

BUSINESSEUROPE



# SINGLE MARKET: THE WAY FORWARD

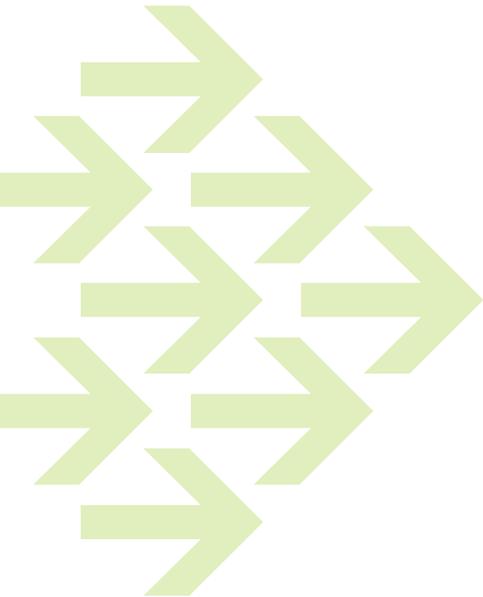


# BUSINESSEUROPE



## WHO ARE WE?

**BUSINESSEUROPE** plays a crucial role in Europe as the main horizontal business organisation at EU level. Through its 41 member federations, **BUSINESSEUROPE** represents more than 20 million companies from 35 countries. Its main task is to ensure that companies' interests are represented and defended vis-à-vis the European institutions with the principal aim of preserving and strengthening corporate competitiveness. **BUSINESSEUROPE** is active in the European social dialogue to promote the smooth functioning of labour markets.



Avenue de Cortenbergh, 168  
1000 Brussels  
Tel. +32 2 237 65 11  
main@businessseurope.eu  
www.businessseurope.eu

## FOREWORD

Can you remember what Europe was like 20 years ago?

If you wanted to travel by car from the Netherlands to Italy you had to show your passport at five different borders. In the same trip, you had to change to the national currency of the countries you were crossing, paying a fee every time. When shopping, you did not have the same consumer rights as in your country and there were limits on what you could buy and take with you for personal use. On top of that, you had to pay duties on the goods bought in another European country.

Studying abroad at the best European universities has not only become a very attractive and easy possibility, but it is already a reality for more than 2.5 million Erasmus students in the last 25 years, and 200,000 more every year. Nowadays, as a European citizen you can access the best health services all over Europe. And if you want to fly, thanks to competition, the cost of airline tickets has dropped by 40%. We are all familiar with these changes in our daily life as citizens but what has changed for business?

This is what we want to analyse with this brochure, as well as the remaining challenges that companies face. The single market adds € 600 billion a year to our economy, and since 1992 it has helped create almost 3 millions new jobs in Europe. Yet, the single market for business is still incomplete. Can you imagine what Europe could be like in a future when a true single market for companies becomes a reality?

In this brochure, we make recommendations to reach this objective.



