Policy Priorities for 2019-2024

The single market remains the decisive power of the EU

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The EU's single market should not just be one among several priorities for the new Commission and Parliament. The single market was and is the core business of the EU. Much of what goes on or is proposed under elaborate titles is actually part and parcel of the single market. The striking revelation of Brexit for many EU citizens and all businesses is precisely the centrality of the single market (including the customs union) to EU membership. Its value is first of all economic, of course, as it yields higher prosperity. However, it is critical in other arenas where 'EU clout' derived from the single market matters, such as multilateral and bilateral trade negotiations, global climate deals, standard setting, rule-making for international financial stability and even foreign policy.

However, this unique asset deserves more explicit EU and member state attention and action in a number of its composite areas. The new Commission and the new Parliament should not and cannot take the EU single market for granted. And the member states or the Council should make sure that their endorsement of the importance of the EU single market is followed up and substantiated in dossiers where 'market integration deficits' (like in services) still prevail. With respect to the latter, the Council has clearly underperformed. Member states should also be much more vigilant in matters of implementation and enforcement, even though this might not be so visible politically. For while the EU is built upon decentralised implementation and enforcement, this gives member states an inescapable responsibility to ensure the proper working of the single market.

These core issues are briefly addressed below. The single market is first discussed in a more analytical fashion, for the simple reason that the Juncker Commission relabelled many single market initiatives under new headings (often 'unions'). Whether or not President-elect von der Leyen keeps those labels, it is crucial to distinguish the single market forest from the trees as the relevant terrain for the near future. This is followed by a brief discussion of the persistent difficulties in accomplishing the single market for services. The quality of the single market, in

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particular how competitive it is and how well it serves consumers, is dealt with subsequently, followed by the issue of 'fairness' in several appearances, e.g. in EU competition policy and for workers, including intra-EU cross-border workers. This paper ends by discussing the challenges with respect to the single market that the EU must address effectively. We refer to the recent 'strategic agenda', Brexit, economic convergence, the 'domestic' governance of the single market by member states, the services conundrum and the critical significance of the single market (and not just 'more money' and R&D networking) for fostering new technologies and related start-ups. Altogether, the three EU institutions ought to give unwavering priority to the single market in all its dimensions.

1. The substance of the EU single market

The single market is defined as a combination of 'negative' and 'positive' integration measures that establish a single market space and subsequently ensure its proper functioning. The proper functioning generates static and dynamic economic benefits supporting (additional) EU economic prosperity, probably some 10% of EU GDP so far. Negative integration consists, in the EU, of the powerful mechanisms of free movement (of goods, services, capital, labour, and, now also, codified technology as in patents or other IPRs), backed up by both central and decentralised implementation and enforcement. Positive integration is about appropriate and proportionate EU regulation and/or common policies as well as common EU institutions, yielding the proper functioning of the single market. This generic definition applies to all single market activity, also to the policy domains with new, possibly attractive labels. Labelling parts of the single market as a 'union' dedicated to issue X or Y does not alter the fundamentals.

Nevertheless, the European Commission presided by Juncker attempted to reframe and 'unbundle' the single market politically. The motive behind this attempt is entirely understandable. 'The' single market is so incredibly comprehensive and multi-layered, with so many highly specialised horizontal and sectoral refinements, that it is plainly impossible to handle it in a monolithic way. It takes a series of Commission DGs and a range of Parliament committees in order to comprehend what is going on. The best demonstration of the enormity of addressing 'the' EU single market was the 2010 Monti report which brought together a very broad spectrum of issues, often with a degree of technicality, but which had, unfortunately, not anywhere near the impact it fully deserved. And which the EU deserved. 'The' single market either risks being dealt with by slogans and 'boilerplate' promises by the European Council, both of little help, or one ends up with an impossible Monti-plus type agenda unlikely to generate appeal and progress. The Juncker approach is one response to this perverse reality: the hard core of European integration is a difficult sell, and yet everybody is in some general sense in favour.

