

## A RENEWED COMMITMENT TO THE SINGLE EUROPEAN MARKET

### 1. Towards an efficient and flexible regulatory framework

This year 2012 marks the twentieth anniversary of the European single market, which has experienced in recent years a significant growth, reflecting the successive enlargements of the European Union. It has grown from 345 million consumers in 1992 to nearly 500 million in 2012.

Similarly, the trade in goods has experienced a notable increase from 800,000 million euros in 1992 to 2.8 billion in 2011. In the same period, the European single market helped create 2.77 million new jobs, which resulted in an increase of 1.3% of total employment in the EU.

For Spanish companies, the European single market is, together with the single currency, the cornerstone of the European integration process and one of its most tangible achievements. The European single market represents a unique opportunity to increase the international projection, to adapt to a changing world, to compete in better conditions and, ultimately, to create new future prospects.

It is important to bear in mind that the European single market is in a constant state of renewal and openness, and that guarantees of success go through to have a coherent, efficient and flexible body of law, aiming at ensuring full operability while promoting market integration, which also involves taking due account of the specificities of the outermost regions. All of this set within a context of free competition.

The effectiveness of the regulatory environment of the European single market in terms of its real and potential benefits depends largely on the existence of a strong institutional framework capable of ensuring rigour in implementation, compliance and enforcement, including the respect and the guarantee of rights. The objective is to avoid fragmentation and legal uncertainty, which requires a continuous and permanent effort of all public administrations at all levels.

CEOE supports a renewal of the commitment in favour of a cohesive and efficient European single market which enables a transition from the approach adopted so far, which concentrates too much on legislation, to one based on strengthening the mechanisms for a monitoring and an enforcing of the regulatory framework applicable in all Member States, legislating only where it really is necessary, always under a previous impact assessment and with the aim to reduce, as far as possible, the administrative burden associated with European legislation.

Spanish companies have shown and continue to show a **strong and unequivocal commitment** to the deepening of the European single market, from a holistic approach that enables the reinforcement of foundations for an economic recovery.

Companies are making a huge effort that must definitely be supported by **strong and decisive actions** taken by **governments** at all levels, in a serious exercise of responsibility in favour of a greater integration of the European Union and the euro area, that would lead to the necessary financial stability in the short and medium term.

## **2. Single Market Act II: a strategy focused on the integration of the European single market**

Overall, CEOE considers that the development of the European single market policy must be based on enacting **less and simpler legislation**, both at European, national and regional level; undertaking **impact assessments** of legislative proposals at European and national level, and ensuring a **uniform interpretation** of the rules as well as a correct transposition, implementation and enforcement thereof in the Member States, making use of the relevant monitoring tools.

In particular, CEOE deems it necessary to concentrate on **strategic areas that have the greatest potential** for growth and job creation, from an integrated and balanced perspective in favour of business competitiveness.

### **2.1. Banking Union and Fiscal Union**

It is essential to have a banking union that allows merge and integration of the European financial market, including retail tranche, and that involves and results in improvements in the monitoring of the system, and that also contributes to the stabilization of the financial situation of the companies.

In order to achieve this, it would be convenient that the Single Supervisory Mechanism is effective at the end of 2012, to establish a fund crisis resolution and a guarantee deposit at European level afterwards.

The stabilization of financial markets should be seen as a growth factor and, therefore, it should be a priority. This means that, along with the banking union, we have to work towards a greater fiscal convergence, without simultaneously increasing the tax burden on businesses and families.

### **2.2. SME access to finance**

The establishment of a strong banking union would also allow dynamic interbank market, which would mean an opening of the financing channels for enterprises.

Facilitating access to credit is urgent and, in particular, to working capital, for which it is important to have a stable regulatory environment and adequate solvency rules. Also, it is important to remember that the progress in R & D depends to a large extent on access to finance, especially for SME.

### 2.3. **Services**

The full implementation of the Services Directive in all Member States would imply an additional gain of 1.8% of GDP of the European Union, that is, about 330,000 million euros. It is urgent to remove all significant barriers that continue to hamper and even prevent freedom of establishment and freedom to provide services, as a result of poor interpretation and transposition of this Directive.

Specifically, the European Commission has to make an extra effort to abolish restrictions on the freedom of establishment and freedom to provide services, as they are discriminatory, unjustified and disproportionate. In many occasions the limitation of competition is the consequence of these restrictions. Likewise, announced measures at sectoral level should be encouraged, among them the establishment of the Expert Group on Urban Planning and Commercial.

Regarding the Member States, they must streamline and simplify administrative procedures in order to improve the operation of single points of contact, which will facilitate and promote business start-ups.

