

EUROPEAN ECONOMIC AREA
JOINT PARLIAMENTARY COMMITTEE

REPORT
on the Single Market Strategy for Goods and Services

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Introduction

The idea of a Single Market is at the core of both the European Union (EU) and European Economic Area (EEA) cooperation, allowing citizens and businesses across the EEA to benefit from the free movement of goods, persons, services and capital. Today, the Single Market constitutes the world's largest economic area, with a combined gross domestic product (GDP) of over EUR 14 trillion¹ and where internal tariffs are largely removed.

However, the Single Market cannot be taken for granted, and is routinely subject to reform to realise new potential by removing non-tariff barriers to trade, and to adapt regulation to an ever-changing economic, social and technical environment.

On 28 October 2015 the European Commission launched its most recent effort at reforming the Single Market Strategy for Goods and Services, under the title "Upgrading the Single Market: more opportunities for people and business"². The primary objective of the strategy is to deliver a deeper and fairer Single Market³ through action under three main pillars:

- Creating opportunities for consumers, professionals and businesses
- Encouraging and enabling modernisation and innovation in Europe
- Ensuring practical delivery that benefits consumers and businesses

The Single Market Strategy encompasses several initiatives in a range of different areas, both at EU and Member State level, and functions as an overarching strategy, tying together the different components of the Single Market. Through the strategy, the Commission hopes to reinvigorate growth and trade in the Single Market, with potential gains estimated by the Commission of 5 to 8% of EU GDP.

As the EEA EFTA States are fully integrated in the EU's Single Market through the EEA Agreement⁴, the Single Market Strategy is also highly relevant to them. One of the key priorities for the EEA Joint Parliamentary Committee (EEA JPC) is to monitor the Internal Market, and it has adopted resolutions on this topic before, most recently its 2014 resolution on "Single Market Governance"⁵.

The aim of this background report is to provide a general outline of the strategy before focussing on cross-border trade in services and the issuing of a so-called "services passport", aiming at providing a "single entry point" authorisation for service providers across Member States in order to simplify the process and prevent double administration. Following this, the report will detail the positions of the European Parliament (EP) and the EEA EFTA States on some of the main elements of the strategy. A table of all initiatives of the strategy can be found annexed to this report.

¹ [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU\(2015\)536364_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU(2015)536364_EN.pdf)

² <https://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-550-EN-F1-1.PDF>

³ In this text the term Single Market is used instead of Internal Market, except for in explicit reference to previous official publications.

⁴ <http://www.efta.int/eea>

⁵ http://www.efta.int/sites/default/files/documents/advisory-bodies/parliamentary-committee/jpc-reports/1128990-v16-140326_Report_Single_Market_Governance.pdf and http://www.efta.int/sites/default/files/documents/advisory-bodies/parliamentary-committee/jpc-resolutions/1128992-v12-140326_Resolution_Single_Market_Governance.pdf

The Single Market Strategy at a Glance

A deeper and fairer Single Market is one of the ten priorities of the Juncker Commission⁶. Although the Single Market has been one of the major achievements in European cooperation, there remains untapped potential. The strategy is an overarching initiative, seeking to tie together the different components of the Single Market. It is important to note that while the strategy covers several legislative packages such as the Energy Union and the Digital Single Market, it does not itself present any new legislation or regulation. Rather, it introduces several horizontal and cross-cutting initiatives aimed at deepening and strengthening the Single Market through the removal of barriers to trade. Examples include improving and simplifying existing legislation and regulation, creating new digital resources to aid businesses and authorities in dealing with regulation, and spreading knowledge among market actors of the principle of mutual recognition and proportionality. The various initiatives in the strategy are to progress according to a timeline (see annex), with most set to be completed by the end of 2016.

The Commission's 2015 strategy focuses especially on adapting the Single Market to new economic and technological developments, and on innovation and start-ups. It takes a comprehensive approach to reforming the Single Market and encompasses a large variety of cluster issues, such as the Energy Union, the Digital Single Market, Banking Union and financial services. While the strategy touches upon these areas, it is important to distinguish that it does so primarily with the aim of producing a coherent vision that ties together the Single Market as a whole, using the three pillars⁷ of the strategy as guiding principles for reforming the different components of the Single Market.