**Philippe de Buck**

Director General of  
BUSINESSEUROPE

**Jürgen R. Thumann**

President of  
BUSINESSEUROPE

## FACTS ABOUT THE SINGLE MARKET

**WORLD'S LARGEST ECONOMY**

**→ GDP = €12.6 TRILLION**

**ADDING €600**

**BILLION A YEAR TO**

**EUROPE'S ECONOMY**

**3 MILLION NEW**

**JOBS CREATED**

**2.5 MILLION ERASMUS STUDENTS**

**MORE COMPETITION**

**ACCOUNTS FOR 20% OF GLOBAL EXPORTS AND IMPORTS**

**WIDER CHOICE OF GOODS AND SERVICES**

**PRICE AIRLINE**

**TICKETS DROPPED BY 40%**

**6 MILLION PEOPLE WORKING IN**

**ANOTHER MEMBER STATE**

**€2,800 BILLION TRADED IN GOODS IN 2011**

**500 MILLION PEOPLE**



## **SINGLE MARKET: THE WAY FORWARD**

<b>WHO ARE WE?</b>	<b>02</b>
<b>FOREWORD</b>	<b>03</b>
<b>FACTS ABOUT THE SINGLE MARKET</b>	<b>04</b>
➔ <b>FREE MOVEMENT OF GOODS</b>	<b>06</b>
➔ <b>MOBILITY OF WORKERS AND PROVISION OF SERVICES</b>	<b>07</b>
➔ <b>PUBLIC PROCUREMENT MADE ELECTRONIC</b>	<b>08</b>
➔ <b>PUBLIC SERVICES: OPEN TO COMPETITION</b>	<b>09</b>
➔ <b>INVESTMENT IN TRANS-EUROPEAN TRANSPORT NETWORKS</b>	<b>10</b>
➔ <b>E-COMMERCE: MOVING INTO THE DIGITAL SINGLE MARKET</b>	<b>11</b>
➔ <b>MORE VENTURE CAPITAL FOR SMEs</b>	<b>12</b>
➔ <b>THE EURO: ONE CURRENCY, MANY COUNTRIES</b>	<b>13</b>
➔ <b>TOWARDS A COMMON VAT</b>	<b>14</b>
➔ <b>EU TRADEMARK AND INTELLECTUAL PROPERTY RIGHTS</b>	<b>15</b>
➔ <b>INTEGRATION OF ENERGY MARKETS</b>	<b>16</b>
➔ <b>INTERNATIONAL DIMENSION OF THE SINGLE MARKET</b>	<b>17</b>
<b>KEY BUSINESSEUROPE RECOMMENDATIONS FOR THE FUTURE OF THE SINGLE MARKET</b>	<b>18</b>



## FREE MOVEMENT OF GOODS



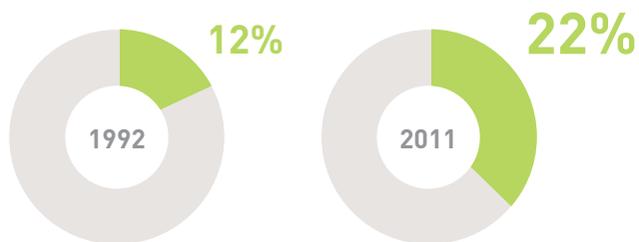
*“It is a big challenge to be innovative when Member States don’t respect the basic principles of free movement. We have created our innovative dual-use fitting in 2002 but after a ten-year legal dispute against certain national commercial barriers, we still can’t sell our product across the whole of Europe.”*

\* FRA.BO is an Italian company that has developed and marketed a special fitting that can be used for both water and gas distribution.

**Manuela Bonetti,**  
CEO of FRA.BO\*

Despite the well established principle of mutual recognition (when a product is sold legally in one European country, it should be allowed on other markets), national technical regulations and certifications may have the effect of excluding new products from the EU market and limit the free movement of goods.

The introduction by a national standardisation body of additional tests may exclude them from a national market, and stop the development of the relevant European standards for many years. As a consequence companies need to embark on long and costly legal disputes to have their rights respected in practice.



Intra-EU trade in goods rose from under 12% of the Union’s GDP in 1991 to 22% in 2005. In addition, around 75% of intra-EU trade is in goods.

### RECOMMENDATIONS

- Ensure better awareness and improved application of rules on the free movement of goods. In the area of standardisation, this is especially important to foster SME growth and encourage the development of innovative products.
- Monitor more carefully the proper application of the mutual recognition principle.



## MOBILITY OF WORKERS AND PROVISION OF SERVICES



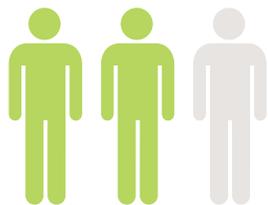
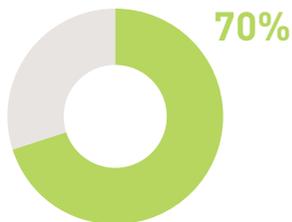
*“The single market has made it much easier to provide our services to customers in other Member States. However, we still experience difficulties with sending our experts to another country to work there. It takes a long time to get all the necessary paperwork approved, which is harmful to our business.”*

\* WSP is a global design engineering and management consultancy specialising in property, transport & infrastructure, industry and environment projects.

