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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

The Single Market at 30

I. The Single Market at the heart of the European project for 30 years

The Single Market is one of the greatest achievements of the European Union. The free movement of people, goods, services and capital give European access to the widest possible choice of goods, services, ideas, cultures and languages. The abolition of roaming surcharges lets us stay in touch with family and friends when we travel around Europe; strong passenger rights mean we are compensated properly when our travel plans are disrupted. Thanks to the single euro payments area, businesses and citizens can make payments across borders just as easily as they do domestically. The Single Market has expanded the horizons and opportunities of European professionals and businesses, which no longer face complicated requirements to hire local workers. EU competition rules have also guaranteed a level playing field within the Single Market, have enhanced the competitiveness of European businesses¹, and have resulted in better products and lower prices for consumers.

Recent technological and economic challenges have been addressed in the Single Market for the benefit of consumers and the wellbeing of EU citizens. In its Resolution on the 30th anniversary of the Single Market² the European Parliament highlights the Digital Markets Act, Digital Services Act, common charger for electronic devices, product safety and consumer credits.

But the Single Market is much more than a market: it is a space where we live, learn and work. The Erasmus programme has enabled nearly 13 million young people to study and work abroad. Thanks to the coordination of social security rules, millions of Europeans can continue to enjoy their rights to pensions and healthcare when they live abroad, and rules on health and safety at work ensure fair competition and high standards for all, wherever they work.³

[[Placeholder for illustration of Single Market benefits for SMEs through business testimonials] The Single Market offers excellent opportunities for SMEs, which make up the overwhelming share of businesses across the Union. The EU's SME policy, underpinned by a common definition of what an SME is, has made it possible to channel research funding, state aid or other finance to these companies, and allows them to benefit from measures to access markets and reduce administrative burdens or compliance fees.

Examples of SMEs that have benefitted from the opportunities of the Single Market are: a [Romanian medical device company](#) that with the help of the Enterprise Europe Network bolstered its research and development capacity by matching with Portuguese partners; a [Danish virtual-reality company](#) that paired up with the department of an Irish university working on Artificial Intelligence; and a [Spanish firm](#) that, with the help of Horizon Europe, developed a diagnostic blood test to bring tailor-made cancer treatments a step closer to European citizens.]

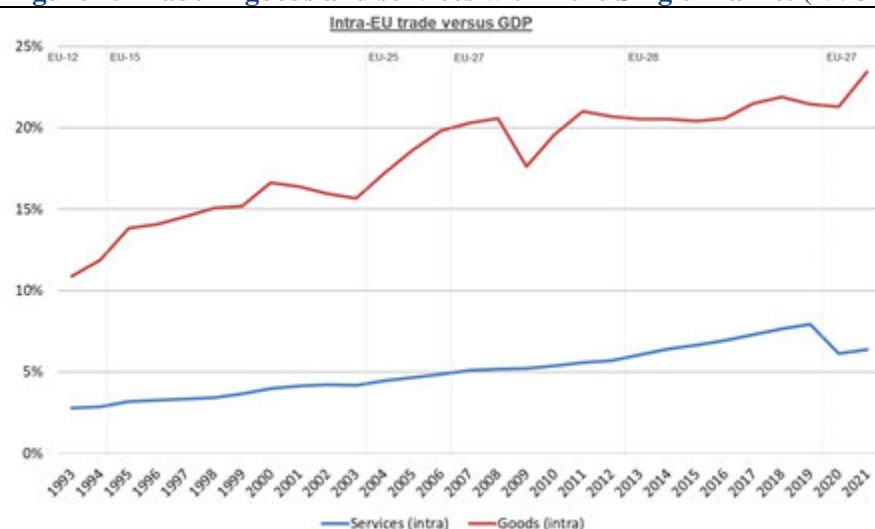
¹ The October 2022 Eurobarometer survey on competition policy, focussing on citizens and SMEs shows that a vast majority of respondents believe that competition encourages innovation and allows for more choice and better prices. The support extends to all competition tools: they are seen as important in achieving a fair, competitive market. See https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6374.

² European Parliament resolution of 18.1.2023 on the 30th anniversary of the single market: celebrating achievements and looking towards future developments, P9_TA(2023)0007.

³ This holistic role of the Single Market is acknowledged by the EP Resolution (see point 9).

In macro-economic terms the Single Market has exceeded all expectations. As one of the three largest economies in the world, accounting for 18% of global GDP⁴, the Single Market acts as a springboard for businesses to grow, scale up and offer their goods and services to almost 450 million citizens across the continent. It is home to 23 million businesses and employs nearly 128 million people⁵. It has brought very significant economic benefits, delivering EU GDP that is 8-9% higher in the long run than would have been the case without the Single Market⁶. The level of trade between Member States in goods and services in comparison to the size of the EU economy has approximately doubled over the last 30 years.

Figure 1: Trade in goods and services within the Single Market (1993-2021)⁷



Source: Commission services, based on Eurostat. Note: the graph shows intra-EU trade flows in goods and services as a share of EU GDP. The vertical dotted lines in the graph highlight changes in the scope of data on trade and GDP being considered, in light of the number of Member States (e.g. the period 2007-2012 considers trade and GDP for EU-27, whereas the period 2013-2019 considers trade and GDP for EU-28). Trade is measured by the average of imports and exports.

The Single Market has also acted as a driver of exports outside the Union, as it strengthens the position of EU businesses at a global level by allowing them to achieve economies of scale, stimulating innovation and facilitating an efficient allocation of resources.