It seemed easier to invent appealing labels for areas where specific needs could be identified, all with some degree of urgency. First, the term 'union' was utilised for three such areas: the banking union, the capital markets union and the energy union. The banking union is nothing less or more than the single market for banking services. The crucial difference with most other

areas consists in the ambitious nature and extent of 'positive integration' for the single market for banking services to function properly: common agencies and other bodies with supranational powers and large funds for bank resolution and financial stability. The urgency arose from the profound financial crisis in the EU. A number of hastily tightened directives or additional ones had already been drafted or even enacted before the term 'banking union' appeared. The single market for financial services had already witnessed three regimes over time[1] but had never addressed two taboos: on the one hand, effective bank supervision at EU level (with the 'fiscal capacity' at EU level to decide on and execute bank resolution promptly) and, on the other hand, the links between the (macro)prudential banking regime and financial stability in the euro area. Labelling the set of challenges to the single market for financial services as the 'banking union' enabled the more EMU-related aspects of the banking regime (in short, financial stability) to be linked directly with the more traditional internal-market-related aspects (for short, risk regulation underpinning the trust in banks). The banking union is now functioning, a remarkable achievement given the old taboos, although it awaits further deepening to improve its resilience.

The capital markets union is in a different class. In conventional single market terms, capital markets in the EU do not exhibit a lot of lingering barriers to free capital movement. Rather, the capital markets union has another distinct motive, namely, to increase significantly the reliance of private firms (and especially SMEs) on equity capital from capital markets and move away from overdependence on bank-financed capital. This motive is macro-economic and relates to the proper functioning of EMU. When comparing US and EU reliance on private versus public risk sharing,[2] the US private sector relies far more on private capital than the eurozone, and thereby improves its resilience during crises, including a swifter return to the trend growth path. It also helps healthy SMEs to have access to finance when banks are struggling to survive. In single market terms, the capital markets union constitutes a *structural reform* of European capital markets and the underlying regulatory framework at member state and EU level. But the modest preparedness of member states to reform domestic laws – without a treaty obligation – has proven to be a serious hindrance so far.

The energy union is both a relabelling of the single market for energy and a coupling of energy markets with a more ambitious EU climate strategy. Therefore, it does address classical single market barriers and less conventional ones like the huge investment requirements in e.g. interconnectors, allowing for more effective coupling of national energy markets. However its complications derive in particular from the combination with climate policies. A simple but telling example illustrates the dilemmas at stake. The reader is advised to check the composition of his/her monthly gas and electricity bill (that is, for households) or verify similar invoices for industry. Precisely when, slowly but steadily, the European wholesale energy markets are beginning to look like a single market with converging prices (e.g. in hubs), a range of national taxes (network charges, VAT, Renewables – RES – charges) causes large disparities

[1] In the early 1980s, in the EC-1992 period (with the 1989 second banking directive as the pivot) and in the period 1999-2005.
[2] See P. Nikolov (2017), "Cross-border risk sharing after asymmetric shocks: evidence from the eurozone and the US", *Quarterly Report on the Euro Area*, Vol. 15/2, pp. 7 – 18.

in the effective market prices for users and consumers. Another very problematic distortion consisted in the derogation of national RES subsidies from the regular EU state aid regime, with the consequence that enormous amounts of RES subsidies (some €65 billion in 2016) generated costly direct distortions[3] as well as indirect distortions such as sponsoring the build-up of a competitive wind industry in a few EU countries. Given the ever more ambitious EU climate strategy, the EU energy union will also have to govern the transition to a new EU energy system.

