen future consumer welfare by way of lower quality services, as well as security, and uneven distribution of network access, as well as it hinders digitalization of industries and services, leading to lower growth and competitiveness for the whole Europe and for each domestic market.
The European Commission recently issued a White Paper on "How to master Europe's digital infrastructure needs?". This paper is important: it explains economic and technological trends and paves the way for a deep rethinking of the main drivers of the electronic communications markets (targets, architectures, R&D and the regulatory framework). The scenario described in the White Paper is detailed and provides the background on which Europe must proceed to strengthen its electronic communications sector.

Establishing an effective Electronic Communications Networks and Services can help fix many of the current failures in a way that remains coherent with European values, and citizens' rights and market economy principles. The process to get there is complex and a progressive approach is preferable: it has to be unrolled along some key issues.

Road map

By 2024
- Facilitate growth and investment attractiveness for European operators toward a pan-European approach focusing on the European single market as the relevant market Harmonise Member States' regulatory frameworks to allow large insurance groups to tailor capital requirements to the specific risk profile of each entity, thus unlocking additional capital.
- Consolidate the Gigabit Infrastructure Act in order to remove administrative burdens hampering networks deployment.
- Provide additional guidance on net neutrality rules to accommodate innovative use cases like 5G network slicing.

By 2025
- Dismantle administrative and regulatory obstacles, ensuring a unified regulatory framework across the EU moving towards a single Regulatory Authority and a two layers approach with existing NRAs
- Develop a principles-based approach to foster innovation and specialized services while protecting open internet principles.

By 2026

- Remove regulatory barriers to cross-border operations through a common general framework for European digital sovereignty and for European cybersecurity.

By 2027

- Unify radio spectrum policy to support the effective development of a Single Market for electronic communications, focusing on 5G deployment and future technologies.

By 2029

- Upper 6 GHz frequency band to IMT, with a common framework for allocation and auctioning.

A SINGLE MARKET TO FOSTER EFFICIENT ENERGY-CLIMATE POLICIES

Energy was not one of the front-running sectors when the Single Market project was launched in 1992. As the Monti Report noted in 2011, “the energy sector is one of the late arrivals in the Single Market. 2012 will not be the 20th anniversary of the Single Market for energy. Rather it will just mark the beginning of the consolidation of a common energy market.” Nevertheless, over the years, energy market integration has advanced significantly, becoming one of the cornerstones of the EU Single Market. And today, the Single Energy Market can well be Europe’s best asset to ensure its success in a novel global order.

Emerging from an energy crisis of unprecedented severity, Europe must address challenges of significant scale and urgency, within a radically new geopolitical energy landscape. As global competition for clean technology supremacy intensifies, the EU cannot afford to lose time. It must transfer the sense of urgency and decisive action demonstrated during the recent crises to its everyday operations, delivering change across its energy system and completing concrete projects swiftly.

The Russian military invasion of Ukraine has been a defining moment for Europe’s energy landscape. It has altered long standing commercial relations and redesigned the geopolitical dynamics of energy supply and trade. Within the Single Market, the direction of gas trade flows underwent a substantial transformation: supply has diversified away from Russia and the EU now relies more significantly on the liquefied natural gas (LNG) markets, which are largely influenced by the US in terms of supply and by China in terms of demand and are more volatile. Beyond the borders of Europe, both major and emerging global economies are hastening their energy transition and intensifying investments in clean technologies, thereby increasing pressure on European industrial ecosystems.

The unprecedented severity of the crisis brought EU energy market integration close to the breaking point. Some Member States considered to introduce, or actually did introduce, temporary export restrictions to gas, to preserve security of supply for home customers. Governments raced to fly to gas export countries to secure critical gas supplies from reliable sources, outcompeting each other with higher bids. They introduced domestic taxation and subsidy schemes to contain price increases and alleviate burden on households and companies. The electricity market design was for long at the centre of a heated debate, as a possible driver of the energy price crisis.

Yet, the Single Market withstood the pressure. Rather, it has been a powerful lever to ensure Europe’s ability to successfully navigate the crisis. It has effectively demonstrated its strength. The electricity market has managed to avoid any blackouts or shortages of supply. The gas market, despite encountering an unprecedented disruption in supply, has also functioned quite efficiently. Gas allocations between markets were managed effectively, without any need for intricate negotiations between Member States on allocation of volumes or political decisions on rationing for domestic consumers. Price signals played a critical role, prompting demand reduction and shifts in consumer behaviour. They have catalysed further investments into LNG terminal infrastructure and the modernization of gas transportation systems.