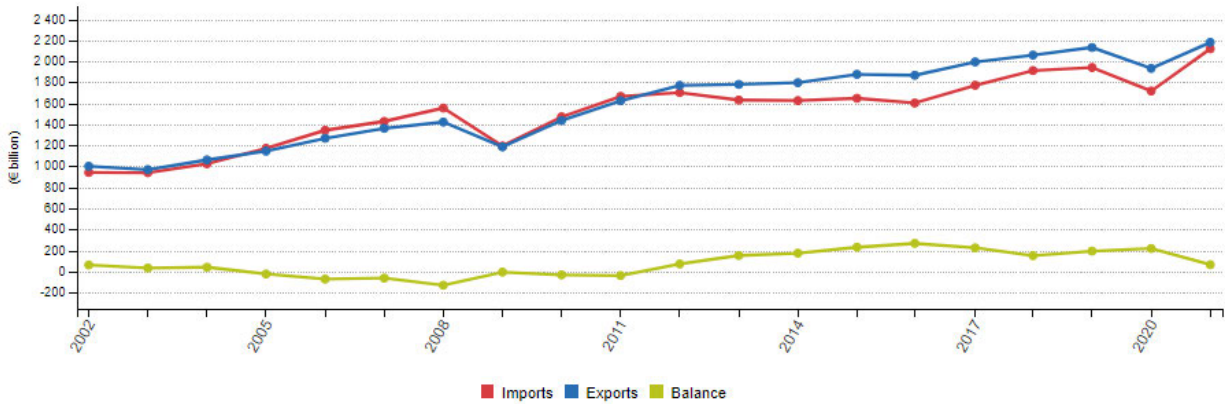
Figure 2: Trade in goods with the rest of the world (EU-27, 2002-2021)

⁴ GDP at current prices.

⁵ Celebrating 30 years of EU Single Market 1993-2023, Eurostat.

⁶ Discussion Paper 094: [Quantifying the Economic Effects of the Single Market in a Structural Macromodel](https://ec.europa.eu/economy_finance/discussion-paper-094-quantifying-the-economic-effects-of-the-single-market-in-a-structural-macromodel) (europa.eu), Jan in't Veld, 2019.

⁷ Source: Chief Economist Team (DG Internal Market, Industry, Entrepreneurship and SMEs) based on IMF data.



Source: Eurostat (Easy Comext : DS-018995).

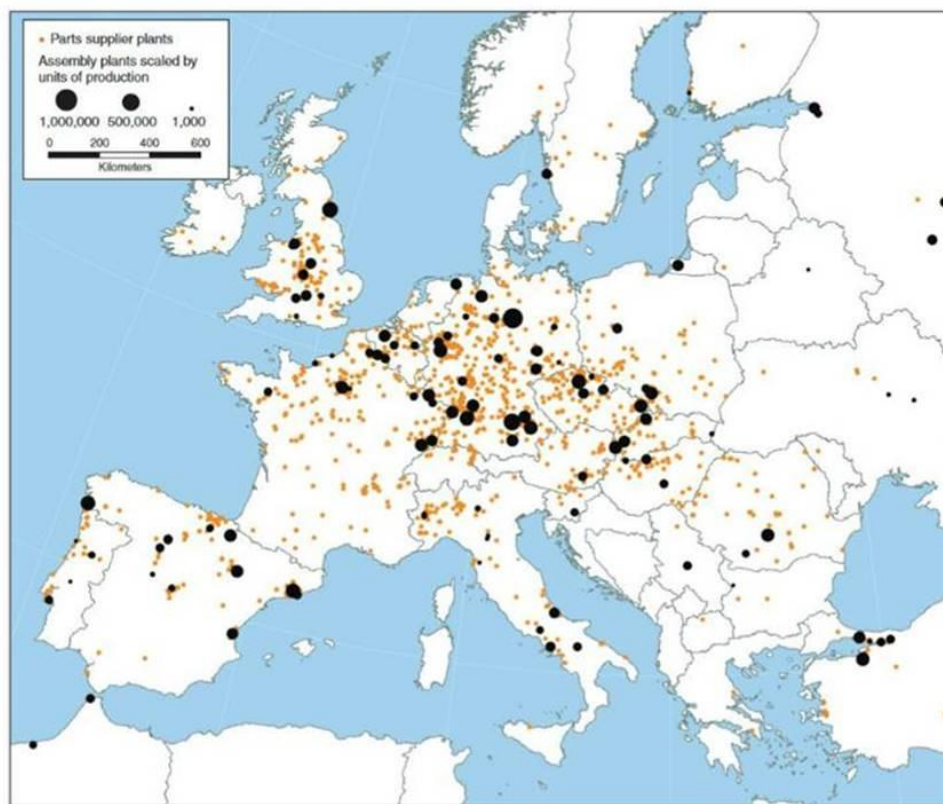
Single Market integration has benefitted all Member States by acting not only as a driver of exports, but more generally as a source of growth and job creation⁸.

The “mobility and automotive ecosystem” is a very good example of a value chain that is highly integrated and interconnected within the Single Market. It represents some 16 million jobs in Europe, contributes about 7% to EU’s GDP and it is the cradle of some of the most innovative and successful European industrial players. For example there are more than 190 plants assembling vehicles, batteries and engines located across the EU.

But the well known global brands are only the tip of the iceberg. The entire ecosystem, including suppliers of raw materials and components, sales and repair networks, represents a total of 1.8 million companies, 99.7% of which are SMEs located all across the Union. Research, engineering, manufacturing, assembly and servicing often take place in different European locations.

⁸ 56 Million jobs source to be added.

Figure 3 – High level of integration of automotive ecosystem



Graph by Federal Reserve Bank of Chicago

Source: Federal Reserve Bank of Chicago

The COVID-19 pandemic demonstrated just how deeply integrated European economies are today. Barriers to the free flow of goods, services and people, erected by Member States in a unilateral and uncoordinated way, affected value chains and economic activity profoundly. Truck drivers could not deliver their freight as supplies were stuck at borders, people could not reach their workplaces as borders were closed, air cargo prices soared because planes were grounded and imbalances in trade flows led to a shortage of maritime containers. Unilateral and uncoordinated national action created uncertainty, additional costs of compliance and shortages of workers and gave us a brief experience of life without the Single Market. This experience was short-lived, helped by the European Commission's resolute action to break down those barriers and the swift collective realisation by Member States that a coordinated Single Market response was the only way out of the crisis. Working in solidarity, the Union then spearheaded the global COVID-19 vaccine development and production, not least thanks to the EU Vaccine Strategy and the EU support to ramp up vaccine industrial capacity within the Single Market.