Second, the single market perspective of the Juncker Commission favoured the pursuit of *sectoral 'packages'*. The most impressive one of these is the 'digital single market' (DSM), a much better label than the 2010 Digital Agenda, with a much more structured approach and (rightly) a greater sense of urgency. The DSM aims at removing or overcoming classical single market barriers and considerable progress has been made. One particularly difficult barrier is the flaw in the EU treaty (ever since the Rome treaty) affirming copyright as national, not EU-wide, and not even in a parallel regime (like trademarks). The reference to the old Berne Convention, based on national copyright, is of course at best a weak excuse. The EU has EU trademarks and a nearly EU-wide Uniform Patent; there is no good reason to hold on solely to national copyright. Business models in e.g. audio-visual services, streaming, etc. are virtually all based on exploiting the national borders inside the EU[4] and hence fiercely resisting the single digital market. The DSM would greatly benefit (and e.g. start-ups within it) if this flaw could be repaired; during the Juncker Commission, the much discussed geo-blocking directive shows how the DSM is restricted to artificial and piecemeal advances while this major flaw persists.

Another important package is found in '*mobility*', in fact the various modes of transport. For road and related issues, three successive mobility packages were introduced, updating EU regulatory provisions but also funding options (especially for infrastructure) and the preparation of automated mobility (e.g. standards, etc.) as well as storage (in the light of electric driving on a large scale). In addition, there was already a long-term 'track' for rail with successive initiatives more than one decade ago,[5] and the promising nine European rail freight corridors, both north-south and east-west, have been operating for a few years. The 4th railway package[6] was enacted in two steps in 2016, an important success in the initially so inward-looking and rigid rail sector. The Connected Europe Facility has enabled a significant increase in infrastructure funding for rail, the 'last mile' links with industrial centres and with ports. In maritime transport, progress (if not a breakthrough) was accomplished in the EU ports policy, in terms of social dialogue, user influence and – especially – the 2017 regulation.[7] Yet another

[3] With huge losses on e.g. state-of-the-art gas turbines or their mothballing despite being brand new.

[4] Companies maximising profits by means of 3rd degree (i.e. geographical) price discrimination, going against all that a single market stands for.

[5] Culminating in the 4th rail package, enacted finally in 2016.

[6] With a technical pillar and a market pillar.

[7] Reg. 2017/352 establishing a framework for the provision of port services and common rules on the financial transparency of ports. Readers might remember that a decade ago a draft directive on port services induced fierce protests from a small but militant group of port workers from certain harbours. When the directive was debated in Strasbourg, violent protests led to widespread destruction of street lights, road signs and numerous windows as well as aggression against MEPs and the police. The Parliament then suspended the debate on the draft directive.

'package' proposed was concerned with the 'circular economy', inevitably also linked with the single market.

Nevertheless, outside these domains with specific needs and urgency, the 'conventional' single market was at first only mentioned in passing when the Juncker priorities were announced. As a result, it proved cumbersome to gain genuine political attention for what were and to some extent still are crucial aspects of the single market, in particular from member states, both in Council and at home. The most prominent attempt to repair this error was the 2015 Single Market Strategy,[8] which looked a lot like the typical single market 'strategies' of previous Commissions (with e.g. Barnier and Bolkestein, respectively, in the lead). By addressing the problems of the 'collaborative economy', a mini-package on SMEs and start-ups, a renewed attempt to re-invigorate the single services market, trying to tackle the barriers in retail, fixing geo-blocking, modernising the standards system (a few years after the last modernisation), further improvements in public procurement, some further work on IPRs (whilst still waiting for the Unitary Patent and its Court to finally come into force), pursuing a 'culture of compliance and smart enforcement' and reforming the mutual recognition directive, it is hard to avoid the risks of a too low political profile in such a splintered approach.

The need for effective and intrusive implementation and enforcement strategies in several areas is beyond any doubt. However, such 'strategies' have unfortunately little political appeal despite lip service being paid to them. The worst case was the emphasis on the single market for *services*, shared in words by Council and the Parliament on many occasions. Upon closer scrutiny of the services strategy, with implementation of the huge services directive as critical, one can summarise the development as follows: enormous efforts by the Commission in several ways,[9] some selective encouragement by the Parliament (which has of course only an indirect and distant role to play in implementation) and a hesitant if not recalcitrant Council or a majority or blocking minority of it. Beyond services, the EU improved the system of market surveillance in goods, completed the formidable task of implementing REACH (even with respect to SMEs) after 11 years and adopted the General Data Protection Regulation.