An important emphasis of the Commission has not been to simply introduce more regulation, but rather to remove or replace it, with innovative solutions handling the same issues. This focus has most recently been formulated in the EU's agenda on "Better regulation for better results"⁸, which established the Regulatory Fitness and Performance Programme (REFIT), designed to evaluate and identify opportunities for reducing regulatory burdens and simplify existing laws, ensuring that objectives can be reached in a more efficient way. This agenda will underpin all initiatives of the strategy.

The EP's Research Service has reviewed the Single Market and published the report "Mapping the Cost of Non-Europe", which serves as an important backing document for Single Market reforms. The report delivers quantified estimates of potential gains from carrying out an initiative compared to a business-as-usual scenario. In total, the report identifies an untapped potential of EUR 1.6 trillion – equivalent to 12% of EU28 GDP (2014) – in the Single Market. The biggest gains were associated with better integration of services, which could generate up to EUR 615 billion. Another big gain was estimated for the Digital Single Market, where full implementation could lead to gains of EUR 415 billion. Completion of the Energy Union and integration of energy markets was estimated at EUR 250 billion, and completion of the financial services sector reform EUR 82 billion⁹.

However, the report stresses that not all gains from the Single Market are easily quantifiable, and several positive externalities might exist which are not included in the estimates, such as the value of avoiding a large systemic collapse in the banking or finance sector, or added cultural and environmental benefits of extending the Single Market to energy or digital

⁶ https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines_en.pdf

⁷ (i) creating opportunities for businesses and consumers, (ii) encouraging modernisation and innovation, and (iii) ensuring practical delivery.

⁸ http://ec.europa.eu/smart-regulation/documents/com_2015_215_en.pdf

⁹ [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU\(2015\)536364_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU(2015)536364_EN.pdf)

technologies. Although the report notes that it provides low-range estimates as a matter of principle, a potential upside could still exist due to unforeseen medium or long-term dynamic or implicit effects that were not otherwise included.

Pillar one – Opportunities for businesses and consumers

The first pillar of the Single Market Strategy focuses on how best to create conditions that can help facilitate (i) a business-friendly environment, especially for start-ups and small and medium-sized enterprises (SMEs), (ii) improving the Single Market for Services, and (iii) removing restrictions in the retail sector.

The strategy aims at creating a more business-friendly environment by simplifying regulations and removing non-tariff/technical barriers to trade. By doing so the Commission hopes to improve conditions particularly for SMEs and start-ups, which often lack the resources to overcome the regulatory barriers that they face when expanding their operations to other Member States, putting them at a disadvantage both to larger enterprises and to foreign competition. These efforts towards start-ups and innovation also tie in with efforts towards promoting the collaborative economy, which are also included in the strategy. The Commission will seek to remove obstacles that can hamper the growth of SMEs, such as reducing the complexity of the VAT regulations and company law across the EU. Furthermore, the Commission has also proposed a review of bankruptcy laws, which might otherwise deter people from entrepreneurial activity. To remove such disincentives, the Commission will support entrepreneurs through a legislative proposal on business insolvency, which would ensure a “second chance” for entrepreneurs seeking to try new and innovative ideas.

Regarding the Single Market for Services, the Commission seeks to address restrictions preventing the free flow of services. In particular, it will focus on the regulation of professional services, with a review of the Professional Qualifications Directive. The purpose is to facilitate the mutual recognition of professional qualifications and process of evaluation between Member States and the Commission to evaluate the regulation of professions at national level. The Commission has also announced its intention to introduce a services passport, which is discussed in detail below.

As a way to improve the market for consumers, the Commission will investigate how to bring the retail sector in line with the Single Market. Although under the competency of the Member States, or often even at the level of local authorities, the retail sector will still have to comply with the fundamental treaty freedom of establishment. The Commission therefore intends to issue guidance for Member State reform so that operational restrictions can be reduced, and local regulation can be aligned with the wider priority objectives of the EU, such as environmental protection, town and planning regulation and consumer protection.