The Single Market has had a major role in enabling the progressive unification and economic convergence within the Union following successive enlargements. After only 30 years, economic integration in Europe is much more advanced from a regulatory standpoint than, for example, in the

United States, which has been pursuing free flow of interstate commerce since the 18th century⁹. Despite the United States often being perceived as a more integrated market due to its common language area and more uniform administrative culture¹⁰, in the EU stricter requirements apply for Member States to accept internal flow of goods and services. The benefits the Single Market brings to people and businesses is a major component of the Union's overall attractiveness as a pole of security, stability and open values. These benefits have been extended to Ukraine to help accelerate growth in the wake of Russia's illegal war, by way of connecting Ukraine to the EU's electricity grid, suspending import duties on Ukrainian exports to the Union and progress on bringing Ukraine into the European free roaming area. It is noteworthy that many countries in the neighbourhood wish to pursue a future as members of the Union and of the Single Market.

The Single Market gives the Union a global scale. It has fuelled Europe's industrial and technological leadership in many areas and has boosted the Union's standing and influence around the world. This global influence is crucial in light of the fact that, due to the geopolitical developments over the last 30 years, global competition with other continent-size economies has intensified. The European standardisation system is a particular success story in this regard, with the special role of harmonised European standards that allow economic operators to demonstrate compliance with EU law with one standard across the Single Market. Underpinned by the recent EU Standardisation Strategy¹¹, standards play an important role for the digital and green transition, as they facilitate the technology roll-out across the Single Market, and can give the EU a global leadership role. This "Brussels effect" has also enabled us to pursue prosperity in a way that safeguards European values – with sustainable growth, high social standards, compliance with EU data protection rules¹², and strong environmental and human rights protection. At the same time, standards safeguard the competitiveness of European industry by making it easier to trade globally. The influence that the Brussels effect brings means we can have the confidence to open our Single Market to all, while ensuring respect of our rules and safety standards. This includes, for example, preventing goods made with forced labour¹³ or environmentally unsustainable practices from reaching the Single Market. Indeed the Single Market is a major export market for many countries around the world (see Figure 2), which allows EU consumers to benefit from international value chains while ensuring the safety and reliability of imports. Beyond creating a level playing field for fair competition between European and non-European businesses, the Single Market acts as a lever to encourage the uptake of sustainable development goals around the world.

The Single Market has achieved more than was imaginable 30 years ago, and these achievements are the fruit of common endeavour, with all actors – the European Parliament, Member States and the European Commission – each playing their part.

⁹ ASMR 2023, p. 17.

¹⁰ See Section II.C on how such non-regulatory barriers are addressed in the Union through administrative cooperation and digital tools.

¹¹ An EU Strategy on Standardisation - Setting global standards in support of a resilient, green and digital EU single market, COM(2022)31.

¹² Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR).

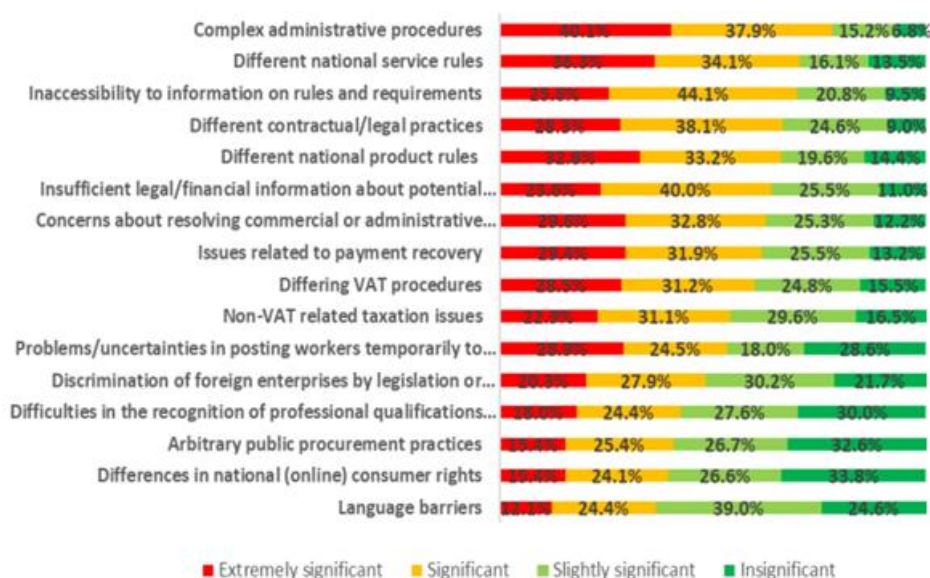
¹³ Proposal for a Regulation of the European Parliament and of the Council on prohibiting products made with forced labour on the Union market, COM(2022) 453 final.

II. The way forward: Ensuring the Single Market continues to deliver for people and businesses

A. ...by tackling the barriers that have the biggest impact

Unjustified barriers arise when national law conflicts with Single Market rules or when those rules are incompletely or insufficiently implemented or applied at national level, including due to administrative practices of national authorities. They hinder the capacity of businesses to flourish, remain competitive and to harness the green and digital transition.