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[8] See COM (2015)550 of 28 October 2015, Upgrading the single market: more opportunities for people and business; and a host of related documents.

[9] After the 2011 report on the mutual evaluation of the Services directive, the Commission followed up on the 'unfinished business' of implementation (e.g. on legal form, cross-border insurance, etc.), persuaded member states to engage in a Mutual Evaluation of two years (!) for the professional qualifications regulation, which yielded rather little, and insisted on the proper application of proportionality (a legal requirement in the directive) for all national regulated professions (for all EU countries, some 5,500 applications), the disappointment about which was underpinned by a most revealing Commission publication setting out the problematic tests by the member states, culminating eventually in the 2018 Proportionality directive – yet, even this careful bottom-up approach and the balanced directive continued to be resisted by a minority of member states. The Court of Auditors insisted in a 2016 report on the implementation of the Services directive that the Commission be more determined in enforcement via infringement procedures. However, this firmness is not a priori sensible: it would probably have caused a lot of friction rather than more single market. For a detailed account of the many aspects of deepening and improving the follow-up and implementation of the Services directive (covering some 45% of all services in terms of GDP generated) between 2010 and 2018, see the report for the EP/IMCO committee by the author, "The single market for services, delivering benefits for citizens and businesses", March 2019. www.europarl.europa.eu/RegData/etudes/STUD/2019/631054/IPOL_STU(2019)631054_EN.pdf

2. A competitive single market for consumers and all of business

Building further on the single market should not make one forget that the quality of that market is largely determined by how competitive it is. The overriding motive to enjoy a 'common market' is that it can generate economic gains beyond those of trading in a WTO-type group of countries. But these economic gains presume a competitive market. And 60 years of EU competition policy has yielded overwhelming evidence of the great and permanent need for a powerful mechanism ensuring competitive markets in the EU for consumers and for all of business, big or small.[10] Despite the discussions on what has priority in EU competition policy, it is striking that time and again much of competition policy remains the same and for good reasons. This was just as valid for the last five years. Cartels of truck companies but also in the derivatives trade, pre-emptive action (even physically removing rail track!) to disable a competitor in rail freight in Latvia, highly selective tax advantages for just a few firms or only one (in secret rulings) in Ireland, Luxembourg and the Netherlands or excessive pricing (a judgment often seen by competition lawyers as hard to 'prove') in post-patent medicines or rebates given by a dominant firm which are so advantageous that even Intel cannot break into the market or a search engine of a highly dominant internet platform player that systematically advantages its own comparison shopping products over those of competitors – *plus ça change*. Here we have a policy where newness and change should not be overrated – much of what is in place simply needs to be executed well in order to maintain a competitive single market.

Nevertheless, EU competition policy is facing profound challenges. Some internet firms have undergone astronomic change in only a few years such that 'winner takes all' properties are suspected. With such dominance in place, one can observe, or wait to see, anti-competitive behaviour emerge which ought to be corrected or even nipped in the bud. The theory is that such innovative firms will stay on their toes because of potential competition, perhaps via disruptive innovation by new entrants. It is a possibility but the case is not general; moreover, if that is the remedy, new entrants and young firms scaling up may well have to be protected actively against takeovers precisely by the dominant company, in order to protect what competition is all about: the competition process itself. This may also apply to neighbouring markets. In a recent report for the European Commission, Jacques Cremer, Yves-Alexandre de Montjoye and Heike Schweitzer (2019)[11] express a clear concern about the early elimination of potential rivals, such as start-ups with a quickly growing user base and significant competitive potential by dominant platforms. The authors recommend closely monitoring some experiments at member state level (with much lower thresholds for merger control) before mimicking this at EU level, but also to revisit the substantive theories of harm. After all, dominant digital platforms or ecosystems benefit from strong network effects and data access

[10] However, it should not be forgotten that EU competition policy, though indispensable, is only one among several mechanisms to stimulate a competitive single market. The free movements, the right of establishment (for direct investment) and a liberal EU trade policy are also crucial for engendering a dynamic competitive environment.

