



**European Committee
of the Regions**

ECON-VII/006

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OPINION

Single Market Barriers Report and Single Market Enforcement Action Plan

THE EUROPEAN COMMITTEE OF THE REGIONS

- believes that the European single market is one of the greatest achievements of the European Union (EU), and represents a unique model of integration in the world by guaranteeing free movement of people, goods, services and capital throughout the EU and in associated countries and regions;
- appreciates the efforts of the European Commission (EC) to identify barriers to the European single market and points out that its communication of 10 March 2020 presents key problems concerning businesses that require immediate solutions. Regrets however that the two EC communications focus mainly on the obstacles perceived by businesses and did not address concerns by other social partners and address consumer aspects only peripherally;
- acknowledges that the form of the current regulations and tools for the single market is better suited to exchange of goods than of services. The Committee stresses the need to build flexible tools that can quickly be adapted to changing and newly emerging products and services;
- calls on the EC to be proactive and, together with the EU legislators, ensure that the existing procedures for A1 certification in border regions are simplified;
- encourages the extension of the powers and geographical structure of the European Union Intellectual Property Office (EUIPO);
- welcomes the establishment of a Single Market Enforcement Task-Force (SMET) but regrets that its membership is so far restricted to representatives of Member States;
- considers it essential to make bold decisions on Member States in breach of binding legislation so that proceedings could be imminently launched, carried out and enforced;
- calls for better application of the principle of mutual recognition to the free movement of goods, which has not been used to its full potential in practice, and for applying this principle to the area of services as much as possible.

Rapporteur

Tadeusz Truskolaski (PL/EA), Mayor of Białystok

Reference documents

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Identifying and addressing barriers to the Single Market

COM(2020) 93 final

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Long term Action Plan for better implementation and enforcement of Single Market rules

COM(2020) 94 final

Opinion of the European Committee of the Regions – Single Market Barriers Report and Single Market Enforcement Action Plan

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Background

1. believes that the European single market is one of the greatest achievements of the European Union (EU), and represents a unique model of integration in the world by guaranteeing free movement of people, goods, services and capital throughout the EU and in associated countries and regions;
2. stresses that policy on the European single market plays a key role in carrying out the strategy for sustainable growth and greater economic, social and territorial cohesion in the European Union. The creation of a European single market stimulates trade and makes Europe more attractive for foreign investment;
3. emphatically points out that the European single market is at the core of the economic and political integration of the EU, because it covers 450 million consumers and 22.5 million small and medium enterprises (SMEs), which make up around 99% of all businesses in the EU;
4. stresses that the European single market provides EUR 14 trillion in gross domestic product (GDP) annually, which ensures the functioning of the European economy and growth for Europeans;
5. points out the importance of trade in goods on the European single market, as it accounts for a quarter of the EU's total GDP and represents almost one sixth of world trade in goods;
6. agrees with the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) that completing the European single market, and thereby removing barriers, can generate at least EUR 183 billion a year in added value for Member States, which makes up 1.2% of EU GDP;
7. appreciates the efforts of the European Commission (EC) to identify barriers to the European single market and points out that its communication of 10 March 2020 presents key problems concerning businesses that require immediate solutions. Regrets however that the two Commission communications focus mainly on the obstacles perceived by businesses and did not address concerns by other social partners and address consumer aspects only peripherally;
8. notes that the 2020 edition of the Single Market Scoreboard published on 3 July 2020 concludes that, despite an improvement in the transposition of EU legislation notably in the field of consumer legislation (a 15% decrease in the transposition deficit), the number of infringement proceedings is not decreasing, still due to either "incomplete" or "incorrect" transposition. The

CoR is also concerned by the fact that most market infringement cases relate to environment (28%) (ahead of transport (17%) and taxation (10%));

9. acknowledges that the form of the current regulations and tools for the single market is better suited to exchange of goods than of services. The Committee stresses the need to build flexible tools that can quickly be adapted to changing and newly emerging products and services;
10. believes that the priority of a new strategy for the European single market must be to truly eliminate barriers and increase access to information.