Figure 4: Ranking by European businesses of Single Market Barriers

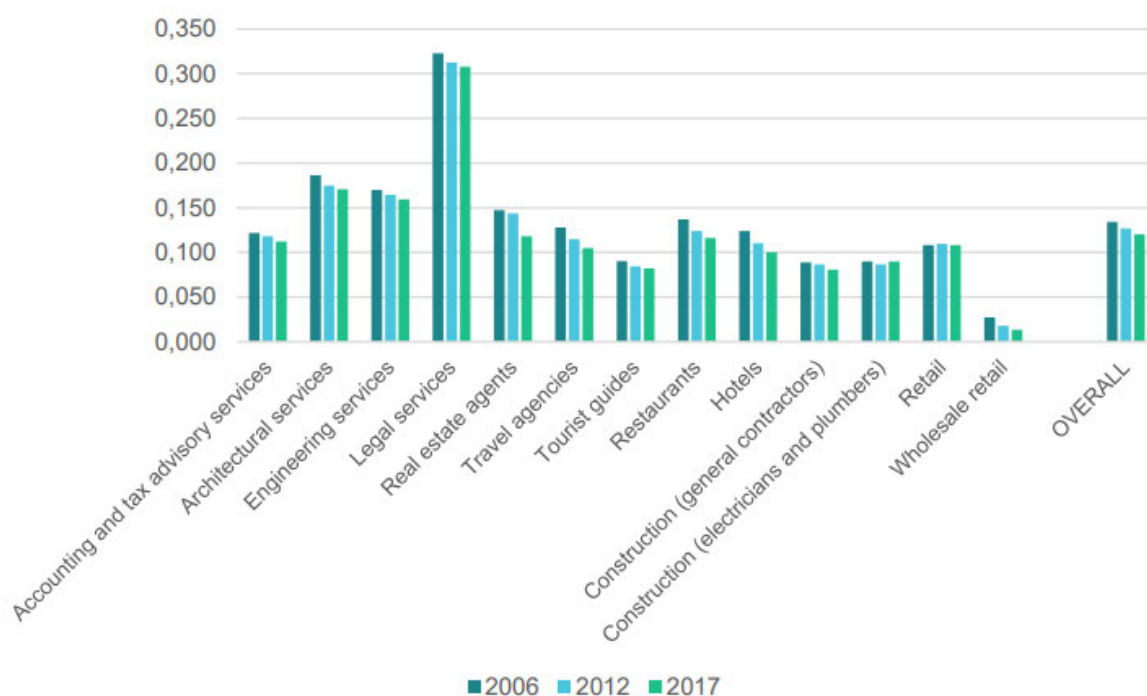


Source: Business Survey 'The State of the Single Market: Barriers and Solutions' December 2019, Eurochambres. https://www.eurochambres.eu/wp-content/uploads/2020/02/REPORT_ON_SINGLE_MARKET_OBSTACLES_2019-2019-00290-01.pdf

Tackling barriers in the area of services is particularly important, given the large potential for increasing cross-border trade and investment, as indicated in Figure 1 above. Some types of barriers have proven to be persistent: 60% of the barriers that businesses report facing today are of the same type as were reported 20 years ago¹⁴. However, as shown in Figure 4, not all of these barriers fall within the scope of EU policy as many relate to national regulation and administrative as well as business practices. Barriers confirmed by stakeholders include the complexity of national procedures and lack of information on them, disproportionate national requirements in the area of services, burdensome administrative requirements for posting workers, discriminatory tax treatment of citizens and businesses when exercising their free movement rights, transport bottlenecks, lack of skilled workers and lack of mobility. The Commission is addressing these issues with Member States in order to reduce regulatory complexity and to streamline administrative procedures (see Section II.C below).

¹⁴ See “[30 years of single market – taking stock and looking ahead](#)”, European Commission 2022.

Figure 5: Evolution of barriers in the services sector (EU-27, 2006-2017)



Source : European Commission (2021). Mapping and assessment of removal of legal and administrative barriers in the services sector. Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs. <https://data.europa.eu/doi/10.2873/690757>. Note: For the purposes of the graph, a numeric score between 0 and 1 was assigned per sector, with 0 corresponding to an absence of all restrictions and 1 corresponding to a restriction being fully present.

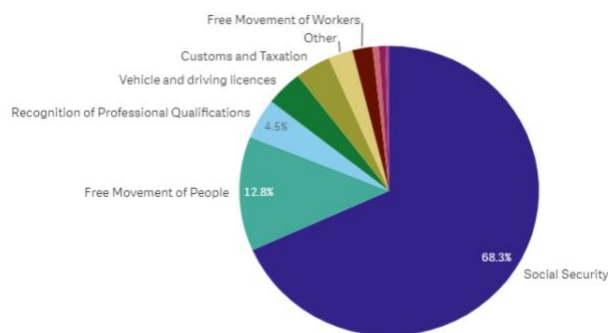
When the Delors Commission set their ambitious target to tackle barriers and complete the Single Market by 1 January 1993, they tabled nearly 300 legislative proposals to replace diverse national regulations with simplified European rules and establish more mutual recognition. The Single Market is, however, not a project that can be completed, but needs to be constantly improved and developed. As the Single Market has become more and more integrated over the last 30 years, the approach to keeping the Single Market delivering has evolved. For example, non-legislative tools have become more widespread, because the barriers that remain cannot necessarily be removed by legislation.

This is particularly so in the case of barriers in the area of services. To achieve the greatest economic impact, the Commission intends to focus its attention with Member States and stakeholders on removing barriers in industrial ecosystems with a significant service element and a potential for increased cross-border trade and investment. Such barriers include the very high level of national regulation in the area of business services, restrictive authorisation requirements in the area of retail, administrative requirements complicating the cross-border provision of construction services and restrictions on free movement of service providers in the tourism sector.

Here the work of the Single Market Enforcement Taskforce (SMET)¹⁵, which was set up in 2020, should be highlighted. For example, within SMET Members States have agreed to simplify the constraints for professionals that provide temporary business services – prior qualification checks for 247 professions have been removed, document requirements were reviewed and reduced. SMET also identified more than 80 of the most pressing barriers to the smooth and rapid granting of permits for the construction of wind and solar energy installations. Bearing in mind there are 50 000 small and medium-sized enterprises (SMEs) active in the production of renewable energy, removing these barriers will help businesses be competitive in a key sector for sustainable growth. This will also make the Union more attractive as an investment location.

The work of SMET has also shown the value of collaboration between Member States and the Commission in tackling barriers and preventing their emergence in the first place. Collaboration is also at the heart of SOLVIT, which helps businesses or individuals affected by breaches of EU law to resolve disputes and obtain out-of-court redress. The experience of SOLVIT clearly demonstrates the importance and the efficiency of such a close cooperation between Member States and the Commission in making Single Market work on the ground. Since its creation 20 years ago, this network has helped over 28 000 citizens and businesses to overcome the barriers they face when doing business, working, or living in the Single Market.