**Siv Axelsson,**  
Director for Human Resources and  
Communication at WSP Group\*

Services are crucial for further growth, job creation and innovation. In 2011, nine out of ten new jobs were created in Europe’s services sectors. Despite the share of the service industry and the significant progress made, the European services market remains fragmented.

Many challenges are related to the lack of proper implementation of the services directive, burdensome national rules and procedures, difficulties with the recognition of national professional qualifications and stringent rules for regulated professions.



The services industry accounts for the largest part of the EU economy representing nearly 70% of EU GDP and two thirds of total employment in Europe.

### RECOMMENDATIONS

- Increase the mobility of workers throughout the EU, by reducing the number of regulated professions, simplifying procedures for the recognition of professional qualifications and ensuring uniform quality levels for education and training.
- Modernise and simplify administrative procedures for service companies, by upgrading the points of single contact and removing burdensome national rules.



## PUBLIC PROCUREMENT MADE ELECTRONIC



*“Cross-border public procurement can be a real challenge. Due to the lack of good digital solutions, we frequently have to send our employees on a journey of 1,000 km or more to physically deliver our bids. As a foreign bidder you get the tender documents late and have to finish your bid early, meaning less time to make a good offer.”*

\* Falck is a large European private ambulance company providing ambulance services to the general public in collaboration with the authorities of 14 countries.

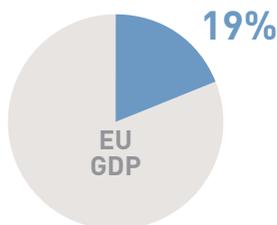
**Ole Qvist Pedersen,**  
Senior Vice-President of Falck Denmark A/S \*

The introduction of e-procurement can improve efficiency, market openness, transparency and competition, resulting in less public spending. However its take-up is slow with no more than 5% of EU procurement procedures allowing for electronic processing. Even if a business subscribes to EU databases for tender announcements, many tenders are only announced locally or nationally. Often, the tender documents can only be collected by mail or by showing up at the authority's office. The tender often requires bidders to hand-deliver the bid in a paper version. These burdens cost money and delay the bid's preparation.

These additional costs in terms of time, personnel resources and transportation can deter businesses from engaging in public procurement in other countries.

€ 2,288  
BILLION

=



In 2009 the total value of public procurement in Europe was EUR 2,288 billion, accounting for 19% of EU GDP.

### RECOMMENDATIONS

- Contracting authorities must provide access to tenders and accept bids in electronic form, whilst guaranteeing confidentiality.
- EU authorities must ensure legal certainty, interoperability of systems and security of sensitive data for e-procurement.



## PUBLIC SERVICES: OPEN TO COMPETITION



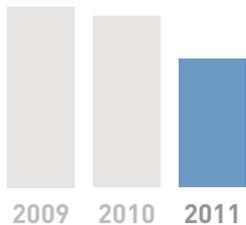
*“Veolia has worked with the City of Bucharest for the management of its water and sewage systems since 2000. This partnership has led to significant cost-savings and one of the lowest tariffs in Romania, while increasing the quality of water, the energy efficiency of the installations, and a reduction of water losses over the last decade.”*

\* Veolia provides public services mainly in the areas of drinking water distribution and waste water treatment, energy efficiency, waste management and passenger transportation.

**Antoine Frérot,**  
CEO of Veolia Environnement \*

High-quality public services are essential for European competitiveness and the well-being of society as a whole. The current economic downturn is putting pressure on public finances, which requires more efficient spending of public money and more cost-effective provision of public services. In many countries there is a lack of efficiency in the public sector and companies experience many difficulties with setting up partnership approaches.

Stronger cooperation between the public and private sectors can make the public sector more efficient. Public-private partnerships (PPPs) provide financial relief for public authorities, innovative solutions, more customer-oriented services and better value for money for the users.



In 2011, only 84 PPP transactions reached financial closure, which is significantly below the 112 and 118 deals closed in 2010 and 2009 respectively.

### RECOMMENDATIONS

- EU institutions and national governments must further encourage partnership approaches.
- Ensure transparency and fair treatment of private operators in the delivery of public services through open and competitive tenders.