Barriers to the single market – sources and consequences

11. points out that legal divergences between Member States are precisely why eliminating barriers to the European single market is such a lengthy process;
12. agrees with the European Commission that regulatory differences create particularly heavy regulatory burden for businesses, in particular SMEs, including start-ups and scale-ups, innovators and promoters of new business models, therefore calls on the European Commission and Member States to intensify their efforts with regard to removing unnecessary regulation;
13. stresses that small and medium-sized enterprises in particular have limited administrative and human resource capacities to be able to cope with complex red tape; a major barrier to cross-border cooperation in the single market is the A1 certificate, for which time-consuming formalities need to be completed when workers are posted, even for regular postings in a neighbouring country. These formalities could consequently considerably reduce cross-border activities and thus significantly hamper the functioning of the single market. In this regard, the Committee calls on the Commission to be proactive and, together with the EU legislators, ensure that the existing procedures for A1 certification in border regions are simplified;
14. draws attention to the need for more effective enforcement of Treaty provisions that prohibit quantitative restrictions on imports and exports (TFEU Articles 34 to 36) and the need to manage the notification procedures concerning technical regulations (EU Directive 2015/1535) and technical barriers to trade;
15. expects the European Commission to create a new tool for observing market malfunctions, for example, "following" a product and enabling checks on barriers throughout the whole chain of production, distribution and sales, as well as consumption and end-of-life handling.

The European economy of the future

16. is in favour of the priorities of the strategy for European industry indicated so far, such as aligning it with the goals of the European Green Deal and digitalisation, while at the same time implementing the UN Sustainable Development Goals (SDGs), which will ensure a sustainable economic recovery, especially following the COVID-19 pandemic;

17. acknowledges that there are still significant challenges: Big Data, 5G networks, the development of innovation (including in particular IT, the creation of digital realities and autonomy of machines), while remaining focused on building and defending the sovereignty of industrial data;
18. encourages the extension of the powers and geographical structure of the European Union Intellectual Property Office (EUIPO). An effective institution for protecting intellectual property rights with a sufficiently large budget and staff base allowing it to work throughout the world is a way to ensure the growth of European companies;
19. acknowledges that environmental protection policy must play a leading role in the development of industry. Therefore, this objective requires that activity, including scientific activity, be geared towards creating the groundwork for an ecological society and ecological business;
20. notes the need for comprehensive support for modernisation and decarbonisation of energy-intensive industries. However, this cannot be done by transferring production to other countries or using subcontractors in third countries which do not respect European regulations;
21. stresses the need for (financial and IT) support for sustainable and smart sectors in the areas of energy efficiency, mobility and models for eliminating pollutant emissions;
22. understands the need to diversify production and reduce costs, but notes the need to decrease the dependence of European businesses on components from other parts of the world; the current COVID-19 pandemic shows that a stronger local economy should be promoted for certain industries. In the area of medical products in particular, it is important to increase production in Europe and thus become independent from, for example, Asian markets.

Services in the single market

23. stresses the importance of trade in services on the European single market, because it makes up approximately 70% of all economic activity in the EU and has a similar rate in terms of employment;
24. notes that the European Commission should commit more resources to increasing the scale of trade in services to implement the services directive more effectively;
25. in further work on a strategy, calls for advantage to be taken of the capacity and knowledge of local and regional authorities which have daily contact with business representatives from the micro and small enterprise categories;
26. calls on the European Commission to act more decisively regarding monopolies, particularly on the digital services market, where entities from third countries have a predominant position;