Figure 6: SOLVIT Problem Areas



[Placeholder for text by DG EMPL on social security] In the coming years, SOLVIT will focus its efforts on helping SMEs to make the best use of the opportunities of the Single Market. It will also improve the gathering of information on how the Single Market is functioning in reality, which will be a valuable tool for better policy making. In order to develop further this partnership it is important that Member States ensure that national SOLVIT centres have sufficient and

adequate human resources. It is also important that the administrative structures responsible for the Single Market have adequate coordinating powers, as the issues in this area often fall under the joint responsibility of various ministries and agencies.

Prevention is better than cure, and a preventive approach to barriers could be very effective in the area of services. Since 2020, the Proportionality Test Directive has provided a framework for Member States to assess and explain why national rules are non-discriminatory and proportionate before they enter into force. However, it only applies to part of the services economy, namely regulated professional services. The Commission intends to explore together with Member States how to make best use of this framework for services at large and not just professions. This will contribute significantly to better and less restrictive regulation and avoid recourse to costly and unnecessarily confrontational ex-post enforcement.

¹⁵ [Single Market Task Force continues to tackle barriers in the single market \(europa.eu\).](https://european-council.europa.eu/media/en/press-articles/detail/11700)

With this objective in mind, the Commission will increase the support to Member States in their analysis and explanation of proportionality by adapting the Services Directive notification tool and providing additional targeted guidance to Member States for applying these proportionality criteria. The Commission also wishes to simplify how these notification tools work to encourage Member States to use them. For example, because different tools were set up under different pieces of legislation, Member States are confronted with a multiplicity of procedures and access points. To address this, the Commission intends to implement a Single Notification Window, a gateway that will allow Member States to finalise all notifications in one place. In addition, to reduce administrative burdens for service providers posting workers to other Member States, the Commission is working with interested Member States to introduce a common e-declaration for posted workers, as announced in the Industrial Strategy Update 2021.

When prevention and collaboration are not enough to ensure the proper application of Single Market rules, the Commission may need to make use of the power it has, as guardian of the Treaties, to take enforcement action. In mid-February 2023 the Commission adopted a large infringement package consisting of 42 cases that will directly improve how the Single Market for Services functions. Over the years, such packages have reduced barriers and have led to better implementation of key legislation. This package of enforcement actions tackles incorrect transposition of the revised Professional Qualifications Directive and will make it easier for health professionals, lawyers, tourist guides and other workers and self-employed people to provide services across the Union. It also targets unfairly restrictive rules, such as blanket bans on advertising for lawyers and fixed minimum tariffs for certain real estate intermediation services. Going forward, the Commission intends to put even more emphasis on the services sector, which is where enforcement action is most needed and has the greatest impact. This includes the tourism and sport sectors, on which upcoming pilot cases will focus. However, it is Member States' willingness to work collaboratively on removing barriers and on preventing their emergence in the first place that is the most decisive factor in unleashing the full potential of the Single Market (see also section II.C. on managing the Single Market).

B. ...by ensuring people and businesses have access to the goods and services they need, when they need them

In light of demographic trends and geopolitical developments, Europe will face increasingly tough competition from growing continents, such as Asia or Africa, in the coming years, which makes boosting our global competitiveness crucial. At the same time, the effects of climate change and the energy crisis have made it imperative to embrace the twin transition, to become more efficient and less resource intensive. We need to maintain our leadership on clean technologies and competitive edge on decarbonisation to be able to deliver a zero-emissions economy. Competitiveness today should be reached without compromising the possibility of competitiveness tomorrow: social and environmental sustainability, long-term growth potential, resilience to shocks, adaptability.

The “competitive sustainability” model that we want cannot be achieved in a vacuum, because we live in a global world. Our efforts and the attractiveness of the Union for green business and investment could be jeopardised if there is no level playing field.

In its input to the extraordinary European Council of 9-10 February 2023, the Commission outlined its plans for Europe's Green Deal Industrial Plan based on four pillars: the regulatory environment, financing, skills and trade: The success of this plan depends on a well-functioning Single Market as the vehicle for boosting Europe's global competitiveness, accelerating the green and digital transitions,

projecting the European way on the world stage and achieving open strategic autonomy. Meeting these challenges will require boosting clean tech innovation and manufacturing to ensure the security of supply, and the availability of services, skills and investment.

1. Secure supply chains

The COVID-19 pandemic demonstrated the importance of secure supply chains. The global demand for masks and vaccines skyrocketed, and at the outset the EU had neither the diverse sources of supply nor capacity to produce what had become vitally important goods. The European Commission established the Health Emergency Preparedness and Response Authority, HERA, to anticipate threats and potential health crises. The Commission has also proposed a new Single Market Emergency Instrument to make sure that, whatever the next crisis, the Single Market remains open, fair and continues to ensure the availability of goods and services that people and businesses most need.

Planning ahead is vital, and there is a pressing need to identify, monitor and anticipate supply chain disruptions in strategic products for the EU. Such disruptions could, for example, affect the provision of critical raw materials that the EU needs to develop and manufacture technologies, which are essential for the green transition, such as solar PV panels, batteries, fuel cells and wind turbines. The Commission has designed an early warning system (SCAN Monitoring System)¹⁶ with the goal of providing evidence for policy. It uses quasi-real-time customs data and examines anomalous variations in quantities and prices to reveal premature signs of supply chain disruption. Given the complex and multi-faceted nature of supply chains, this system is complemented with analyses of various underlying drivers of disruptions. These include the excessive concentration of imports from foreign sources, the existence of global single points of failure for critical inputs propelled by strategic dependencies, or indications of limited EU industrial production capacity.

