BUSINESSEUROPE

SPEECH

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"BUSINESS' PERSPECTIVE ON KEY PRIORITIES FOR THE SINGLE MARKET FOR PRODUCTS AND SERVICES"

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Introduction

I would like to thank you for the kind invitation to speak again at the Enterprise Policy Group.

Today, I will talk about the single market, one of Europe's key drivers for growth and job creation and the home market for almost 22 million companies.

In particular, I will focus on the links between products (so goods) and services, which is particularly relevant in the light of the merger of DG Enterprise with DG MARKT into a new single DG.

We all know that the single market has brought Europe great benefits. It adds almost €600 billion a year to our economy, has doubled intra-EU trade and has increased workers' mobility - creating 3 million new jobs since 1992.

Yet, there are still too many obstacles to free movement, which prevent the single market from delivering to its full potential.

We are at the beginning of the new Commission term, so today is an excellent moment to reflect on the remaining obstacles and look at the right way forward.

We want to make the single market work better for consumers, businesses and citizens alike.

Link between goods and services

Traditionally, EU policy has been very much focused on goods and services separately. Examples are the famous Services Directive (2006) and the 2008 Goods Package (meant to modernise the conditions for placing many industrial products on the EU market).

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- But in the business reality, this separation is much less evident. Services appear at any stage in the value chain and across all sectors, including manufacturing. In fact, the competitiveness of manufacturing in Europe greatly depends upon the availability of high quality and competitive services, and vice-versa.

- Recent figures (from the World Input-Output Database[1]) indicate that 15% to 30% of the inputs in European manufacturing come from the services sector, making services the most important “raw material” for manufacturing.

- Services also make our manufacturing exports more valuable. The OECD has estimated that a 1% increase in the business services share of gross output is associated with between 6 and 7.5% higher export prices.

- Moreover, manufacturing companies are providing more and more additional services related to their products – the so-called “servicification”. For many manufacturing companies “service” is the area offering the largest scope to positively distinguish their product from that of competitors.

Services

Looking at the strong links between goods and services, we observe at present that uncompetitive services markets are holding back manufacturers, particularly the most productive firms that compete globally.

- As a matter of fact, since 2004 trade in services between the EU and the rest of the world has been growing faster than inside Europe.

- Furthermore, the McKinsey Global Institute has identified the lack of dynamism in the EU’s service sectors as the main cause of the productivity gap with the USA.

- At the same time, we are experiencing increased competition from upcoming service countries such as China and India. We need to prevent further outsourcing and relocation of European services – such as ICT, consulting and other supporting services – to other parts of the world.

- Therefore, we need to further integrate our services markets to make them more competitive and make Europe a more attractive place to invest.

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[1] http://www.wiod.org/new_site/home.htm

- To remove remaining obstacles to cross-border service provision I can give you today 3 main recommendations for Member States and Commission:

  1) National governments must commit to ensuring more ambitious implementation and stronger enforcement of the Services Directive, which alone can bring additional gains up to 1.8% of EU GDP.

  2) The Commission must stick to its “zero tolerance policy” by launching infringement procedures in cases on non-compliance with the undisputable obligations of the Services Directive and other relevant EU legislation.

  3) The Commission should identify and address all remaining barriers to the free movement of services (also outside the remit of the Services Directive), taking a targeted, sector-based-approach, starting with the sectors with greatest economic significance and impact on industry, such as business and professional services, construction, tourism and retail.

     EXAMPLES: Remaining barriers that companies still experience are often related to: diverse national service standards; a lack of recognition of professional qualifications; the high number of regulated professions that fragment labour markets; heavy insurance obligations; strains on company mobility; barriers to online service provision (e-commerce) and; complexity in tax activities.

     The Commission High Level Groups (HLGs) on business services and on retail are a good basis for such a targeted, sector-based approach. New high level groups should also be considered for other service sectors (e.g. construction or health services).

- But overall, for progress to be made strong political commitment is fundamental at European and national level. Governments must make the necessary reforms, following the Country Specific Recommendations.

- We realise that some of the remaining barriers are sensitive and stemming from national traditions. Addressing them difficult, but removing them will create growth and jobs, and enhance our competitiveness. This is badly needed for Europe to stay economically and politically relevant in the world.

- Encouragement to reforms can come from the ongoing Commission “stakeholder exercise” to identify remaining obstacles to a true single market for services. BUSINESSEUROPE fully supports this and will present a paper in December identifying concrete barriers and recommendations on how to move forward.

- We expect the Commission to come not only with a comprehensive report by mid-2015 on the remaining barriers, but also to present an ambitious and detailed action plan to address these remaining obstacles.

Goods

Let me know turn to goods.

- As the ‘most developed’ of the four-freedoms, goods generate around 25% of EU GDP and account for 75% of intra-EU trade.

- The EU is also still the largest exporter of goods, with a 16.2% share of global exports.

- Yet, we observe that intra-EU trade is stagnating while trade between emerging economies continues to increase. This stagnation is mainly due to the existence of non-tariff barriers that continue to hamper trade.