27. welcomes the announcement of a new Digital Services Act, which would i.a. replace the 20 year old "Directive on electronic commerce"¹. Insists however that the scope of the planned legislation must not be limited to the conformity of products sold on online platforms but also address the risk of circumvention of employment, social, consumer protection, tax and duty regulations and thereby unfair competition with companies in the offline sector. Precarious working conditions for workers of digital platforms are a matter of particular concern;
28. points out the need to focus on innovations, investment and skills so that the new "skills package" reflects the real needs of the labour market and that upskilling and reskilling are carried out according to its guidelines, including within projects funded by the EU budget;

Assessment of the previous activity of the European Commission

29. welcomes the establishment of a Single Market Enforcement Task-Force (SMET) but regrets that its membership is so far restricted to representatives of Member States;
30. acknowledges the considerable value of the experience gained from the REFIT platform;
31. appreciates the Commission's efforts to make SOLVIT a default alternative dispute resolution tool;
32. considers it essential to make bold decisions on Member States in breach of binding legislation so that proceedings could be imminently launched, carried out and enforced;
33. calls for better application of the principle of mutual recognition to the free movement of goods, which has not been used to its full potential in practice, and for applying this principle to the area of services as much as possible; in this respect calls for the thorough application of the Regulation (EU) 2019/515;
34. expects a clear and decisive stance from the European Commission on unfair trade practices, including the promotion of export-oriented industries by third countries;
35. eagerly awaits the publication of the white paper on antitrust rules and further consultations which should show the scale of the problem;
36. demands that actions on coordinating EU legal frameworks on the single market be accelerated so that the flows of essential types of goods – e.g. food, medical, etc. – would not be held up in any way;
37. expects border control to be carried out based on the principles of necessity and proportionality;

¹ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.

38. calls for more efforts to provide information on the possibility of using modern ICT tools. Modern industry and the growth of cross-border trade require solutions that are able to reduce geographical distance, especially in cross-border regions;
39. looks forward to the preparation of a strategy for the single market with ambitious, yet realistic road map for proposals aimed at removing the remaining barriers, not only an analytical section showing barriers and orientations;
40. challenges the purpose and usefulness of the One-In, One-Out principle, according to which one EU piece of legislation is to be deleted for every new one. Instead of following such a quantitative approach to legislation, which would run the risk of having a negative impact on broad sectors of society, including the employment sector, consumer protection and the environment and may contradict Article 3(3) TEU, the quality of the legislation, adapting to technological evolutions and societal needs, should remain the guiding principle for any new legislation;
41. points out the need to create an integrated pharmaceutical safety system, which would allow resources to be channelled according to critical demand in crisis situations.

Activity of public administration and local and regional authorities

42. points out the full support of local and regional authorities for the European Commission's efforts to eliminate barriers in the European single market;
43. draws attention to the need to provide education about the possibilities that arise in relation to the European single market – above all, to inform local and regional government entities that have direct contact with European entrepreneurs and consumers;
44. supports the idea of setting up a central information point on the legislation in force in the single market for officials in Member States and with the aim of maximising the flow of information between the European and local level;
45. supports actions aimed at improving knowledge and awareness that include the single digital gateway, which will ensure access to comprehensive information on legislation and administrative procedures of the single market, and direct users to the most relevant support services and contact points;
46. envisages better use of existing European single market IT tools, such as the Internal Market Information System (IMI), and agrees that it is necessary to create a unified online platform for law enforcement;
47. encourages the Commission to consider the possibility of harnessing the potential of local and regional authorities in predicting compliance with proposed legislation in advance, since in many cases those authorities are responsible for implementing it once adopted. Local and regional authorities also have the capacity to test solutions and they receive direct feedback about ability to comply;

48. suggests that it is necessary to speed up work on harmonising technical standards and the freedom to provide services on the European single market and this process should be completed by the end of 2023.