Overall, Europe’s response to the 2022 energy crisis has been more effective and united than in any other previous energy crisis, first through greater central coordination of national energy policies, through for example the Storage Regulation in May 2022 and the Regulation on coordinated demand reduction in July 2022, and later through a common EU-level response, using emergency regulations, with interventions in both the electricity and gas markets, and common rules on acceleration of permitting for renewables. A reform of the electricity market design was also agreed in less than one year of negotiations.

Despite such a united response, today there is a real risk of losing momentum for market integration, with a possible backslide on the horizon. The effects of the crisis still linger, reflecting in various national measures that risk jeopardising the cohesion of the Single Market. Moreover, the industrial sector is increasingly concerned that the legacy of the crisis and regulatory complexity and fragmentation may lead to deindustrialisation.

True, energy costs in Europe remain higher than those of its major competitors. During the energy crisis, the EU, as other regions relying on imported fossil gas (UK, Japan, South Korea) has witnessed a trend of increased price differentials with other parts of the world. Gas prices were 3 to 6 times higher than those in the U.S, compared to 2-3 times historically and are still significantly higher today. EU electricity industrial retail prices are close to 2 times the US prices and are becoming progressively higher than in China. Such a situation will persist until the marginal price is predominantly determined by renewable and low-carbon electricity sources rather than gas. The continent's limited self-sufficiency in energy also heightens its vulnerability to sudden price shocks. In 2021, the EU's dependency on energy imports was high: 91.7% for oil, 83.4% for gas, and 37.5% for solid fossil fuels, contributing to an overall energy dependency rate of approximately 55.5%. In 2022 alone, Europe's bill for importing fossil fuels amounted to €640 billion, approximately 4.1% of its GDP. In 2023, even with lower prices, it remained close to 2.4% of the EU's GDP.

Furthermore, the crisis has also exacerbated the divergence between Member States in electricity prices. This creates problems for energy intensive companies as well as for downstream industries, clean technology industries and SMEs in a number of European regions.

The manufacturing sector is also faced with the challenge to integrate, in this difficult environment, clean technologies and processes, which are often expensive or not yet available in sufficient quantities. Even in sectors where Europe has a traditional lead, such as offshore wind, European producers are now facing severe competitive pressures in a global race for technological supremacy. Emerging dependencies on nuclear fuels and critical materials pose further threats to the feasibility of the clean transition, leaving the European economy vulnerable to external leverage.

Once again, it is the Single Market which can provide the levers and the economic weight to address effectively Europe's challenges. No single Member State can compete with the US on gas or oil prices, as they are the world's largest fossil producer. Nor Europe can replicate some advantages that China's state-controlled economy can deploy. But the EU has a continental scale energy market united by a modern, sophisticated regulatory framework unmatched around the world. Without putting into question each Member States right to choose its energy mix, a decisive step towards market integration and common action can deliver a more secure, affordable and sustainable energy system at the service of a modern industrial base. In the energy field, like in the other sectors, a dynamic Single Market means more freedom for companies to stay in Europe and for workers to thrive through high quality jobs.

The more the EU advances towards a decarbonized energy system, the greater is the need for market integration. The benefits of integration, in absolute terms, grow with the increase of renewables in the system, strengthening the value of its flexibility and overall resilience. Firstly, continental-scale integrated markets ensure the deployment of new clean energy generation in the fastest and most cost-efficient manner possible. Renewable energy sources vary in their generation patterns and potential across Europe. Additionally, demand patterns differ throughout Europe. Seamless cross-border electricity trading allows to install substantially fewer turbines and solar modules as they can be placed in the windiest and sunniest locations, respectively. Secondly, as Europe targets a power system made of 70% variable renewables by 2030, well-interconnected markets are crucial for minimizing the costs associated with grid development, storage, flexibility solutions, or backup gas-fired power plants. This interconnectivity reduces investor risks and encourages private capital inflow. Additionally, integrated markets make it possible to mitigate the impact of external shocks that selectively affect one or more countries. If one Member State's system is strained, it can import surplus electricity at a lower cost from another, thus ensuring energy security and economic stability. Finally, a continental Single Market expands consumer choices and provides an ideal environment for the clean tech industry to flourish, fostering innovation in clean technologies and digital solutions for the energy sector. By leveraging its Single Market, Europe can make its diverse energy systems a competitive asset. To do this, it is necessary to muster the political will for some decisive steps in key areas.

Road map

By 2025

- Implement a cross-border cost-benefit allocation methodology for offshore wind projects and develop joint schemes for procuring flexibility and renewable energy auctions across borders.
- Reinforce regional collaboration and give high level regional groups a more political steer.
- Introduce strict cybersecurity standards as a binding criterion when procuring new energy infrastructure.
- Conduct a systematic review of the gas security of supply framework.
- Prepare the entry into operation of the CBAM in 2026 and review its scope.