Lastly, the Commission seeks to prevent the discrimination of consumers and entrepreneurs, as well as practices that can cause unjustified market fragmentation. This initiative is particularly aligned with the Digital Single Market Strategy as a part of a comprehensive approach along with, for instance, the geo-blocking initiative, designed to prevent discrimination of online content, retail and communication based on national or residence-based pricing, access or sales conditions.

Pillar two – Encouraging modernisation and innovation

The second pillar of the Single Market Strategy is a comprehensive modernisation of standards. Complicated and fragmented standards across the various EU Member States are a significant part of the barriers to businesses wanting to expand into other markets. To remedy this, the Commission seeks to remove unnecessary burdens on exporters by further aligning standards

across Member States. In addition to boosting intra-EU trade, the Commission hopes that a more unified system of standards will strengthen the EU's role in setting standards on the international arena, and constitute a competitive advantage for EU business.

To this effect the Commission has proposed a "Joint Initiative on Standardisation" together with the European standardisation community. The Commission aims at promoting European leadership in international standardisation, especially for digital innovation, by offering increased security and interoperability through an integrated standardisation priority plan with focus on information and communication technologies and a review of the European interoperability framework¹⁰.

It has also been a longstanding aim of the Commission to ensure that the market for public procurement is a level playing field. Levelling the market for public procurement has also been a longstanding aim. Today public procurement accounts for around 19% of EU GDP¹¹, but the market is defined by low levels of cross-border trade, leading to less competition and higher prices. To encourage more cross-border trade in these markets, the Commission will seek to build on the 2014 overhaul of the public procurement framework, aiming to go further by supporting Member States' efforts to provide better governance in public procurement, developing tools for the improved handling of public procurement and increasing the overall transparency and quality of public procurement by establishing contract registers for better overview and analysis of public procurement processes in the Member States.

As part of the modernisation and innovation approach, the Commission has also proposed a consolidation of Europe's intellectual property (IP) framework, building on the recently adopted Unitary Patent System¹². According to the Commission, strengthening the patent regime could increase incentives for growth in IP-intensive sectors, which currently account for up to 39% of EU GDP¹³. Special measures will also be proposed for supporting the intellectual property rights (IPR) of SMEs, something which could further incentivise innovation by lowering the threshold for start-ups seeking to develop new ideas.

Pillar three – Ensuring practical delivery

In the final pillar, the Commission has proposed a series of initiatives aimed at improving enforcement and compliance, which are essential for safeguarding and improving the functioning of the Single Market.

To ensure more efficient enforcement, the Commission has set the goals of shortening the treatment time of infringement procedures and reducing the number of overall pending infringements related to the Single Market, which in 2015 stood at 1 090 cases. To achieve these goals the Commission intends to pursue a more holistic approach, covering policy making from design and implementation to information, making businesses and consumers more aware of their rights within the Single Market.

¹⁰ An interoperability framework can be defined as the overarching set of policies, standards and guidelines that describe the way in which organisations have agreed, or should agree, to do business with each other. An interoperability framework is not, therefore, a static document and may have to be adapted over time as technologies, standards and administrative requirements change.

<http://ec.europa.eu/idabc/en/document/2319/5644.html#what>

¹¹ <http://ec.europa.eu/DocsRoom/documents/14007/attachments/1/translations/en/renditions/native>

¹² The Unitary Patent is a legal title that will provide uniform protection across the EU on a one-stop-shop basis, providing huge cost advantages and reducing administrative burdens. The package will also set up a Unified Patent Court that will offer a single, specialised patent jurisdiction.

¹³ IBID.

To reduce the number of pending infringement cases and lower the administrative barrier to efficient enforcement, the Commission seeks to implement a set of preventative measures, such as closer cooperation with Member States on implementation plans for major legislation and compliance dialogues on a yearly basis. Through improved notification procedures, Member States will be better able to ensure that regulation is not discriminatory, and that it is justified and proportional to the public interest objectives according to the 2006 Services Directive, which obliges Member States to notify the Commission of new regulatory measures affecting services. The Commission will also try to improve communication with businesses, using an approach called the Smart Enforcement Strategy, which will collect information directly from market players.