Global trade challenges

49. criticises the imbalance in the global market concerning the level and scope of (legal and financial) aid granted by individual states to private and public economic entities which provide services and distribute products to the European Union;
50. points out the need for stronger promotion of European values around the world – including those concerning trade in goods and services. The EU and its institutions must advocate an open global trade system based on international rules;
51. encourages measures to take advantage of the possibilities offered by digitalisation and almost instant access to information to combat price dumping;
52. points out the importance of a rules-based global trade system with a strong WTO, and opposes protectionism and isolation. The EU's goal must be to revitalise and strengthen the WTO, including by modernising its working methods in key areas and filling in gaps in its rulebook so that the WTO can respond appropriately to current trade policy challenges;
53. suggests developing and implementing a policy for a European reorganisation of supply chains so that in the future European businesses do not suffer from a reduction in global trade and lack of available components and EU citizens do not have their access to some products limited;
54. points out the need to develop "EU-rest of world" trade relations based on European strategic interests (including similarly ambitious environmental standards for all countries), with the aim of strengthening the EU's global competitiveness and its role internationally.

Final remarks – conclusions and recommendations

55. stresses the need for cooperation between individual Member States and uniform action, particularly in the field of international affairs which affect the secure and stable functioning of all EU countries (e.g. in achieving European independence from raw materials from third countries);
56. rules out the long-term occurrence of imbalances concerning operating rules between EU Member States, as has been the case so far (e.g. concerning payments to the EU budget, use of the euro, etc.);
57. stresses the importance of integrating private and public institutions that work for businesses and consumers, particularly at the supranational level, because they are much quicker to notice problems resulting from diverging legislation or derogation from rules adopted at EU level;

58. stresses that digitalisation of European business and public administrations, including technological solutions concerning the single market, is a priority for the EU. Fields such as cybersecurity, personal data protection, and the collection and processing of information in the cloud, need improvement and new solutions;
59. recommends:
- a) close harmonisation of rules and coordination of regulators for sectors that have a strong impact on the functioning of the economy, e.g. telecommunications and energy;
 - b) an assessment of costs and benefits of full harmonisation of legislation in the short term (several years) in relation to other sectors and an assessment of the legal and technological capacity for implementing solutions in economies at different levels of socio-economic development;
 - c) a greater commitment from the Commission to removing non-tariff barriers within the EU, including limitations in the form of applying unjustifiable national technical regulations and regulatory and non-regulatory requirements for products and service providers and conditions for providing services;
 - d) increasing cooperation with local business representatives so that the new regulations can be initiated from the bottom up;
 - e) including an entry on clear responsibility and scope for these actions, in terms of creating and optimising the European single market, in future documents of authorities at the regional and local level;
 - f) fostering a culture of consumption of products produced in the EU as synonymous with quality and modernity;
60. encourages the creation of common guidelines for constructing public portals (at least at the regional level – NUTS 2) so that businesses from different Member States can easily find the necessary information;
61. points out the need to strengthen European integration based on the values of democracy, the rule of law, the safeguarding of high environmental, climate protection and health standards, so that synergies between the cohesion of EU countries and economic effects become effective. The imperfections of the single market are felt at local and regional level;
62. stresses the importance of the industrial autonomy of the European single market, including the need to create a strategy to guarantee the supply of critical raw materials;

63. calls for boldness when implementing new solutions, particularly those that concern climate neutrality of the European economy or directly strengthening the uniformity of the single market.

Brussels, 12 October 2020

The President
of the European Committee of the Regions

Apostolos Tzitzikostas

The Secretary-General
of the European Committee of the Regions

Petr Blížkovský

II. PROCEDURE

Title	Single Market Barriers Report and Single Market Enforcement Action Plan
Reference documents	COM(2020) 93 final COM(2020) 94 final
Legal basis	Article 307 TFEU
Procedural basis	Rule 41(b)(i)
Date of Council/EP referral	
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Date of Bureau/President's decision	
Commission responsible	ECON
Rapporteur	Tadeusz TRUSKOLASKI (PL/EA)
Analysis	
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Previous Committee opinions	
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