By 2027

- Reinforce the CEF-Energy budget, simplify its procedures and foster greater integrated planning.
- Establish a Clean Energy Delivery Agency to centralise the provision of technical support, manage funding programs, and serve as a one-stop shop for stakeholders.
- Incentivize demand for clean technologies through financial instruments and a Clean Energy Deployment Fund to facilitate investment in technologies for net zero.

By 2029

- Develop new financial instruments like Green Bonds to attract private capital for infrastructure projects.
-

Throughout the next legislature

- Consolidate energy dialogues with reliable partners in the Neighbourhood and Africa, also through infrastructure projects of mutual interests.

A SINGLE MARKET THAT SUPPORTS JOB CREATION AND MAKES DOING BUSINESS EASIER

The Single Market, as originally conceived, was deeply anchored in a conventional understanding of the production process, reflecting the period during which the integration effort was formulated. This model of development possessed a critical, distinguished characteristic that has diminished over recent decades: the Single Market was once the only available option for European enterprises, both as a production base or headquarters and as a primary marketplace. Considering the global context of that era, while exporting was a viable strategy, the idea of moving operations to a location outside the Single Market was nearly inconceivable. In the current day, not only does this alternative exist, but it has also become increasingly common and embraced. A multitude of countries worldwide now offer themselves as appealing options for European companies seeking to relocate their operations, whether in part or entirely.

Streamlined regulations across various sectors critical to a company's lifecycle play a pivotal role in where companies choose to do business. Notably, many locations outside the European Union have devised dedicated pathways to expedite responses to bureaucratic and administrative needs, enhancing their appeal to businesses. Many entrepreneurs I spoke with during my journey raised concerns about this issue, pointing out that alternatives are becoming increasingly attractive in comparison to the significant bureaucratic burdens faced by companies across various European countries. Much of this bureaucratic burden has arisen due to the overlapping regulations and administrative complexities generated by the EU's complex multilevel governance system. Too often, fragmentation of the Single Market, gold plating, and ring-fencing at the national and regional implementation level, not to mention the asymmetry between territories and legal and tax systems, end up increasing difficulties and multiplying obstacles to productive activity.

There is growing dissatisfaction within the business community regarding the lack of a culture of support and facilitation for economic activities. Too often, this dissatisfaction leads to the temptation to relocate activities to countries outside the EU Single Market, which now present a credible alternative. This emerging challenge requires robust responses. The Commission has made significant progress in the area of corporate taxation, simplification and the reduction of red tape. The proposals presented by President Von der Leyen signify a major commitment that must be pursued as an absolute priority in the coming years. The compass of the new Single Market must emphasise the crucial importance of proportionality and subsidiarity, especially in the context of its regulatory framework.

This Report identifies the challenge of simplifying the regulatory framework as a principal hurdle for the future Single Market. A pivotal proposition emerges: to reaffirm and embrace the Delors method of maximum harmonisation coupled with mutual recognition, fully enshrined by the European Court of Justice's rulings. This method underscores the paramount importance of Regulations as the cornerstone for achieving such harmonisation across the Single Market. It posits that EU Institutions should unequivocally prioritise the use of Regulations in the formulation of Single Market binding rules. When the use of directives remains unavoidable or preferable, it is imperative to make two key choices to ensure their effective implementation. Firstly, Member States must demonstrate greater discipline by avoiding the inclusion of measures that exceed what is strictly necessary under the directive. Secondly, there should be a systematic preference for utilizing the legal basis of the Single Market framework, specifically relying on Article 114 of the Treaty. This provision supports exhaustive harmonisation, crucial for maintaining consistency across the Member States, whereas other Treaty provisions permit minimum harmonisation, allowing Member States to adopt stricter measures that may lead to fragmentation and adversely affect the Single Market.

Moreover, a European Code of Business Law - detailed in the second part of this Report - would be a transformative step towards a more unified Single Market, providing businesses with a 28th regime to operate within the Single Market. It would directly address and overcome the current patchwork of national regulations, acting as a key tool to unlock the full potential of free movement within the EU.

At the same time, the importance of consistent enforcement of Single Market rules cannot be overstated. Effective enforcement ensures that regulations benefit all Member States equitably, preventing the fragmentation of the market and maintaining a level playing field, crucial for the competitiveness of our businesses and the economic dynamism of the EU.

Certainly, if these issues are not addressed, the risk of deindustrialization on the continent - which, as noted, is not irreversible - becomes a real threat. The Report, underscored by a distinctly proactive framework, thus seeks to issue a broader call to action on this matter. In today's global context, Europe cannot, and should not, cede its role as a manufacturing leader to others. At the turn of the century and for much of the subsequent decade, the shift was widely regarded as a feasible and even beneficial option. However, it is now evident that this is no longer the case.