[11] J. Cremer, Y.A. de Montjoye & H. Schweitzer (2019), "Competition policy for the digital era", April. www.ec.europa.eu/competition/publications/reports/kd0419345enn.pdf

and it might well be sensible to inject some horizontal elements into the conglomerate theories of harm (Cremer et al., op. cit.).

European consumers should, rightly, count on EU and national competition policy to ensure that markets work for them. And possibly smaller firms if – and only if – that is essential for the competitive process to work well, for instance by means of sustained innovation or the development of other business models. The 'big' competition cases of the last few years such as Google, Intel and Qualcomm together with some new EU regulation (on e.g. geo-blocking, data protection, etc.) might not be sufficient to ensure that digital platforms and internet companies would not drift ever further towards dominance. The consumer benefits of effective platforms are clear and well-recognised, yet so are the drawbacks. The question is whether the EU has the right, yet proportionate answer to such developments. The recent (cautious) shift to introduce regulation, as a complement to competition policy in well-defined instances, can be welcomed as a correct approach, as long as it remains limited to carefully delineated cases where competition policy (like Art. 102, TFEU) might be less appropriate. Dominant platforms themselves also act, de facto, as 'regulators' (of their own platform) and they have to exercise full responsibility to ensure that their rules do not impede free, undistorted and vigorous competition (Cremer et al., op. cit.).

Another issue that arose during the Juncker Commission is 'fairness'. It is likely that Juncker has pursued fairness and equal treatment at the level of citizens and consumers in a reaction to the observations of many citizens (and some populist political parties) of the perceived privileges of rescued banks, the subsequent budget cuts, often painful for citizens, and lower public investments hitting the ordinary citizen, together with the tax avoidance of some multinationals. As the following section emphasises, the single market is now presented as (more) 'fair'. The term 'fair' has also popped up in much of what the Juncker Commission has pursued, whether in labour and social policies, consumer protection policies but also in EU competition policy. Commissioner Vestager has used the term repeatedly, claiming that 'fairness' was always in the DNA of competition policy. She rightly claims that, ultimately, competition policy should be good for consumers. But should it pursue that aim directly – which implies greater interventionism via regulation, for instance – or by means of protecting the competitive process, counting on properly functioning markets to take care of the consumer? And in protecting the consumer via competition policy, how much priority is still given to 'efficiency', whether static or dynamic? Such an approach to competition policy also quickly slips into 'fairness' between businesses, say with unequal bargaining power, such as is the case with unfair business practices or the 2018 platform-to-business Commission proposal, instances where competition policy cannot easily be invoked. There is also the risk of economic dependence for (say) SMEs in need of larger counterparties for effective entry to be feasible. The new Commission could undertake a major investigation into whether the imbalance of bargaining power is becoming a structural issue in the single (digitalised) market. The new market dynamics might well call for a refinement of relevant market definitions, the identification of dominance, the detection of abuse and a set of reasonable remedies. This might well be accompanied by an extension of the enforcement powers of DG COMP in relation to such practices.