On the practical delivery agenda is also the strengthening of the Mutual Recognition Regulation, adopted in 2008. This initiative holds a lot of potential for improving enforcement, as well as boosting intra-EU trade, as it ensures that goods that are lawfully marketed in one Member State enjoy the right to free movement and sale in another Member State. Through an EU-wide action plan to raise awareness of mutual recognition, the Commission hopes to prevent economic operators having to produce additional documentation when exporting to another Member State, allowing goods to flow more freely.

The Single Market for Services and the “Services Passport”

Improving the Single Market for Services is another central component of the Commission’s strategy, as services make up an increasingly large part of the European economy. Business services alone amount to 11% of EU GDP¹⁴, while professional services generate 9% of EU GDP and regulated professions account for around 20% of the EU labour force. Professional services are strongly connected with other sectors, which could create positive spillovers on industrial competitiveness and the economy as a whole¹⁵.

Cross-border trade in services has seen less growth than expected, resulting in lower levels of competition and productivity, and higher prices, as it has not fully exploited Single Market opportunities¹⁶. According to the Commission, business service providers wishing to offer their services in another EU Member State are often confronted by restrictive requirements such as legal form or shareholding requirements, or go through complicated procedures to prove their compliance with authorisation schemes and the liability insurance required. Also, more than 5 000 professions across Europe require specific qualifications or a specific title, complicating cross-border activity in the service professions.

With the 2006 Services Directive, the Commission sought to open the market for trade in services by simplifying the regulatory burden for cross-border service providers. To achieve this, the Commission proposed a “single point of entry” for services providers, which could have implied that cross-border service providers would mainly be subject to the laws of their home country. This proposal was met with strong opposition from several actors due to the fear that that the directive could invite unprecedented regime-shopping and wholesale social dumping in

¹⁴ [http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU\(2014\)536354_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU(2014)536354_REV1_EN.pdf) and http://ec.europa.eu/growth/single-market/services/business-services/index_en.htm

¹⁵ <http://ec.europa.eu/DocsRoom/documents/14007/attachments/1/translations/en/renditions/native>

¹⁶ [http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU\(2014\)536354_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU(2014)536354_REV1_EN.pdf)

services. As a response, the Commission presented an amended version revoking the most controversial proposals, which was subsequently adopted by the EP¹⁷.

To enhance cross-border trade in services the Commission has proposed a “services passport”. This initiative seeks to harmonise forms that need to be completed by service providers across Member States, which would reduce the administrative burden on service providers as they would only have to register and fulfil requirements in their respective host countries. The services passport would be in line with the notion of the “once only” principle, eliminating the need for multiple requests for information and documentation already provided through the creation of a “common electronic repository” of documents by the home country’s administration.

Similar to the 2006 Services Directive, the Commission’s proposal has been met with some scepticism. The European Trade Union Confederation (ETUC) has opposed the introduction of a services passport, fearing that it could lead to rogue competition and new instances of unfair competition in the services market. Further, it warns that the new structure might minimise or provide incentives for companies to evade their obligations under national law¹⁸. However, the proposal has received a positive response from the business community, such as BUSINESSEUROPE, which largely supports the Commission, arguing that services remain an untapped potential for growth, and that the remaining obstacles to the free flow of services should be removed¹⁹.

The Commission has explicitly stressed that the intention of the Single Market Strategy is not to review or amend the existing Services Directive, but rather to improve its implementation. It is important to note that although the services passport and the “once only” principle are similar to the controversial proposal of a “single entry point”, there is a marked difference, as the Commission points out that a services passport would not in any way lower national regulation. Rather, it seeks to simplify authorisation procedures for service providers, finding “common denominators” for regulatory requirements that are equal in all Member States, whilst leaving additional national requirements in place. According to the Commission, this would also provide additional certainty for consumers, making it easier for them to see whether service providers are operating in line with national regulations, something that could increase EU GDP by up to 1.8%²⁰.

