

A deeper Single Market for a more competitive industry in the EU

The Single Market, a cornerstone of prosperity, growth, development and international competitiveness, the greatest achievement of the European project and the guarantor of the European Union's globally strong economic and political position, is facing major internal and external challenges.

- Over recent years, on the one hand, (a) there has been a strong protectionist pressure from Member States, which has led to the emergence of new barriers to free movement of goods and services, including the posting of workers; (b) the negative consequences of inconsistent actions taken under different EU policies have enhanced, and (c) the percentage of incorrect transposition of EU law by Member States has increased.
- On the other hand, new trends have emerged in the global economy: (a) competitive pressure, not always fair, from global economic partners, (b) an increased role of services in generating added value both through the servitisation of the manufacturing industry and an increasing importance of access to intangible assets, such as information, knowledge and communication services, instead of the accumulation of tangible assets by consumers, (c) megatrends, such as the dynamic development of disruptive innovations, i.e. digitisation, sharing economy platforms, artificial intelligence, electro-mobility and autonomous vehicles; (d) climate change.

Faced with these intertwining phenomena, the challenge for the Single Market is to find a way to catch up with the world's leading economies by further deepening the integration processes in the EU internal market, while ensuring a level playing field through uniform and effective enforcement of the existing rules in international trade.

Goals

The primary objective of the future Single Market should be the highest possible level of economic integration, thanks to which Europeans will be living in the sustainable and secure Union.

The main specific objective, addressing the challenges both inside and outside the EU, should be to eliminate existing barriers and to ensure that no new ones to the four freedoms of the EU internal market are established. A seamless Single Market therefore needs effective and unified across all Member States implementation of EU law, and transparent, non-discriminatory rules for the enforcement of the Treaty freedoms.

Another specific objective for the future EU should be further integration of the services sector by eliminating administrative and regulatory barriers. Currently, the largest untapped potential is in the services sector – various studies undoubtedly demonstrate that its fuller integration would bring tangible benefits to citizens, entrepreneurs and the EU economy at large, and it would contribute to increasing GDP per capita in the EU by approximately 0.6% on average. Maintaining barriers to the provision of services has an adverse impact on the integration potential of the goods sector, resulting in a decline in the competitiveness of European producers in the EU market in favour of cheaper suppliers from non-EU countries. Another example of this interdependency is the phenomenon of servitisation, that is combining the manufacturing industry with the offering of services.

The removal of barriers in the Single Market for both goods and services will contribute to a fuller integration of value chains around actors operating on a cross-border and pan-European scale, capable of competing with global rivals of European “champions”. This catchword should be understood as pan-European economic projects integrating, in their area of operations, entrepreneurs from several EU countries, whose functioning in the Single Market assists and supports other companies present in value chains - hidden champions, SMEs, start-ups and scale-ups - enabling them to grow and expand.

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In addition, the EU's objective should be to effectively lead the European industry through the Industry Revolution 4.0 and to prepare for the next Industry Revolution 5.0. It is necessary to increase the level of digitisation of the European industry, the use of artificial intelligence, the Internet of Things, and the use of industrial data. Based on common values, the EU must, however, ensure that these processes are in line with the ethic-and human-centric approach and with the principles of digital trustworthiness.

In the face of climate and energy needs, the EU should aim at preparing in advance the ground for taking advantage of opportunities that arise from the development of a low-carbon, green and environmentally neutral circular economy. The Union must set standards in this area and provide an example that climate care can become a competitive advantage rather than a burden in global competition. At the same time, this transformation will have a positive impact on the competitive position of the EU as a whole, in line with the principle of equality and solidarity, only when different country-specific starting points are taken into account and solutions are developed that will enable a viable transformation for all, without imposing solutions that are favourable only to the chosen ones.

Proposed actions

- I. Adoption of an integrated approach to the Single Market based on four elements to prevent its fragmentation:
 - Introduction of uniform, universally applicable EU solutions based on regulations or full harmonisation;
 - Strengthening interdependency between the services and industry sectors;
 - Taking into account the horizontal nature of the digitisation of the economy and developing uniform solutions tailored to the needs of entities operating traditionally and digitally;
 - Taking into account the need to further develop the Single Market and to strengthen the competitiveness of European enterprises in the implementation of all EU policies.
- II. Adoption and implementation of a detailed programme for further integration of the Single Market, in particular in the services sector, including:
 - Identification in cooperation with stakeholders (Member States, entrepreneurs, citizens) and subsequent elimination of existing barriers;
 - Ensuring better enforcement of the adopted law by the Member States and monitoring its application so as to enable rapid identification of gaps and barriers that are caused by the existing law, also in the context of its restrictiveness and discriminatory enforcement in crossborder trading;
 - Ensuring transparency and easy access to information on all requirements arising from existing EU and national legislation on services provided by entities from other Member States, e.g. by introducing certain elements of the discussed services e-card and the notification directives aimed at eliminating administrative barriers.
- III. Communicating the benefits and problems of the Single Market:
 - A factual dialogue on the Single Market (e.g. with the participation of business organisations), including in the framework of the SIMFO;
 - Comprehensive action to ensure access to up-to-date and reliable data in the EU (legal, macro, microeconomic and sectoral, quantitative and qualitative) – market analyses, consultations;
 - Development by the Commission of a catalogue of good practices/catalogue of the most common barriers;
 - Application of the Better Regulation Agenda, including a greater emphasis on impact assessment for individual Member States and showing the benefits in the Impact Assessments.

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- IV. The Commission to develop, in cooperation with Member States, a European mechanism to support modern industry (e.g. under the IPCEI instrument) that could both compete with partners outside the EU and integrate entrepreneurs within the Union. Large, globally innovative industrial consortia, for which support from state funds is acceptable, should provide a platform for participation of all European actors, irrespective of the level of development, geographical location or financial engagement of the country of origin, while observing the rules of fair competition in the Single Market. Potential changes to the state aid rules must not distort competition in the EU internal market.
- V. Increase the productivity and innovation of SMEs, start-ups and scale-ups that dominate the EU's economic landscape through creation by the European Commission of a mechanism, in coordination with Member States, encouraging cooperation with universities, research units, as well as larger businesses, support for networking between smaller entities and creation of a flexible regulatory framework to enable cooperation or concentration, in sectors where this is conducive to improving the competitive position.
- VI. Strike a balance between an open approach to cooperation and multilateral international trade, and the protection of own interests. Instruments such as the screening of foreign investments, the reciprocity mechanism in public procurement and compliance with security standards for the importation of goods into Europe must not result in the introduction of European protectionism, but their application must ensure a level playing field and enforcement of trade rules.
- VII. Consider the establishment of an independent European anti-monopoly office responding to the challenges of the digital economy.
- VIII. Agree a long-term EU roadmap on planned green economy activities in consultation with all Member States.
- IX. The new Commission to take into consideration the presented proposals in its activities during its term of office, and develop, in close cooperation with Member States, a long-term action plan to eliminate existing barriers and improve the implementation and enforcement of the Single Market rules by March 2020, taking into account the above proposals, in line with the European Council's conclusions of March 2019.
- X. The Commission to consistently initiate proceedings in the event of infringement of the Single Market rules.
- XI. The above integrated approach to be reflected in the evaluation and revision of the institutional framework of the Commission and the Council – only a fuller coordination between the different DGs (COMP, TRADE, GROW, CONNECT) and the Council formations (COMPET, ENVI, EPSCO, TELECOM) will enable a comprehensive and coherent European industrial policy to be developed.