The fair, green and digital transition as a catalyst for a new Single Market: towards a "Savings and Investments Union"

The last legislative term has laid the groundwork for the fair, green, and digital transition by introducing key legislative proposals. Now that almost all the rules are in place, the emphasis must shift to implementation. It is essential to move from policy design to practical application, ensuring that these measures are seamlessly integrated and operationalized to deliver tangible environmental benefits.

Therefore, one of the main objectives of the new Single Market must be to make European industrial capacity compatible with the goals of the fair, green, and digital transition. To this end, in the next legislative term, it will be necessary to direct all energy towards the financial support of the transition, channelling all necessary public and private resources towards this goal to make the transformation of the European production system possible. In this endeavour, the Single Market can and must play a pivotal role.

The initial priority should be to mobilise private capital, a crucial step that lays the groundwork for a more inclusive and efficient financing framework, as it is the area where the EU is most lagging behind. The European Union is home to a staggering 33 trillion euros in private savings, predominantly held in currency and deposits. This wealth, however, is not being fully leveraged to meet the EU's strategic needs. A concerning trend is the annual diversion of around €300 billion of European families' savings from EU markets abroad, primarily to the American economy, due to the fragmentation of our financial markets. This phenomenon underscores a significant inefficiency in the use of the EU's economic assets, which, if redirected effectively within its own economies, could substantially aid in achieving its strategic objectives. In this context, this Report calls for a significant transformation: the creation of a Savings and Investments Union, developed from the incomplete Capital Markets Union. By fully integrating financial services within the Single Market, the Savings and Investments Union aims to not only keep European private savings within the EU but also attract additional resources from abroad.

There are three structural areas in need of urgent action to create a thriving Savings and Investments Union within the Single Market: the supply of capital, the demand for capital, and the institutional framework and market structure governing the movement of that capital. It is imperative that any reform package considers all three areas together. They form integral parts of the broader ecosystem, and therefore cannot be addressed in isolation.

They require joint action from the EU institutions, Member States and market participants.

Pursuing both technical fixes – that are theoretically implementable in the relative near-term – and longer-term structural efforts in parallel is critical. Although they would, in most cases, be tasked to different bodies and authorities, their combined implementation is critical to achieving the final target in the long-term.

Road map

By 2025

- Launch an EU-wide auto-enrolment Long-Term Savings Product in order to stimulate retail investments, leveraging tax incentives from Member States and enhancing the Pan-European Personal Pension Product for broader market applicability.
- Harmonise Member States' regulatory frameworks to allow large insurance groups to tailor capital requirements to the specific risk profile of each entity, thus unlocking additional capital.
- To support private investment in sustainability, create a specific European Green Guarantee (EGG). The European Commission and the EIB could develop the framework and raise the financial resources for a EU-wide scheme of guarantees to support bank landing to green investment projects and companies.
- Revise the securitization framework to simplify the utilization of this instrument, crucial for diversifying asset investment and releasing banks' balance sheet capacity. This, in turn, will enable banks to offer additional financing.
- Implement a single access point for public capital markets, specifically designed for small and midcap firms, to consolidate their market segments via key EU stock exchanges, simplifying their transition to main market segments under ESMA's direct and streamlined supervision.

By 2026

- In order to channel ordinary citizen savings into the financing of the real economy, launch a new European scheme which combines the European Long Term Fund (ELTIF) scheme with attractive national tax incentives.
- Progress toward a cohesive and comprehensive supervision of financial markets by adapting a model similar to the banking sector's supervisory mechanism, where a strengthened ESMA, in collaboration with National Competent Authorities, could assume more supervisory responsibilities for major entities.
- Establish a unified European safe asset by centralising EU-level bond issuances under a single name, ensuring stability and homogeneity in the financial market.

Throughout the next legislature

- To finance green infrastructure process and attract capital from pension funds and insurance companies, promote the public private partnership (PPP) instrument by strengthening regulatory frameworks and ensuring a balance between affordability for taxpayers and profitability for investors.
- Advance the implementation of the digital euro to strengthen EU's financial autonomy and improve the retail payment infrastructure.

The next step involves tackling the debate on State aid. We should develop bold and innovative solutions that strike a balance between, on the one hand, the need to quickly mobilise national targeted public support for industry, in so far as it addresses in a proportionate way market failures, and, on the other hand, the need to prevent the fragmentation the Single Market. Whilst the progressive relaxation of State aid in response to the recent crises has contributed to limiting the negative effects on the real economy and successive temporary frameworks have introduced innovative concepts to capture the changing international context, it has also produced distortions of competition. There is a risk that over time such an approach amplifies distortions of the level playing field within the Single Market due to the difference in fiscal space available to Member States. A way to overcome this dilemma could be to balance a stricter enforcement of State aid at national level and the progressive expansion of EU level funding support. Specifically, we could envision a State aid contribution mechanism, requiring Member States to allocate a portion of their national funding to financing pan-European initiatives and investments.