## INVESTMENT IN TRANS-EUROPEAN TRANSPORT NETWORKS



*“The Øresund Bridge has increased our business opportunities, especially cross-border. We can now provide the same service in Denmark as in Sweden, so a new market has opened up for us.”*

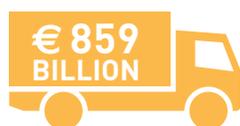
*\*TransFargo AB is a Swedish family-owned logistics and transport company based in Malmö with services comprising land, sea and air transport.*

**Hans Gunnar Andersson,**  
Managing Director of TransFargo AB\*

The single market can only function properly when goods can flow and workers can move smoothly and safely across Europe, on effective Trans-European Transport Networks (TEN-T).

Big transport infrastructure projects like the Øresund Bridge increase business opportunities for companies, both in the nearby regions and in other countries. The bridge has contributed positively to the development of the surrounding regions and has improved the connection to central Europe.

Unfortunately only 5 of the 30 TEN-T priority projects have been completed. Many regions still miss out on development potential and business misses out on valuable opportunities.



2000-2006



2010-2030

The total investment in transport infrastructure during the period 2000-2006 was € 859 billion. The future cost of EU infrastructure development to match the demand for transport has been estimated at over € 1.5 trillion for 2010-2030.

### RECOMMENDATIONS

- EU institutions must establish fair, transparent and efficient criteria for the projects to be supported.
- The level of public commitment, including sufficient funding, must be increased at both EU and national level.



## E-COMMERCE: MOVING INTO THE DIGITAL SINGLE MARKET



*"In addition to their national rules, European on line businesses have to comply with the rules of the various countries in which they operate. This includes different VAT regimes, payment systems and product information, but also pricing guidelines for certain products like books. These issues represent complex burdens for cross-border e-commerce."*

\* Ahold is an international retailing group based in the Netherlands.  
ERRT is a network of the Europe's largest international retail companies.

**Dick Boer, CEO of Ahold and President of the European Retail Round Table (ERRT)**

The EU could gain 4% of GDP by creating a true single digital market by 2020. This corresponds to a gain of €500 billion and means that the digital single market alone could have an impact similar to the 1992 single market programme. But significant efforts need to be made to unleash the digital single market's great potential. While e-commerce is rapidly taking off at national level, its cross-border development is lagging far behind.

Addressing the remaining fragmentation of the rules that have an impact on e-commerce is crucial. The diverse rules on data privacy, consumer protection, provision of online services and the divergent way in which they are applied in the EU countries are a great challenge for e-business.



**= 5%**  
OF TOTAL  
RETAIL SALES

E-commerce represents merely 5% of total retail sales and only 9% of Europeans have shopped online in another country, while 40% do so in their own Member State.



### RECOMMENDATIONS

- Boost consumer confidence and business opportunities in the digital environment.
- Ensure that all rules impacting on the digital economy are subject to an "e-commerce test", at both EU and national level, to assess the effects on cross-border online trade.



## MORE VENTURE CAPITAL FOR SMEs



*“It should be easier for European businesses to access debt and equity funding and for investors to invest long-term risk capital in our companies. A European passport facilitating cross-border venture capital investments is vital to address the dramatic fall in venture capital supply in Europe in the last 10 years.”*

\*The Canford Group specialises in supplying professional audio, video and broadcast products. It currently employs over 200 people and has a turnover in excess of £19 million.

**Hugh Morgan-Williams,**  
Chairman of Canford group\*

Access to finance is essential to enhance the competitiveness and growth of SMEs. Especially for start-ups and innovative SMEs, venture capital is an important source of long-term financing which provides them with a stable funding base from which they can grow into strong competitive companies.

The EU market is fragmented along national lines. This prevents European venture capital funds from raising capital across the EU. It creates problems and additional costs for venture capital fund managers seeking to raise funds outside their country. These extra burdens represent a barrier to raising capital across the EU.