3. A 'fair' single market

A properly functioning single market may well accentuate adjustment pressures, that is, adjustment of workers, firms and regions. Ideally, the 'fair' single market should convincingly address the temporary costs of adjustment at both levels of government whilst providing new perspectives for temporary losers. One should neither underplay nor overplay the recognition of 'losers'. Not underplay it because adjustment might coincide with a downturn of the economy making it very difficult to find alternative employment without relocation (which is often unattractive because of social and cultural ties). Job losses from a deeper single market sharpening competition and from a more open single market to the world can be concentrated in specific 'low potential' regions,[12] rendering adjustment more difficult still as promising sectors might be lacking in that region and workers might be trapped as houses can only be sold with a capital loss. Not overplay it either, because adjustment occurs in any market economy for a host of reasons, and the single market is only one of them. Indeed, new technologies might induce major further adjustments in the near future and there is no obvious reason why these adjustments will not be just as painful as adjustments linked to the dynamics of the single market. Moreover, adjustment is intrinsically harder in EU countries which are behind in the upskilling and upgrading of its labour force. This is so as the comparative advantages of the EU in a globalised world economy tend to reward skilled workers more, as they are structurally in demand, than low-skilled workers. Countries like Italy, Portugal and some others still have relatively large shares of low-skilled workers and no doubt the best policy is to address this weakness with gusto. Besides these fundamentals, the fairer single market is also about abuse of mobile workers, be they migrants inside the EU or posted workers (often from Central and Eastern Europe) due to sloppy enforcement and gaps or weaknesses in some directives. Such abuse has undermined or at least weakened the legitimacy of the single market for many workers.

The Juncker Commission has attempted to give greater priority to social aspects, hence to a fairer single market. In doing so, it has combined symbolic approaches (the reforms of the Social Fund and the Global Adjustment Fund, as well as the Pillar of Social Rights, largely a matter for the member states) and enforceable improvements of the EU regulation for mobile workers.[13] The ball is now in the court of the member states in order to ensure equivalent and proper enforcement throughout the Union.

[12] World Bank (2018), *Growing united, upgrading Europe's convergence machine*, Washington DC.

[13] In particular, the enforcement directive for posted workers (2014) and a revision of the posted workers directive (2018) based on the 'same wages for the same work in the same site', a breakthrough helped by renewed economic convergence between east and west in the Union, two CJEU cases and several national court cases on 'letter-box' companies prohibiting the very low wages for workers from Central Europe in Germany, Belgium and the Netherlands, and ordering compensation for the workers.

4. Challenges for the new European Commission

Brexit has demonstrated more effectively than in any other imaginable way how crucial the single market is for European integration. One can add the estimated economic potential when deepening – i.e. overcoming market integration 'deficits' – in the single market of today. An admittedly rough but interesting order-of-magnitude estimate is that from the Parliament's Costs-of-Non-Europe project of some *additional* 9 % of EU GDP,[14] which provides a tremendously powerful rationale for prioritising the single market.

Timing is also on the side of the new Commission. The EU is enjoying an economic growth trend, if now slightly reduced from 2% annually to some 1.3 % on average, and all member states have returned to a steadier growth path, even with weaker performance in some countries such as Italy (a longstanding productivity problem, not due to the EU). Moreover, economic convergence between Central European countries and the EU-15 has been resumed since 2014, which should be helpful for all in the medium run. The Council's New Strategic Agenda of June 2019 seeks to maintain a solid economic base for the EU by accelerating the convergence of economies in the Union. Over time, convergence also further reduces the risk of pitting workers from both sides against each other. Strikingly, there are the first signs that e.g. Polish workers prefer to return home, on account of rapid wage increases over several years. The single market enjoys high approval rates amongst European citizens and this might well remain a stable rating now that some social defects in labour and services regulation and supervision have been addressed.

Nonetheless, deep suspicions still linger and soften only slowly. When discussing the single market with labour unions, it is striking that – in 2019 – there remains a great sensitivity about certain aspects of the Services directive, even though the implementation of the services directive has so far generated few if any protests. In his farewell lecture at the College of Europe,[15] Stefano Micossi suggests that globalisation, technological change and the financial crises have left deep scars with the working classes and may well have drained the appetite for 'more market'. At the same time, it is precisely the single market which can be a source of, or at least an important condition for, sustained economic growth in Europe. The EU's more ambitious investment agenda initiated by Juncker, being complementary to the single market, should be of some help as well. This innovative approach should be continued.