Unlocking private investments and refining our approach to State aid will facilitate the creation of the necessary political conditions to unleash another critical dimension: European public investments. To alleviate the tension between new industrial approaches and the Single Market framework, the EU's industrial strategy must adopt a more European approach, building on and further developing the IPCEI model, while ensuring that the level playing field is not jeopardised by harmful subsidies. Faced with strong global competition, the EU must step up its efforts to develop a competitive industrial strategy capable of counteracting instruments recently adopted by other global powers, such as the US

Inflation Reduction Act.

Establishing a robust connection between the fair, green, and digital transition and financial integration within the Single Markets is crucial. This link is essential for making the transition feasible in the first place. Without adequate resources, there is a risk of progress stalling. The costs of the transition are systemic and must be shared collectively. Placing the burden solely on specific sectors will ultimately impede rather than facilitate the process. Failure to achieve this collective effort could lead to resistance from various groups - today it might be farmers, tomorrow automotive workers - who feel they are disproportionately bearing the costs of transformation without sufficient support. The second part of the Report contains an illustration of the key proposal to fulfil these objectives. This connection also operates in reverse, as financing the fair, green, and digital transition can drive further integration within the Single Market. The attempt to create the Capital Markets Union over the past decade has not been successful, among other causes, because it has been perceived as an end in itself. True integration of financial markets in Europe will not be realised until European citizens and policymakers recognize that such integration is not merely beneficial for finance itself, but is crucial for achieving overarching goals that are otherwise unattainable, such as the fair, green, and digital transition.

Supporting the transition structurally is a fundamental objective within the European Union's strategic framework. However, discussions must not only focus on the costs associated with this transition. It is crucial to recognize the extensive benefits that this transition offers to citizens, businesses, and workers alike. Investing in and financing this transition is not just a financial decision; it is arguably the most strategic choice the EU can make to secure a significant competitive advantage on the global stage, while preserving and developing the social standards that Europe proudly enjoys. This advantage becomes particularly relevant given the increasing importance of sustainability in the emerging global order. By structurally supporting the transition, the EU enhances its commitment to both long-term economic prosperity and achieving its sustainability goals. The European Investment Bank is pivotal in this respect, as it provides crucial funding and expertise for projects that align with these sustainable and transformative goals across Member States. Furthermore, fostering greater integration within the public procurement market is crucial for realising the strategic goals of the European Union; innovation procurement, especially in green and digital technologies, could be one of the most important levers to support startups, scale-ups and SMEs in developing new products and services.

In summary, there is a need for mobilizers of European financial integration who are external to the finance sector, focusing on objectives that concern the future of citizens rather than finance itself. Structurally supporting the transition is, in this sense, a systemic duty. This is crucial, especially as without the private resources that will emerge from the establishment of a strong and authentic Savings and Investments Union, it will be extremely challenging to resolve the internal divisions within Member States concerning the allocation of national and European public resources needed to cover the costs of the transition. Ultimately, this would enable all to benefit from the relative advantages.

ENLARGEMENT: ADVANTAGES AND RESPONSIBILITIES

A similar strategic vision must also be applied to the other two major processes that will shape the EU in the coming decade, specifically, enlargement and the challenge of security.

For the first, it is essential to immediately identify the conceptual pillars of the issue. The enlargements of the past have been successful choices for the EU. In particular, they have allowed Europe to offset the loss of relative weight caused by the transformation of the geopolitical and geo-economic framework after the Cold War, with the accession of new actors. Thanks to the enlargements, the Single Market and its benefits have been extended, and this has been true for both old and new Member States. A larger EU, today as yesterday, is the best instrument to protect European interests and prosperity, uphold the principles of the rule of law, and defend EU citizens from external threats.

The upcoming enlargement should be approached with the same spirit and vision. The focus of the debate should not only be on the goal of enlargement itself, but more specifically on the methods and timing of such expansions. The interplay between the Single Market and enlargement raises complex questions requiring meticulous consideration. A nuanced approach must be found, facilitating the gradual but significant extension of Single Market benefits to candidate countries while simultaneously safeguarding the stability of both their economies and the Single Market.