Securing supply chains for semiconductors and critical raw materials is essential to achieving the green and digital transition. Semiconductors are the linchpin of most of today's and even more so tomorrow's technologies, such as 5G, 6G, edge computing, internet of things and artificial intelligence. Similarly, raw materials like lithium and rare earths are crucial for batteries and other green technologies, and for aerospace and defence industries. But global demand for both is high and rising, with the semiconductor market set to double by the end of the decade and our demand for rare earths set to increase fivefold in the same period. Certainty of supply and predictability of prices are key for ensuring the health of European industry and it is achievable only through a strong Single Market. The Commission has developed various tools to achieve certainty of supply and predictability of prices. Among these, two legislative tools are under preparation: the Chips Act¹⁷ and the Critical Raw Materials Act. The former, currently being negotiated with the European Parliament and Council, will help us turn Europe's world-class research into industrial leadership, by investing in European factories and promoting international partnerships. The latter, to be adopted by the Commission in Q1 2023, will set a framework to ensure certainty of supply of raw materials within the Single Market, increase European capacity and diversify external sources of raw materials.

¹⁶ See SCAN'' (Supply Chain Alert Notification) Monitoring System, which introduces this approach accompanied by a pilot application to Solar PVs: https://single-market-economy.ec.europa.eu/publications/scan-supply-chain-alert-notification-monitoring-system_en".

¹⁷ Proposal for a Regulation of the European Parliament and of the Council establishing a framework of measures for strengthening Europe's semiconductor ecosystem (Chips Act), COM(2022) 46 final.

2. Availability of skills and transformational technologies

The availability of goods and services, and therefore economic growth and the achievement of the green and digital transitions, are held back by a skills shortage across many industrial ecosystems: 77% of companies declare that they struggle to find employees with the required skills¹⁸. The transitions themselves will create demands for new skills, which will require the up-skilling and re-skilling of the workforce. For example, the battery industry alone estimates it will need an extra 800,000 workers by 2025. The European Year of Skills 2023 is an opportunity to advance the work on skills for the competitiveness and resilience of European industry, building on existing actions such as the Pact for Skills and its now 14 large-scale skills partnerships in industrial ecosystems. Modelled on the example of the European Battery Academy, the Commission will establish skills academies to roll out up-skilling and re-skilling programmes in strategic industries for the green and digital transition, such as raw materials, hydrogen, solar technologies and nature-based biomaterials, like quality wood for construction.

A key tool for ensuring companies have access to the skills when they need them and where they need them is the EU's professional mobility system, which has already enabled 800 000 people to practice their profession in another Member State since 1997. Since 2013, the introduction of the European Professional Card and a Common Training Test has made mobility easier, but only in a limited number of professions. To tap this potential and make the recognition of qualifications in other Member States faster and easier for more people, the Commission intends to explore with Member States the possibility of using these and similar tools more widely. The Commission will moreover prepare an initiative to facilitate the recognition of qualifications of third country nationals.

Besides availability of skills, the transformation towards a greener, more digital and more resilient economy depends on the availability of sustainable digital infrastructure to ensure businesses have access to the high-performance, edge, cloud and quantum computing, artificial intelligence, data management and network connectivity they need¹⁹. This is a pre-condition for the digital transformation of businesses. The Commission is taking initiatives to ensure that transformational technologies are developed, produced and made available in the Union. First, within the context of the Industrial Forum, a dedicated task force is formulating recommendations to further bolster advanced manufacturing in the EU. Second, the Commission is organising dedicated match-making events between SMEs that provide digital hard- and software, and SMEs in various other industrial ecosystems, to promote the uptake of digital business models with technologies developed and made in the Union.

Data has become the lifeblood of economic development, an essential resource for start-ups, small and medium-sized enterprises (SMEs) and policy-makers alike. The recently adopted Data Governance Act²⁰ and proposed Data Act²¹ will enhance trust and fairness, encourage businesses to move to the data economy and shape the rules underpinning the digital transition of the Single Market²². Common European Data Spaces will facilitate data collection and data sharing with the goal of creating a more data-driven Single market based upon respect for the privacy and integrity of citizens and businesses. For

¹⁸ ASMR 2023, p. 23.

¹⁹ See Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030, OJ L 323 19.12.2022, p. 4.

²⁰ Regulation (EU) 2022/868 of the European Parliament and of the Council of 30 May 2022 on European data governance and amending Regulation (EU) 2018/1724 (Data Governance Act), OJ L 152 03.06.2022, p. 0001.

²¹ Proposal for a regulation of the European Parliament and of the Council on harmonised rules on fair access to and use of data (Data Act), COM(2022)68 final.

²² See Point 10 of European Parliament resolution of 18.1.2023 on the 30th anniversary of the single market: celebrating achievements and looking towards future developments, P9_TA(2023)0007.

example, the European Health Data Space, the first to be proposed by the Commission, will strengthen the quality and continuity of healthcare and ensure citizens' rights in relation to their health data²³. In addition, the upcoming Public Procurement Data Space will ensure more accessible and better quality data in an area in which around EUR 2 trillion, almost 13.6% of EU GDP, is spent by public authorities on the purchase of services, works and supplies to support public policies and goals, from health, education, infrastructure, social protection, energy, waste, and other²⁴. This data space will create a level playing field for businesses making bids for public procurement projects anywhere in the EU, to help public buyers and businesses improve their investment and bidding strategies, and to give all stakeholders greater transparency and better value for money.

Further data spaces are being developed in areas such as construction, energy, mobility and agriculture.

3. Investment

[[This section on Investment to be revised in light of ½ Communication] Adequate and sustained long-term investment is a precondition for Europe to boost global competitiveness, lead the green and digital transitions and in turn raise productivity and our collective prosperity. This calls for significant private and public investments in research, innovation, infrastructure, supply chains, raw materials and clean-tech production.

Estimates show that only for strategic areas like semiconductors, batteries, solar photovoltaic panels, hydrogen, critical raw materials, cybersecurity etc., the Union will need EUR 630 billion in investment by 2030²⁵. For the rare earths and permanent magnets value chain, the European Raw Materials Alliance has identified potential investments of the EUR 1.7 billion required to achieve the EU target of supplying 20% of its own needs by 2030 (source: ERMA).