The best option for the new Commission is to give justified and unwavering priority to the single market in all its dimensions. That is, to a deeper and 'fair' single market, with no automatic primacy for the economic dimension above the social dimension. In both dimensions, the single market is far more a matter for member states than has been admitted by them so far. The old dictum that the Commission proposes and the EU legislator (including the Council) disposes

[14] Mapping the Costs-of-Non-Europe, 4th edition, December 2017. Taking only the single market aspects, one finds €1,280 billion, which amounts to 9% of EU GDP for 2016 (www.europarl.europa.eu/RegData/etudes/STUD/2017/603239/EPRS_STU(2017)603239_EN.pdf).

[15] S. Micossi (2016), "30 years of the European Single Market", Bruges, *BEEP Briefings* 41/2016, College of Europe, Economics department, p. 34.

does not properly reflect the requirements for effective progress on the single market. The inconvenient truth is that – for single market purposes – member states have to significantly improve domestic 'governance',[16] promote and credibly enforce the single market at home first[17] and fully accept that the indispensable deepening of the single services market cannot possibly be achieved by purely EU-level measures alone, as it requires significant regulatory and other reforms at home. More generally, member states have to demonstrate effective 'ownership' of the single market in order to deliver what is required. The social aspects of the 'fair' single market can, more-often-than-not, best be addressed at a national level because that is where social and labour powers are found.

The priority for the single services market is crucial because the European economy is a service economy and the EU's future economic growth cannot be enhanced by focusing primarily on goods, even when issues also linger there. Indeed, even goods exported to the world by EU countries incorporate *no less than 53 % of services*,[18] in particular in European value-chains.[19] This shows in a striking fashion that the competitiveness of European enterprises today hinges on a competitive single services market as well as on least-restrictive[20] services regulation at home, minimising the negative cost spill-overs in forward linkages. The new Commission should seek a genuine 'single-market compact' with the member states in order to engage in a credible pursuit of a deeper EU services market. There is a decent possibility of doing so following the letter by 17 member states urging a greater priority for the single market in early 2019. It is also crucial to do this as the UK, a driver in prioritising services, will probably have left the EU in the autumn of 2019. However, in the Council's New Strategic Agenda, services have been incorporated in an agenda on the digital revolution and AI, which seems to ignore critical areas for improving the single services market, such as in professional services. Yet another problem in services might well be caused by Brexit. At the time of writing there is absolutely no clarity about the future trade and investment relationship with the UK. However, if the Chequers paper from the UK (July 2018) is any guide, the UK might settle with a significantly aligned regulatory environment for goods but not for services. The Political Declaration indicating some guidance for the later negotiations is rather vague and does not point at a deep FTA in services with the UK. Nonetheless, it is critical for the EU not to lose momentum in deepening the single services market despite the departure of the UK, so specialised in services.

Another critical priority is the DSM, in combination with policies on new and emerging technologies. The rationales consist of the urgency to remove lingering barriers for upscaling

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[16] In Micossi, op. cit., p. 31, the 'quality of institutions' is depicted using four indicators (for 2014): on government effectiveness, control of corruption, rule of law, and regulatory quality. The EU-13 and the southern EU countries are dramatically behind their peers. This is neither in their own interest nor good for the single market.

[17] For a range of suggestions, see J. Pelkmans (2016), "What strategy for a genuine single market?", CEPS Special Report No. 126, January.

[18] These include in-house services of companies, procured services from other firms as well as incorporated services in components, whether procured in the EU or imported.

[19] S. Miroudot & Ch. Cadestin (2017), "Services In Global Value Chains: From Inputs to Value-Creating Activities", OECD Trade Policy Papers, No. 197 (www.oecd-library.org/trade/services-in-global-value-chains_465f0d8b-en).