One condition remains crucial: given that the Single Market is the core and driving force of European integration, the instrument must remain at least partially under the control of Brussels negotiators during the pre-enlargement process to prevent current Member States from losing their most powerful bargaining tool. In particular, it is essential to unequivocally reaffirm that any country seeking to benefit from any substantial pre-accession participation in the Single Market must fully adhere to all the aspects of the first Copenhagen criterion, demonstrating clear and unwavering respect for the non-negotiable principles of “democracy, the rule of law, human rights and respect for and protection of minorities» from the outset. In an era where these same principles are contested and the European democratic model is increasingly weakened by external threats and internal challenges, no ambiguity on this point can be admitted: it is within the Union and within each Member State that these fundamental values must be fully practised and actively defended. Any candidate country willing to commit to its gradual integration into the Single Market - or into any other dimension of the EU - must fully align with them.

Most importantly, this enlargement should not be perceived, neither by Governments nor by citizens, as a termination of growth and convergence support - particularly for the more recently joined countries - provided by cohesion policy and the Common Agricultural Policy. Accompanying policies for the current Member States and a reform of cohesion policy appear to be decisive. An effective cohesion policy - implemented in a balanced way across the EU - has always been, and will continue to be, a key condition for the success of the Single Market. In this regard, the creation of an Enlargement Solidarity Facility, equipped with the financial resources to manage externalities and facilitate a smooth enlargement process, could be a vital tool to support the process.

PROMOTING PEACE AND UPHOLDING THE RULE OF LAW: A COMMON MARKET FOR THE SECURITY AND DEFENCE INDUSTRY

The third major strategic direction for the next decade, alongside the transition and enlargement, relates to the challenge of security. Vladimir Putin’s war of aggression against Ukraine altered the course of history and reshaped the destiny of Europe, shaking its very foundations. The EU immediately reached a collective decision that the security and defence component, which had historically carried less weight compared to other EU policies and has largely been rooted at the national level, should now gain prominence. The unified and decisive response must now be sustained through consistency and continuity, leveraging the EU’s untapped potential in this domain. The logic is straightforward: security must be addressed in a comprehensive dimension and must influence energy policies as well as financial policies, cyber threats, choices regarding infrastructure, connectivity, space, health and technology. This was also reflected in the Versailles and Granada Declarations and in the European Economic Security Strategy presented by the European Commission. This extended and unprecedented definition of security will inevitably have repercussions on all aspects of the economy and citizens’ lives. Therefore, it is essential to strike a balance with individual fundamental rights, positioning Europe once again as a leader in regulating new technological advancements.

Our industrial capacity in the fields of security and defence must undergo a radical transformation to avoid repeating the dynamics observed during 2022-2024. In that period, while supporting the Ukrainian resistance, Europeans spent substantial amounts, yet around 80% of these funds were spent on non-European materials. Conversely, the US sourced around 80% of the military equipment used to support the war in Ukraine directly from American suppliers, a stark difference that highlights the weakness of our approach. Supporting jobs and industries in Europe, rather than financing our partners or rivals’ industrial development, must be a primary objective when spending public money. In addition, never before has there been such an urgency to develop our own industrial capabilities in order to be autonomous in the strategic domain. As applying the Single Market framework is not feasible today due to the inherent nature of this sector, advancing towards the development of a ‘Common Market for the Security and Defence Industry’ is crucial to entrust the EU with the necessary means to tackle current and future security challenges.

At the same time, security must be the subject of coherent choices regarding financing. Continuity with past policies and expenditures is not even imaginable. New and far more serious threats must be countered with unprecedented and proportionate responses. The European Union is considering several innovative financing options to support a unified defence market. To modernise EU defence capabilities, we must develop innovative measures and instruments that effectively integrate private and public financial resources. These efforts, of course, must be aligned with the membership and corresponding commitments of nearly all EU Member States to the Atlantic Alliance.

FREEDOM TO MOVE AND FREEDOM TO STAY: A SUSTAINABLE SINGLE MARKET FOR ALL

For decades, the European Single Market has been a cornerstone of unprecedented economic growth, social progress, and enhancement of living standards across the continent. It has acted as a catalyst for convergence among Member States, fostering an environment where innovation thrives, economies flourish, and citizens enjoy a broader range of opportunities. As acknowledged recently by the International Monetary Fund, the European growth model has been a powerful engine for economic convergence over the last decades.

Yet, amidst these successes, there is an emerging discussion on the distribution of these benefits. In particular, a perception is gaining ground that the advantages of the Single Market accrue mainly to individuals who are already equipped with the means and skills to take advantage of cross-border opportunities, or to large enterprises that can easily expand their operations across Member States. For example, by fostering competition, the Single Market drives innovation, which indirectly benefits the highly skilled: companies are encouraged to invest in research and development, creating a demand for expertise in cutting-edge fields. Also, knowledge of foreign languages is essential to take full advantage of education and employment opportunities in the Single Market. The situation for businesses is similar: large companies are generally better positioned than SMEs to reap the full benefits of the Single Market. They have the resources and infrastructures to take advantage of production cost reductions, streamline distribution across borders, overcome barriers and easily access the massive consumer base. Moreover, established brands and large corporations already have extensive networks of suppliers, partners, and customers; the Single Market can amplify these network effects, further solidifying their market position.