With clean-tech now the fastest growing sector in Europe and with immense growth potential²⁶, all the Union's investment programmes will need to be mobilised to help achieve these goals and make Europe the home of clean tech and industrial innovation on the road to net zero. The Green Deal Industrial Plan aims to boost investments and financing of clean-tech production. Investments include the firepower of NextGenerationEU, the Union's EUR 800 billion investment plan, the Just Transition Fund, Innovation Fund and other instruments across the economy. One of the flagship programmes, InvestEU, aims to mobilise EUR 372 billion funding in the EU economy by 2027 by offering to de-risk the investments of private or other public investors, thereby leveraging additional private and public resources. In addition, there is increasing appetite among investors for sustainable finance²⁷ and investing in green activities. InvestEU is a good example of how public financial support can attract private finance to support the green transition.

²³ Proposal for a regulation of the European Parliament and of the Council on the European Health Data Space, COM(2022) 197 final.

²⁴ To date, only a small fraction of data, from only 20% of all tenders, is available and searchable for analysis in one place, the EU database Tenders Electronic Daily (TED). 80% of the data, on the other hand, is spread in different formats and multiple systems across the Member States.

²⁵ 2022 Annual Single Market Report, p. 32, and taking into account new additional data.

²⁶ The International Energy Agency estimates that the market for mass-manufactured clean energy tech will be worth around USD 650 billion a year by 2030 – more than triple today's levels. (Davos speech)

²⁷ Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector.

Furthermore, the European Commission's planned SME Relief Package will seek to improve access to finance for SMEs, tackle late payments as well as cutting red tape that holds SMEs back. To keep European industry attractive, there is a need to be competitive with the offers and incentives that are currently available outside the EU. This is why we will propose to temporarily adapt our state aid rules to speed up and simplify.

Moreover, the Recovery and Resilience Facility (RRF), as a key instrument of the NextGenerationEU, provides grants and loans to the Member States, helping them to make the European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. Following the global energy market disruption caused by the war in Ukraine, the Member States' national recovery plans must contain a chapter dedicated to channelling investments to REPowerEU priorities and actions to build the new energy infrastructure and system that Europe needs.

State aid for Important Projects of Common European Interest (IPCEIs) is yet another example of significant private and public investments that have materialised in strategic areas. To date, five large innovative cross-border IPCEI projects have been approved by the Commission in such areas as batteries, microelectronics and hydrogen representing a total of EUR 18.7 billion of national funding/State aid and triggering twice the amount in additional private investments, while preserving a level playing field.

[Placeholder for COMP to provide paragraph on TCTF amendment]

Industrial alliances are another valuable tool for attracting private investors to invest in business activities and supply chains in strategic areas. For example, the work on the European Battery Alliance, launched in 2017, is ongoing and keeps producing value added for the battery industry by supporting development of a complete, innovative and sustainable battery eco-system in the EU, ensuring that Europe's emerging battery industry can compete on a level playing field. Public procurement has an important role to play in a transition towards a sustainable and circular economy²⁸ and is, among other things, a useful financial tool to steer the market towards innovative and green solutions. For example, by systematically giving preference to products with green characteristics such as low carbon footprint and high recyclability, public procurement can support a steady and predictable demand for, and availability of, clean technology solutions.

To avoid a fragmenting effect on the Single Market and to support the clean-tech transition across the whole Union, we must also step up EU funding. In the medium term, as part of the mid-term review of the EU's budget, a European Sovereignty Fund is to be prepared. The European Sovereignty Fund, as a complementary funding mechanism from which all Member States can benefit equally, could provide additional financial firepower at the EU level to ensure strategic investments into projects of interest for EU sovereignty across the entire industrial spectrum. In the shorter term, to keep European industry attractive, there is a need to be competitive with the offers and incentives that are currently available outside the EU. This is why we will propose to temporarily adapt our state aid rules to speed up and simplify.]

²⁸ See Point 16b of European Parliament resolution of 18.1.2023 on the 30th anniversary of the single market: celebrating achievements and looking towards future developments, P9_TA(2023)0007.

C. ...by executing the Single Market in a more joined-up and interconnected way

1. Ways of regulating, maintaining and managing the Single Market

Creating a Single Market in the first place required an enormous amount of legislative activity. Legislation was made significantly more predictable and uniform with the arrival of the new legislative framework²⁹ in 2008, which improved the Single Market for goods as well as strengthening market surveillance. Now, 30 years after the creation of the Single Market, with so much achieved already, we need to renew our focus on ensuring new regulation helps make businesses more competitive and better prepared for the green and digital transitions.

The Commission intends to pursue this objective in three ways. First, it will build on the Competitiveness Proofing Toolkit³⁰ that it uses before proposing new legislation to create a systematic Competitiveness Check, in order to ensure legislative proposals support competitiveness, especially of SMEs. That Check takes into account cost and price competitiveness, capacity to innovate, international competitiveness and SME competitiveness. Second, it will further strengthen the Regulatory Scrutiny Board, the Commission's oversight body responsible for the quality control of the evidence behind Commission proposals, by enhancing its scrutiny and focus on the impact of Commission proposals on competitiveness, and by including two additional experts to reinforce the Board in this task. Third, the Commission will set up a high-level group to prepare recommendations on how to ensure EU legislation really does ensure sustainable competitiveness of businesses, in particular of SMEs.

These actions are in addition to the existing “SME test”, which is designed to identify and minimise potential regulatory and administrative burden on SMEs that could result from planned legislation, and which, since January 2022 has been reinforced by the “SME filter”, a consultation process involving SME envoys³¹ at the earliest stage of policy-making.

The current challenges that the Union is facing require agility and ability to choose amongst different policy and legislative tools in a way that addresses problems encountered in the most efficient manner. Looking back, we see that legislative activity has become more targeted, reflecting progress in harmonising Single Market rules. We also observe that over time, the number of directives has declined while the number of regulations has increased. Since regulations have direct effect, they help to limit fragmentation and divergent implementation across the Union without the need for lengthy transposition periods.

Whatever the choice of legislative tool, the principle of subsidiarity requires that action be taken at Union level only when the objectives cannot be achieved at national, regional or local level. The use of regulations is entirely compatible with this principle. A good example of this is the proposal for a Regulation on short-term rentals³², which sets down common conditions for data sharing between accommodation hosts, online platforms and public authorities. This targeted intervention at Union level makes it easier for online platforms of all sizes to provide digital services across the Union, but at the same time leaves public authorities the autonomy to design and enforce their own policies on short-term rentals at a local level, by making use of the data from hosts or platforms.