[20] Least-restrictive, justified by market failures but proportionate (no more restrictive than necessary).

and a belated consolidation of ecommerce and audio-visual business, and the opportunity to exploit a range of new technologies, the development of which requires a truly single market of continental size. This should be considered in the light of the potency of the Uniform Patent (following the pending German constitutional court ruling, in the hope that this ultimate of endless obstacles to the common patent will be out of the way). With all of its advantages,[21] it offers a major incentive to innovate in the large EU market. This combination should not amount to a return to old-fashioned industrial policy; on the contrary, it is precisely an effective way of exploiting a continental market size in a dynamic fashion. Ideally, member states should also try to tackle regulatory heterogeneity at business regulation level (as e.g. exemplified by the World Bank's Doing-Business indicator). This is another costly friction for SMEs and start-ups that hinders them considerably, even causing some to relocate to the US (Spotify is a conspicuous example).

The EU will also have to face the complex issue of what some scholars dub the 'EU's economic (or even *strategic*) sovereignty'. This reasonable concern has to do with the unwillingness of some big global players to separate (some) global economic questions from what might be called political and security competition or rivalries. The EU has a different tradition. Member states have pooled sovereignty but solely for economic questions related to the treaties, principally for the single market in the widest sense, not for security and only selectively and conditionally for 'high politics'. Given the conduct and strategic positioning of big global players, the EU is likely to suffer from vulnerabilities, unless – it is held by some – unusual action and unusual governance are pursued. In short, the EU has to develop a more powerful capacity to act in several fields and these include the single market, EU industrial policy (or, at least, more aggressive pre-commercial R&D) and EU competition policy. On the single market, one can be brief: the more integrated and 'deeper' the better, it is bound to strengthen the EU in every respect. On EU industrial policy, it is advisable to maintain a sharp distinction between pursuing a truly common and much better funded R&D agenda for the many new technologies in a pre-commercial fashion, and the actual support of EU companies' strategies in the advanced products and services that might be generated. The former is recommended, and the second ought to be pre-empted. On EU competition policy, there have been considerable pressures to move to a possible Council control of EU competition rulings in specific cases, following the rejection of the Alstom/Siemens rail merger. This is a bad idea. Since mid-1990, the Council no longer governs the state-aid disciplines exercised by the Commission and that is both logical and successful. One might perhaps argue that, when there is a powerful case made, a security clause at EU level (instead of at member state level which is inconsistent with the single market) might be invoked by the High Representative, but promoting European champions in markets with a large amount of public procurement is evidently not good for competitiveness – and in other markets only if there is demonstrably strong global competition.

[21] Such as the slashed costs of the patent, the (almost) EU-wide automaticity of the patent and the EU-wide enforcement, significant and immediate benefits for all companies but mostly for SMEs.

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- Carry out state-of-the-art policy research leading to innovative solutions to the challenges facing Europe today
- Maintain the highest standards of academic excellence and unqualified independence
- Act as a forum for discussion among all stakeholders in the European policy process
- Provide a regular flow of authoritative publications offering policy analysis and recommendations

Assets

- Multidisciplinary, multinational & multicultural research team of knowledgeable analysts
- Participation in several research networks, comprising other highly reputable research institutes from throughout Europe, to complement and consolidate CEPS' research expertise and to extend its outreach
- An extensive membership base of some 132 Corporate Members and 118 Institutional Members, which provide expertise and practical experience and act as a sounding board for the feasibility of CEPS policy proposals

Programme Structure

In-house Research Programmes

Economic and Finance
Regulation
Rights
Europe in the World
Energy and Climate Change
Institutions

Independent Research Institutes managed by CEPS

European Capital Markets Institute (ECMI)
European Credit Research Institute (ECRI)
Energy Climate House (ECH)

Research Networks organised by CEPS

European Network of Economic Policy Research Institutes (ENEPRI)
European Policy Institutes Network (EPIN)