If left unaddressed, this perception could erode the public and political support that is vital to the continued success of the Single Market. From the outset, the European Single Market was designed with an awareness of its potential differential effects on workers, companies and regions and with a clear goal to address them. This is why the cohesion policy was put in place as a fundamental element of the Single Market, not outside of this framework.

However, today the EU operates in a radically transformed global environment, generating new distributional challenges that demand innovative solutions. The Covid-19 crisis has had uneven impacts across sectors, territories and socio-economic groups. The impact of the disruption of global value chains varies considerably across the local economies of the EU. The green and digital transitions carry will impact differently EU regions and economic sectors. The costs of inflation fall disproportionately on families and businesses which already face economic hardship. Furthermore, the ongoing restructuring of industrial policy carries the risk of inadvertently widening regional inequalities within the Union.

As highlighted by the recent report of the high-level group on the future of cohesion policy “in 2023, more than 60 million EU citizens live in regions with GDP per head lower than in the year 2000. An additional 75 million in regions with near-zero growth. Collectively, about 135 million people, nearly one third of the EU population, live in places which, in the last two decades, have slowly fallen behind”. Residents of regions in decline often feel having no opportunities, but to relocate due to the lack of jobs, access to quality education, and adequate services necessary for cultivating a self-sustaining and dignified lifestyle within their own communities. Similarly, SMEs based in these areas feel the weight of EU regulations but experience limited benefits from the Single Market, often due to business models or capabilities ill-suited to cross-border expansion.

According to Eurobarometer, a large and stable majority of Europeans (61%) affirm that EU membership is advantageous and that their countries have benefited from being members of the EU (72%). However, nearly one in two European citizens feel that things in the EU are going in the wrong direction, while just one in three see things as going in the right direction. In sixteen countries, respondents who believe things are going in the wrong direction are in the majority. In fact, socio-economic hardship still affects Europeans’ everyday lives: 73% believe that their standard of living will decrease over the next year, with 47% saying that they have already witnessed a reduction. Over a third of Europeans (37%) have difficulties paying bills sometimes or most of the time. It is no coincidence that EU citizens see the fight against poverty and social exclusion and public health as the crucial issues that the European Parliament should prioritise in the next legislature, followed by the fight against climate change and support for the economy.

To fulfil its promises of shared prosperity, the Single Market must address several vital mutually reinforcing needs when facing these challenges.

We must strive to continue securing the free movement of people but also ensure a “freedom to stay”. The Single Market should empower citizens rather than create circumstances where they feel compelled to relocate in order to thrive. Opportunities must be available for individuals who wish to contribute to the development of their local communities. Free movement is a valuable asset, but it should be a choice, not a necessity. As expressed by Jacques Delors in a 2012 interview, «each citizen should be able to control their destiny». The objectives of the Single Market should align with the freedom of movement as well as the freedom to stay in the community of one's choice.

We must ensure that any development of the Single Market includes a genuine social dimension that ensures social justice and cohesion, as the Single Market is a powerful engine for growth and prosperity, but it can also be a source of inequality and poverty if its benefits are not widely shared or, worse, if it leads to a race to the bottom in social standards. A strong social dimension in the EU Single Market promotes inclusive prosperity, ensuring fair opportunities, workers' rights and social protection for all, while contributing to growth.

While, as discussed in the previous chapters, the EU needs to "play big", we need to facilitate greater participation of small and medium-sized enterprises (SMEs) in the Single Market. Otherwise, it is inevitable that those businesses and entrepreneurs representing the backbone of the EU economy will see the Single Market as an obstacle rather than an opportunity. SMEs employ almost two thirds of the EU workforce and account for a bit more than half of its value-added. Yet, many SMEs face barriers that include complex bureaucratic procedures, high administrative burdens, and a lack of information and support services. Simplifying procedures, providing tailored guidance, and making information more readily accessible would go a long way in empowering SMEs to thrive within the Single Market.

In addition, despite the recent steps forward, tax fragmentation remains a major barrier for EU businesses and SMEs in particular. A better alignment through a harmonised EU tax framework is key to facilitating the free movement of workers, goods and services and in supporting growth and private investment. Moreover, fighting against aggressive tax planning, tax avoidance and tax evasion is essential to ensure a Single Market that works for all and the continued funding of key EU public goods and adequate social instruments.