The views of the EEA EFTA States

The EEA EFTA States are following developments in this field closely, among others through the Internal Market Advisory Committee, bilateral contact with the EU institutions and discussions in the EEA Council in November 2015. The EEA EFTA States participate in shaping EU legislation by submitting EEA EFTA Comments on important policy issues. In their comment of July 2015 on the forthcoming Internal Market Strategy for Goods and Services²¹, they emphasise their commitment to a well-functioning Single Market as a key driver in boosting economic growth

¹⁷ Dølvik, Jon, Ødegård, Anne-Mette, 2012, *The struggle over the services directive: the role of the European Parliament and the ETUC*:

<http://www.tandfonline.com/doi/abs/10.1080/0023656X.2012.650433>

¹⁸ <https://www.etuc.org/documents/etuc-position-single-market-strategy-europe#.Vs2MANLbJHg>

¹⁹ https://www.buinesseuropa.eu/sites/buseur/files/media/position_papers/internal_market/2015-09-28_contribution_to_internal_market_strategy_for_europe.pdf

²⁰ [http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU\(2014\)536354_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536354/EPRS_STU(2014)536354_REV1_EN.pdf)

²¹ <http://www.efta.int/sites/default/files/documents/eea/eea-efta-comments/2015/eea-efta-comment-internal-market-strategy-goods-and-services.pdf>

and jobs in Europe. They also underline the need to avoid unnecessary administrative and regulatory burden when regulating the market, and therefore welcome the increased emphasis on Better Regulation and REFIT.

Support for the Better Regulation agenda is also expressed in a September 2015 comment²², which underlines that SMEs are vital to economic growth, and that a special focus should be placed on creating a favourable environment for these enterprises, in line with the Commission's priorities. The EEA EFTA States put forward some suggestions with regard to the upcoming strategy, expressing that on the services market, further harmonisation at EU level is not the preferred option, but rather emphasis should be put on better application of existing tools and principles.

The EEA EFTA States therefore welcome the strategy and its holistic approach to finding alternative solutions to improve the Single Market without issuing new regulations. For services this means improving notification procedures, reinforcing the proportionality principle and the principle of mutual recognition, and improving the flow of information between Member States; for goods, solutions include bettering and improving the transposition and application of rules at national level; and for public procurement, improvements can be made by further simplifying public procurement rules and creating digital resources designed to simplify the practice of authorities and economic operators.

The EEA EFTA States are following developments in the Single Market Strategy closely, and will continue to provide input to the EU on some of the initiatives that come in the aftermath of the strategy.

Through its EEA work, Iceland closely follows developments in areas addressed by the Single Market Strategy for Goods and Services and welcomes the approach taken by the Commission. Iceland also welcomes the simplification of the EU's legislative framework and the Better Regulation agenda as an important step in this direction. In 2013 the Icelandic Government adopted an action plan for simpler regulations for the businesses which, amongst other things, has contributed to simpler regulations sector by sector, increased quality control for legislative proposals and aims at setting up a Regulatory Council to carry out impact assessments to be based on some of the same principles as in the EU.

Norway follows the Single Market Strategy both nationally and through the normal EEA and EFTA processes. The Ministry of Trade, Industry and Fisheries is responsible for the Single Market policies and has the primary responsibility to implement the Strategy. Due to the scope of the Strategy, this work is done in close contact and coordination between the different ministries and agencies. The Ministry is also getting input from relevant and interested actors, such as labour organisations.

The Commission is still getting input through various consultations and public hearings. In this work, the Ministry plays an important role in circulating information and to ensure that relevant parties have the opportunity to provide input. When appropriate, public authorities also provide input.