### 2.4. **Geographical mobility and social cohesion**

Amongst other issues, freedom to provide services and freedom of establishment will not be a reality until an increase in labour mobility actually takes place.

The obstacles that still exist in this area and that are related, amongst other issues, with the recognition of professional qualifications, the rigidity of labour markets and the mismatch between education and training systems and the needs of business world, must be eliminated.

From a global perspective, the European single market policy must support structural reforms in the Member States, so that labour markets, goods, services and capital markets can be more flexible and thus, they will be able to encourage geographic mobility of companies and workers. Structural reforms are a key aspect for market flexibility, in order to increase its capacity of adjustment and therefore, of asymmetric shock absorption, which, in turn, will reduce competitive imbalances in the European Union.

### 2.5. **Public Procurement**

The main objective of public procurement rules should be to enhance the efficiency of public expenditure and ensure maximum performance. Efforts need to be focussed on a better enforcement nationwide and an increased technical assistance to public sector authorities, which are responsible for implementing and enforcing those rules.

The overall objective of the proposed directive on the award of concession contracts, which was to create a common legal framework, is in principle

positive. However, the European Commission's proposal does not respond to the "light approach" announced at the time. It is necessary to clarify and refine basic issues as the definition of concession, its modification and termination. Otherwise, under the current proposal provisions, it may become major obstacles to finance these contracts and therefore to the viability of concessions.

## **2.6. Digital Economy**

The strategic objective should be to create a digital environment that facilitates and encourages business activity, while improving accessibility to expand coverage of high speed broadband.

Business' and consumer's confidence must be strengthened in electronic commerce by unifying the fragmented legislative framework in relation to the systems of payment, electronic identification and electronic signature systems, data protection, consumer protection and information about products. For doing so, the European Commission should put in place a legislative policy which makes a strategic use of Regulations to achieve higher levels of competitiveness in the shortest time possible.

## **2.7. Research, Development and Innovation (R + D + i) and Intellectual Property-**

Creating an enabling environment for R & D is essential not only to open and build new business, but also to strengthen the so-called traditional sectors, such as tourism and food industry.

It requires a European regulatory framework that actually ensures an effective protection of the results of R + D + I and, in this sense, the future unitary patent must be balanced and non-discriminatory and it should also guarantee a level playing field for all companies.

## **2.8. Transport and energy**

Concerning transport, a high-level political commitment must be achieved in order to ensure adequate funding for infrastructure development of the Trans-European Network and access to all forms of transport deriving from market solutions. Simultaneously, barriers arising from differences between national regulatory frameworks should also be removed.

In the field of energy, the ultimate goal should be to develop an integrated, predictable and affordable energy policy, so as to promote cross-border trade and investment, which implies a coherent development of the energy infrastructure, including interconnections. Similarly, strengthening coordination between energy and climate policies at European level is essential.

## 2.9. Trade Policy

EU trade policy towards third countries is of paramount importance, especially at a time of domestic economic weakness. Moreover, given the stalemate of the current round of negotiations within the World Trade Organization (WTO), a transformation of the current system of trade negotiations should be led by the EU.

The main objective should be to foster relationships with strategic partners of the EU, while ensuring compliance with the same standards of competence to operators in the EU market by making all necessary checks to that effect.

Furthermore, in a scenario of scarcity of natural resources themselves, the European Union has to ensure a supply of raw materials at competitive prices, to strengthen value chains in the industry, taking into account the specificities of each sector.

In this context, and as a **preliminary assessment**, the following **positive aspects of the Single Market Act II**, published by the European Commission on October 3, should be underlined:

- ✓ It has the value of maintaining the European single market integration as a key priority of the European Union institutions.
- ✓ Amongst the 12 key measures identified, the following proposals are included: the development of transport networks, the integration of the energy market, the promotion of access to finance for SMEs and the deepening of the Digital Single Market.

However, the **following points are missing** from the Single Market Act II:

- ✓ It should include a chapter, as it was initially planned, on improving the governance and management of the European single market to achieve a better transposition and enforcement of related legislation.
- ✓ It should make an explicit reference to the principles of 'better regulation', established by the European Commission in its Communication "Smart Regulation", in October 2010: legislative simplification, reduction of administrative burdens and impact assessment.
- ✓ It should take into consideration the relationship of the European single market policy with other key European policies, such as industrial, with the aim of develop a cohesive and coherent set of actions to be undertaken.
- ✓ It should identify a more coherent set of actions, which would avoid any overlap with the measures included in the Single Market Act I.

**Brussels, 4 October 2012**