- European companies are often subject to many national technical regulations that act as an obstacle to free movement. As a consequence, companies have to fulfil costly additional product requirements, undergo additional national testing and provide extra documentation to sell across borders.

- In this context, the ‘Technical standards and regulations directive’ of 2008 should be better enforced. Member States should notify the Commission when planning to implement national technical rules. This information should be public and carefully assessed by the Commission.

- Furthermore, we see that disproportionate European legislation is complicating company compliance with product safety rules, which is creating a fragmented market of safe (compliant) and unsafe (non-compliant) products. This is hampering the ability for national market surveillance authorities to identify and assess compliance of a product.

- As business, we find that our goods are deemed compliant in one Member State but not in another! This creates a confusing situation for consumers and business, as well as unnecessary costs.

- Europe’s approach to risk is another important matter. Policy-makers who pursue costly “zero-risk” policies for goods are pursuing an impossible result and damaging European competitiveness.

- In recent years there has been a tendency to overshoot safety. We must limit adding extra burdens for business that are irrelevant or disproportionate to achieve safety.

- Policy-makers need to consider the "innovation principle" is as important as the precautionary principle: this means constantly taking the impact of new legislation on innovation.

- Instead of adding more pre-market measures to achieve a safe single market, more effective measures can be taken to ensure effective market surveillance. We have four recommendations on this:

  1. For this, national market surveillance authorities need sound infrastructure, organisation, legal power, suitable facilities and skilled officers. This requires considerable financial resources, which are currently lacking.

  2. Market surveillance authorities also need to better cooperate with each other, including with those in third countries.

  3. Further to this, penalties for non-complaint goods should be determined on a case-by-case basis. We believe penalties are appropriately determined by Member States, and harmonisation of penalties will have no effect on market surveillance.

  4. Lastly, I would like to mention that European companies have difficulty in appealing wrongful decisions made by national market surveillance authorities. At present, authorities can only be challenged for arbitrary decisions through costly and lengthy court procedures.

     As a solution, we would like to propose more effective appeal procedures at national level in order to challenge decisions made by market surveillance authorities. These independent procedures should be binding and held in an appropriate timeframe.

Links with the digital economy

Let me move to digitalisation, which as you know is impacting both goods and services. I understand this was the focus of your discussion this morning.

- Digital is transforming European industry and re-shaping the single market. Technology offers businesses new opportunities to close the gap with their competitors at global level, with innovations such as cloud computing, data analytics or the Internet of things.

- Moreover, thanks to e-commerce, businesses benefit from a wider market, also resulting in more choice and lower prices for consumers.

The EU must enable companies and consumers to take full advantage of the opportunities offered by the digital economy. Since this is not the main theme of today, I will mention here two main priorities:

1) Removing the remaining barriers in the digital single market. EU institutions must address fragmentation in the digital single market, especially on consumer, data protection rules and copyright. With regards to copyright, areas to be addressed include cross-border licensing, territoriality of copyright and transfer of copyright.

2) Developing a legislative framework which will enable data-based innovation. Companies must be allowed to collect, use and transfer data without excessive burdens. Data need to move freely not only within the EU digital single market, but also internationally. The revision of the EU data protection framework currently discussed must strike the right balance between protecting citizens' privacy and enabling free movement of data in the digital single market.

A renewed focus on goods and services

A fundamental ingredient to improve the functioning of the single market is better coordination of the EU policy for goods and services.

- Therefore, BUSINESSEUROPE welcomes the merger of DG Enterprise and DG MARKT into a single DG GROW.

- National governments also have a crucial role to play. They should for example reinforce the use of the "mutual recognition principle" for both goods and services.

- In areas where full harmonisation is not desirable or feasible, mutual recognition can improve the functioning the single market by providing flexibility and cross-border acceptance, for instance in areas such as expert accreditation, authorisations, testing of goods or the recognition of certificates.

- For example, a company that produces doors for the European market is often still faced with strict national requirements and testing methods (some countries like the UK have their own fire resistance standards). This is one of many examples which hamper company access to other national markets.

- Another example where goods and services would come together are the so called Points of Single Contact (PSCs), the online portals set up under the Services Directive to help service providers with information and assistance:

  - Here, we would like to see Member States transform the existing PSCs into fully-fledged online business portals for both goods and services.

  - These business portals should offer companies all the information and assistance they need in multiple-languages to operate across borders and on the home market, and help complete procedures entirely online to save both costs and time.

- A combined focus on goods and services is also beneficial when we look at the overall governance of the single market:

  - To ensure better application and enforcement of single market rules at national level, regular reporting and use of quantitative indicators are fundamental.

  - An increased focus on the links between goods and services in such reporting will ensure a more accurate picture of the state of the single market. This is essential to feed more precise information into the European Semester via the Annual Growth Survey and the country specific recommendations.

Conclusion

Let me conclude by saying that the new Commission should continue to focus on improving the functioning of the single market for both goods and services.

- Addressing remaining obstacles in a decisive way will be key to restore growth, create jobs and make Europe more competitive to be better able to compete on the global stage.

- You can fully count on BUSINESSEUROPE's support in making the single market for better for consumers, citizens and businesses.