€4  
MILLION

AMOUNT INVESTED IN EACH  
COMPANY BY US FUNDS

€2  
MILLION

AMOUNT INVESTED IN EACH  
COMPANY BY EU FUNDS

The average European capital fund contains approximately €60 million whilst an average US fund contains €130 million. US funds invested around €4 million on average in each company while European funds invested €2 million. Long-term venture capital investments in the US have been 4 times higher than in the EU.

### RECOMMENDATIONS

- Increase the role of venture capital funds in SME finance in Europe.
- Create a European marketing passport allowing raising capital from investors throughout the EU.



## THE EURO: ONE CURRENCY, MANY COUNTRIES



*“The monetary integration and the development of a pan-European regulation of financial markets have allowed deeper integration of our operations and facilitated streamlining our governance structures and processes. For our group and its subsidiaries, a single currency means gradually reaching a common outlook toward investors and stakeholders.”*

\* Italcementi Group is world's 5<sup>th</sup> cement and concrete producer with operations in more than 20 European and non-European countries.

**Carlo Pesenti,**  
CEO of Italcementi Group \*

The introduction of the euro made it easier for European companies to develop international strategies thanks to a reduced level of currency risk. At the same time, households and businesses alike have benefited from the European Central Bank's ability to deliver unprecedented price stability.

Safeguarding and strengthening the euro is fundamental to the future prosperity of our continent.

**+15%**  
**TRADE WITHIN**  
**EUROZONE**

Since 2002, trade within the Eurozone has grown by 15% thanks to the Euro.

### RECOMMENDATIONS

- Euro-area leaders need to give priority to decisive actions for safeguarding the euro, including concrete steps towards economic and political integration.
- Long overdue reforms on product and labour markets in the euro area are needed to improve fiscal sustainability and competitiveness and underpin the euro's long-term credibility.



## TOWARDS A COMMON VAT



*“Managing VAT obligations in the single market is a big challenge for businesses, which have to deal with 27 different VAT laws and tax administrations and have to play the role of tax collectors. Risks, costs and additional administrative burden have been increasingly shifted over to business in the last 10 years.”*

\* General Electric is a diversified multinational corporation – Energy, Healthcare, Aviation, Transportation, GE Capital, Home & Business Solutions - operating in over 100 countries around the world.

**Karl-Heinz Haydl, VAT Manager and European VAT Policy Leader of General Electric Corporate \***

The Value-Added Tax (VAT) system is of great importance to businesses due to its significant impact on day-to-day operations. But the lack of information, standardisation and uniform application of VAT rules has made it extremely difficult and costly for business to comply with these obligations across Europe accurately and on time.

The increase in cross-border trade has led to an increase in foreign VAT obligations for both small and bigger companies. It is not easy for business as unpaid tax collector to find out whether it has a VAT obligation abroad and what needs to be met, when, by whom, where and how!

# € 14 BILLION

European countries' VAT contribution to the EU budget in 2010.

### RECOMMENDATIONS

- Ensure stronger cooperation between Members States and businesses, and shift to a system in which VAT is levied in the country where the product is consumed.
- Set up a web portal providing easy access to accurate and reliable information on VAT rules in the EU so that businesses can comply accurately and timely across Europe.



## EU TRADEMARK AND INTELLECTUAL PROPERTY RIGHTS



*“Companies require full protection of intellectual property rights based on legal certainty, lowest costs and non-discrimination. The Community Trademark has proved a very efficient way to protect intellectual property throughout Europe, based on one single registration at the Alicante Office.”*

\* ASEDAS is the leading Spanish business organisation in food distribution.

**Juan Antonio Germán Monge**, Chairman of the CEOE's Internal Market Committee, Secretary General of ASEDAS\*

The creation of the Community trademark allowed companies to protect their brands on the whole EU territory with a single registration at the Office for Harmonisation in the Single Market (OHIM) in Alicante. The Community Trademark and the Community Design are best practices examples of EU wide protection for intellectual property rights. They support creativity and investment in non-tangible assets.

Still, the EU must pursue better access to intellectual property rights, in particular for SMEs, including the creation of a unitary patent that meets the needs of all European users, in terms of costs and legal certainty. European companies also need a harmonised EU copyright framework and an enhanced fight against counterfeiting.