Finally, enhancing consumer protection rules is crucial for building a Single Market that works for all. Strengthening these measures not only ensures fair access to goods and services across member states but also fosters a competitive environment that benefits both consumers and businesses. As the EU continues to adapt to changing consumer preferences and economic challenges, robust protections will secure the resilience and integrity of the Single Market, ensuring it remains a cornerstone of European prosperity and innovation.

CONCLUSIONS – A CALL TO ACTION

It is time to craft a new compass to guide the Single Market in this complex international scenario. Powerful forces of change - spanning demographics, technology, economics, and international relations - necessitate innovative and effective political responses. Given the ongoing crises and conflicts, action has become urgent, particularly as the window of opportunity to intervene and relaunch the European economy risks closing in the near future.

This Report, which contains policy recommendations for the future of the Single Market, aims to inspire a genuine call to action among the European public opinion. For maximum impact, it should be implemented at EU institutions, Member States, social partners and citizens level.

The conclusions of this Report aim to clarify the urgency and importance of the proposed recommendations, while emphasising the need for broad engagement and concrete actions.

Given the crucial importance of the Single Market for strengthening European competitiveness, it is essential for the European Council to play a decisive role in advancing necessary reforms for its completion. This initiative should represent a focal point on the agenda of the next legislature, highlighting our joint commitment to revitalising the European economic context. The Council is urged to delegate to the European Commission the task of drafting a comprehensive Single Market Strategy. This plan should clearly articulate actions to break down existing barriers, promote consolidation, and enhance the competitiveness of the Single Market, along the lines of the proposals contained in the Report. It is essential that political direction acts as a catalyst for swift agreement among the Council of the EU and the European Parliament on an ambitious plan, also including detailed impact analysis and thorough parliamentary work to support the process. It is also necessary for the European Economic and Social Committee and the European Committee of Regions to prioritise these reform initiatives in their advisory role, ensuring that the legislative process is guided by a comprehensive and practice-oriented analysis. This collective commitment will not only strengthen the Single Market but also ensure that it continues to be a pillar of European economic resilience and competitiveness globally.

At the core of the European social model, inaugurated by Jacques Delors with the Val Duchesse dialogue in 1985, was a commitment to robust social dialogue. However, in recent years, the essence of these dialogues has somewhat weakened. On the contrary, the need for coordination and negotiation mechanisms between employers and workers must increase if we want to support businesses and create quality jobs. Social dialogue and collective bargaining remain unique tools for governments and social partners to find targeted and fair solutions. It is essential to acknowledge the important role played by social partners in addressing today's challenges, such as climate change and digitalization, in the context of revitalising the EU Single Market. Furthermore, promoting fair working conditions amid changes in production models is crucial to ensure that transitions are widely shared and accepted. The renewed commitment to strengthening social dialogue at the EU level, exemplified by the relaunch of the Val Duchesse Summit promoted by Ursula von der Leyen in her 2023 State of the Union address, constitutes a welcome change. To make the most of this tool, the rules governing the Single Market must allow room for collective bargaining and local representative structures, and encourage (or at least not discourage) the self-organisation of workers and employers. The same, even more so, must occur within the legislative process.

The Single Market stands as a testament to the collective aspirations of its citizens, who form the very core of its structure. Voting, the quintessential expression of democratic engagement, serves as the pivotal tool through which citizens assert their will. From June 6 to 9, the European elections will unfold, offering a decisive reflection of the public's vision for the future. The electoral outcome will not only guide the strategic direction but also shape the recommendations detailed in this report. In this critical juncture, the European Parliament is entrusted with a profound responsibility: to spearhead the development and implementation of a robust new framework for the Single Market, ensuring it fully embodies the democratic values and meets the evolving needs of its people.

To strengthen this process, it would be useful to establish a Permanent Citizens' Conference to inform and support the follow-up to this Report. The Conference on the Future of Europe has clearly indicated the citizens' desire for greater systemic involvement in the development and implementation of European public policies. In particular, one of the proposals that emerged in the Conference's Plenary suggested holding periodic Citizen Assemblies. This proposal was embraced by the Presidency of the European Commission with the initiatives of the European Citizens' Panels, which are set to become a constitutive feature of European life, contributing to strengthening our democracies. The Citizens' Conference could liaise with the three main EU institutions and produce recommendations on how to implement the Report, providing a valuable, certainly broader, and more grounded perspective. Certainly, if the Single Market has always been and must continue to be the core and the engine of European Union integration, no reform, no innovative design, no real progress will be possible, understood, and accepted by our public opinions without the active participation and genuine involvement of European citizens.

The time to act is now. We must work all together for a stronger Single Market and a stronger European Union.