²⁹ [New legislative framework \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/Pages/infographic-legislative-framework-2008-2018.aspx).

³⁰ [Register of Commission Documents - SEC\(2012\)91 \(europa.eu\)](https://ec.europa.eu/legislation/documents/index.cfm?lang=en&view=detail&docId=32322).

³¹ [SME envoys network \(europa.eu\)](https://ec.europa.eu/legislation/documents/index.cfm?lang=en&view=detail&docId=32322).

³² Proposal for a Regulation of the European Parliament and of the Council on data collection and sharing relating to short-term accommodation rental services and amending Regulation (EU) 2018/1724, COM(2022)571 final.

Only when European rules are correctly enforced can people and businesses reap the full benefits of the Single Market³³, and the task of enforcement is the collective responsibility of the Commission and all Member States. In particular, correct application of regulations relies on the work of national authorities to give full effect to them. But there is no one-size-fits-all approach to making Single Market rules achieve their full potential. In some policy areas strong direct enforcement powers are needed in the hands of the Commission, such as under the Digital Services Act and Digital Markets Act. In other policy areas, such as chemicals or intellectual property, Union-level agencies play an important role in achieving uniform implementation. In yet other policy areas the Commission can play a key role in boosting infrastructure capacity in the Single Market to help Member States make the best use of limited resources and promoting trust, for example in the area of laboratory capacity for product testing. Above all, a strong culture of compliance is needed to successfully manage the Single Market, and to reinforce this culture in the spirit of partnership, the Commission is committed to working together with the Member States to identify a responsible office in each Member State – at the appropriate level within their administration – to support and promote the enforcement of Single Market rules.

In the area of services, the close cooperation with and among Member States is particularly important, since national policies diverge a great deal and regulatory and administrative barriers persist (see chapter II.A). Technical expert groups are useful for discussing interpretation of Union rules. But beyond this, and contrary to other areas of the Single Market, such as telecoms, or market surveillance for products, no mechanisms are in place for a more structured policy coordination and knowledge sharing between administrations in charge of services policy. Upgrading and streamlining the existing expert groups into a more structured mechanism of cooperation would allow Member States and the Commission to work together more closely on the development, implementation and application of single market policy in the area of services.

2. Reducing administrative burden through technical solutions

[Placeholder for improved presentation with specific examples in text boxes] Single Market governance tools are a valuable means of reducing the administrative burden on citizens and businesses trying to get the most out of the Single Market. Citizens and businesses looking for information on making use of the rights and opportunities the Single Market offers can turn to the Your Europe Portal, a one-stop shop for information. Those seeking advice when Single Market problems arise can make use of Your Europe Advice and SOLVIT³⁴. To help citizens and businesses with the otherwise onerous task of completing national administrative procedures, such as registering your car in another Member State or claiming your pension from another Member State, it will be possible, by the end of 2023, to do so entirely online. In addition, the once-only technical system will, in addition, ensure that when a business or citizen has submitted a document once to a public administration, the document can be safely transferred to other public administrations, so that the business or individual can complete other procedures without needing to re-submit it. All of these tools are accessible through the Single Digital Gateway. The European Digital Identity Wallet³⁵ will enable all Europeans to access these and many other online services in the Single Market in full control of their data.

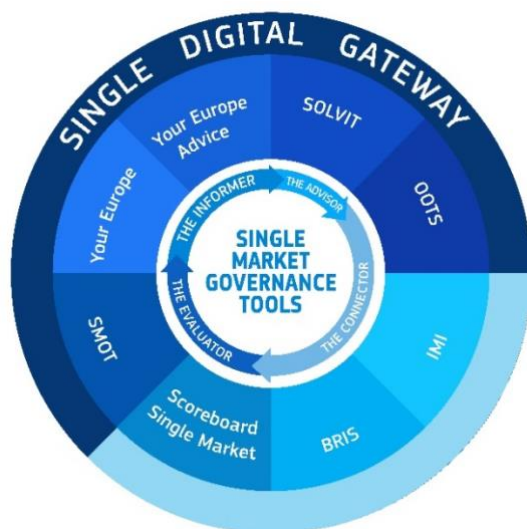
³³ See also recent Commission Communication on Enforcing EU law for a Europe that delivers (COM(2022)518 final).

³⁴ The work of SOLVIT is discussed more fully in Section II.A.

³⁵ For more information, see [European Digital Identity \(europa.eu\)](https://european-digital-identity.europa.eu).

Single Market governance tools also help public authorities to cooperate better together, such as the IMI system³⁶, which connects thousands of public administrations to approve cross-border procedures and solve problems. Taken together, this creates a true ‘Single Market back office’, cutting red tape for businesses and administrations alike.

Figure 7: Single Market Governance Tools



Source : European Commission³⁷

Digital solutions also play a role in strengthening cooperation between customs authorities and market surveillance authorities, which is crucial for ensuring that only safe products enter the Union. The 2019 market surveillance regulation seriously upgraded the cooperation of market surveillance authorities in Europe. But in the face of fast-paced development of e-commerce and in particular imports from third countries, customs play an ever more important role as a first line of defence to ensure that only safe and compliant products enter the Union. The Commission therefore intends to pursue measures to strengthen cooperation, such as an electronic interface between national customs systems and the EU market surveillance database and smoothing the exchange of data on imports and the exchange of statistics on controls at borders.

[CNECT/TAXUD placeholder on how to further integrate/broaden the single market, i.e. in the areas of digital services, telco and taxation]

* * *

³⁶ Internal Market Information System.

³⁷ Abbreviations: “OOIS” = once-only technical system; “IMI” = Internal Market Information (system); “BRIS” = Business Registers Interconnection System; “SMOT” = Single Market Obstacles Tool. For more information, see Annual Single Market Report 2023.

Concluding remarks

For 30 years now the Single Market has manifestly made the lives of citizens and businesses better [...]