# 850,000

Since its inception in 1996, the OHIM has registered 850,000 Community trademarks.



### RECOMMENDATIONS

- The EU must adopt a more integrated intellectual property policy that supports creativity and innovation.
- A strong intellectual property policy must be at the centre of a strategy for growth.



## INTEGRATION OF ENERGY MARKETS



*“In the Baltic States region markets still do not deliver energy at competitive prices, as cross-border trade is practically impossible. Ensuring a secure energy supply at affordable prices is decisive for all industry, and particularly for energy-intensive sectors like ours. Europe needs to develop its electricity and gas infrastructure urgently.”*

*\* Achema group is the largest fertiliser manufacturer in the Baltic region and big energy consumer.*

**Arunas Laurinaitis,**  
President of the Achema Group\*

A well functioning single market for energy is vital for cost-effective, secure and competitive energy provision across Europe. However the interconnection capacity between Member States still remains insufficient in certain regions, such as the Baltic States, the Iberian Peninsula, the United Kingdom and Ireland.

In the absence of interconnections and diversified supply, the Baltic States and other regions are going to remain energy islands that cannot ensure and contribute to the functioning of the EU single energy market.

ONLY 3% OF EU ELECTRICITY IS TRADED ACROSS BORDERS

Only 3% of EU electricity is traded across borders and 9 EU Member States still do not meet the 2002 target to have a level of electricity interconnections equivalent to at least 10% of their installed production capacity by 2005.

### RECOMMENDATIONS

- Facilitate cross-border trade in energy and boost investments in interconnections to integrate energy islands into the EU power and gas market.
- Remove regulatory barriers and enhance financial risk-sharing facilities to leverage the €200 billion investment needed in European energy infrastructure by 2020.



## INTERNATIONAL DIMENSION OF THE SINGLE MARKET



*“Regulatory cooperation will make the single market’s economy and our companies more competitive, and help set standards for better regulation around the world. We need to show our leadership in this field.”*

**Henryka Bochniarz,**  
President of Lewiatan, the Polish  
Confederation of Private Employers

Regulatory cooperation with our largest trading partners is important to foster trade, investment and jobs. This cooperation can also be a building block to promote open and non-discriminatory regulation in future partnerships with emerging markets.

A transatlantic trade agreement that eliminates traditional trade barriers to goods and services would deepen regulatory cooperation. Common transatlantic approaches to better regulation can reduce regulatory compliance costs for companies across the economy. By adopting common transatlantic regulations for new technologies (like electric/hybrid cars or pharmaceuticals), companies will save millions through economies of scale and help define open global standards and regulations for these industries of the future. In turn, companies will obtain greater access to key emerging markets where there will be higher economic growth.

€1 =   
TRILLION 7 MILLION JOBS

US companies have invested close to a trillion euro in the EU economy and account for over 7 million jobs. Regulatory convergence can increase this investment and create new jobs in Europe.

### RECOMMENDATIONS

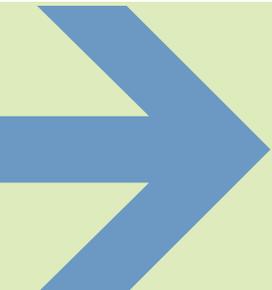
- Start transatlantic trade negotiations covering goods, services, investment, procurement and regulatory cooperation.
- Develop common regulatory approaches to better regulation and for the regulation of new technologies to establish an open global market for trade and investment.



## KEY BUSINESSEUROPE RECOMMENDATIONS FOR THE FUTURE OF THE SINGLE MARKET

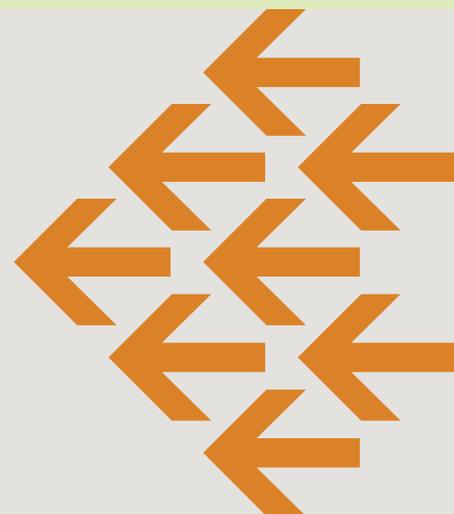


The concrete experience of companies shown in the previous examples demonstrates that the way forward to further integrate the single market should focus on the following key aspects:

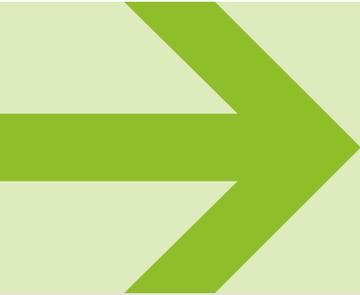


**Smart regulation:** European laws should serve people and businesses. Smart regulation is about the whole policy cycle – including implementation, enforcement, evaluation and revision. The financial and economic crisis has shown that regulation has an important role to play. It must be well designed to reach its intended objectives and to deliver sustainable prosperity and consumer protection.

**Implementation and enforcement:** the entry into force of a piece of EU single market law often means that the entire national legal frameworks of Member States need to be adapted, and that additional steps - like for example the creation or dismantling of agencies or the availability of new resources - are needed. This is a key aspect of implementation and one where Member States' practices vary a lot. Where needed, using a process of mutual evaluation between Member States – like that in place for the services directive – may be very helpful.

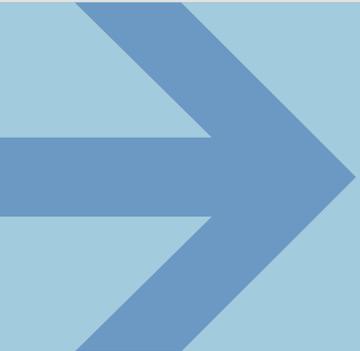


**Transposition:** when including EU directives into their national legal frameworks, Member States should first of all ensure they respect the timing indicated for transposition. Even more importantly, they must respect the substance of the directive, avoid ambiguities or additional requirements which could lead to additional unnecessary costs for businesses.



**Mutual recognition:** trust is a key element of a well-functioning single market. Whether we talk about goods, qualifications, services or people, true free movement entails an element of mutual trust and recognition between Member States. This principle should be respected and more widely applied in all areas of single market policy.

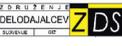
**Problem solving:** despite the improvement, single market rules are often not applied correctly in specific cases. This is frequently due to their complexity and the fact that they apply in different legal systems. Thanks to their adaptability and flexibility, informal problem solving tools are usually the best way to tackle these situations. A good example is SOLVIT, the EU on-line problem solving network aimed at solving problems that citizens and businesses encounter because of the misapplication of single market law by public authorities, without having recourse to legal proceedings. Also, non-judicial dispute resolution instruments can be of help to businesses and consumers when disagreements arise on the application of relevant single market rules, which can be particularly complex in case of cross-border transactions.



**Information:** Member States remain important actors in providing information about the EU to their citizens. Information campaigns addressed to local authorities, companies and citizens throughout the European countries therefore need to be carried out at the national level.

# BUSINESSEUROPE

THROUGH ITS 41 MEMBER FEDERATIONS FROM 35 EUROPEAN COUNTRIES, BUSINESSEUROPE REPRESENTS MORE THAN 20 MILLION SMALL, MEDIUM AND LARGE COMPANIES EMPLOYING SOME 120 MILLION WORKERS.

					
Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
					
Denmark	Denmark	Estonia	Finland	France	Germany
					
Germany	Greece	Hungary	Iceland	Iceland	Ireland
					
Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
					
Norway	Poland	Portugal	Portugal	Rep. of San Marino	Romania
					
Serbia	Slovak Republic	Slovenia	Spain	Sweden	Switzerland
					
Switzerland	The Netherlands	Turkey	Turkey	United Kingdom	

## CONTACT

**Guido Lobrano,**

Senior Legal Adviser, BUSINESSEUROPE

[g.lobrano@businessseurope.eu](mailto:g.lobrano@businessseurope.eu) - +32 2 237 65 36