Liechtenstein very much welcomes the focus in the Single Market Strategy on SMEs, particularly taking the interests of small- and medium-sized businesses into account when designing and evaluating policies, and envisaging a lighter regime for them including an outright exemption for

²² <http://www.efta.int/sites/default/files/documents/eea/eea-efta-comments/2015/2015-09-28-eea-efta-comment-on-better-regulation.PDF>

micro-businesses wherever this is possible and makes sense. We would very much like to see the “one size fits all” approach with legislation being reconsidered when it comes to smaller countries and infrastructures. Against the background of the huge amount of legal acts to be incorporated into the EEA Agreement and the challenges associated with that, especially for a small State like Liechtenstein, the „improved explanatory notes“ are very welcomed and seen helpful in order to better understand and interpret legal acts. As regards the “services passport”, we are pleased to inform you that the information on the launch of the public consultation on the proposal to introduce a “services passport” has been widely spread amongst Liechtenstein stakeholders.

The views of the European Parliament

Following the release of the Commission's communication entitled "Upgrading the Single Market: more opportunities for people and business", the Internal Market Committee of the European Parliament has been working on a draft report on the Single Market Strategy. This report will be adopted in plenary on 26 May 2016.

In terms of policy objectives, the European Parliament supports the overall objectives of the Commission's Single Market Strategy for goods and services, and welcomes its vision for how to unleash the full potential of the single market. Moreover, the European Parliament welcomes the fact that the strategy is complementary to efforts made in other areas, and believes that, by building on the initiatives already being taken, the strategy has good potential to help ensure economic prosperity and make Europe attractive for investments. At the same time, the European Parliament underlines the urgent need to eliminate the remaining barriers from the single market in order to achieve tangible and quick results in terms of growth, innovation, job creation, consumer choice and new business models.

Finally, the European Parliament calls on the Commission to submit the planned legislative proposals and initiatives to the legislators rapidly, following the appropriate stakeholder consultations and impact assessment, so as to ensure that they can be adopted in a timely manner. The European Parliament will follow those proposals and initiatives closely, playing its full legislative and scrutiny role in the implementation of the Single Market Strategy.

As the EEA EFTA States are part of the Single Market through the EEA Agreement, these initiatives, as well as others included in the strategy, will likely have consequences for them. The strategy is therefore on the agenda for discussion at the meeting of the EEA JPC in Vaduz, Liechtenstein, in May 2016.

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Annex I to ref. 16-799

Roadmap to delivering on the Single Market Strategy actions	Timetable
Guidance on how EU law applies to collaborative economy business models	2016
VAT Action Plan	2016
Legislative initiative on business insolvency, including early restructuring and second chance	2016
Initiatives to facilitate the use of digital technologies throughout a company's lifecycle and cross-border mergers and divisions	2017
Start-up initiative	2016
Guidance on reform needs for Member States in regulation of professions	2016
Analytical framework for Member States to use when reviewing the existing or proposing additional regulation of professions	2016
Legislative action to address targeted regulatory barriers in key business services and construction services	2016
Legislative initiative to introduce a "services passport" for key sectors of the economy such as construction and business services	2016
Communication setting out best practices to facilitate retail establishment and reduce operational restrictions	2017
Legislative action to prevent discrimination against consumers based on nationality or country of residence	Mid-2016
Joint initiative on standardisation	2016
Dedicated guidance on service standardisation	2016
Public procurement: voluntary ex ante assessment mechanism for large infrastructure projects	2017
Initiatives for better governance of public procurement through the establishment of contract registers, improved data collection and a networking of review bodies	2017-2018
Initiatives to modernise the IPR framework, including a review of the EU IP enforcement framework	2016-2017
Data analytics tool for monitoring Single Market legislation	2017
Proposal for market information tools allowing the Commission to collect information from selected market players	2016
Legislative proposal modelled on the successful features of the current notification procedure under Directive (EU) 2015/1535 for services currently not covered by that directive	2016
Action plan to increase awareness of the mutual recognition principle	2016
Revision of Mutual Recognition Regulation	2017
Comprehensive set of actions to further enhance efforts to keep non-compliant products from the EU market (including a possible legislative initiative) ²³	2016-2017

²³Timeline extracted from original communication:

<https://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-550-EN-F1-1.PDF>