

Save the Single Market

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The EU has to come to terms with one unpalatable truth: The Great Recession has wiped out all the economic gains of the past two decades. Europe must, at the same time, embrace wholeheartedly the best way out of this crisis: reviving the single market.

One only has to look at the bald facts to grasp the scale of the tasks ahead. In 2007, before the financial crisis, the European Commission calculated that the single market had raised prosperity by 2.15% of GDP year on year and created 2.75 million extra jobs between 1992 and 2006.

Recently, the Commission reported that the recession has propelled Europe almost two decades backwards: GDP fell by 4% in 2009, unemployment is approaching 10%, public deficits reached 7% of GDP and debt levels increased by 20% over two years, undoing 20 years of consolidation. Even more worrying, if that's at all possible, forecasts are gloomy for the next five years.

So, reviving the single market and boosting its potential must be the key challenge for the years to come if Europe is not to fall irretrievably behind the new Asian powerhouses, Brazil and the rest of the dynamic emerging economies—not to mention the U.S.

The upcoming 20th anniversary of the single market in 2012, highlighted by European Commission President José Manuel Barroso, should instill a new sense of energy into this fundamental EU project. Michel Barnier, the new internal market commissioner and a key player, has apparently grasped the nettle: "I want to be the commissioner for more single market, not less," he recently declared.

Neelie Kroes, now digital agenda commissioner, has adopted the same approach: "Having invested so much in the EU's single market, now is the time to see it as our friend, our best asset for creating jobs, for giving consumers choice and for giving our [small businesses] a way to grow."

So far so good. But is there

enough urgency to combat what Mr. Barnier himself called a nationalist, populist and protectionist approach.

Mr. Barnier could start immediately by helping to implement the digital agenda and by enforcing existing rules and regulations on the internal market, making the 27 member states enact the agenda to which they have repeatedly signed up. This could revive economic growth and create 15 million jobs, or twice the number lost during the recession.

The internal market is the EU's crown jewel. Brussels should spare no effort to enforce and expand it.

Let's just consider one key item on the commission's agenda: ensuring that Europe goes digital. Europe needs massive investment in smart networks, through which citizens could access a whole new set of commercial and public services at affordable cost. The cost of this upgrade, however, is estimated at €400 billion.

A recent study for the Commission has shown that the benefits to be reaped are huge—broadband networks alone could contribute one million new jobs to the internal market and €850 billion in economic activity through 2015. Another study estimated that Europeans lose €20 billion every year because of the currently fragmented internal market for e-communications.

But are the 27 prepared to put aside economic nationalism and embrace the single market wholeheartedly? It is no mystery that member states have become lackluster about implementing the single market rules, and the Commission often appears unwilling to take its role as enforcer seriously. Even the EU's "better regulation" agenda remains mired in arcane rule-making in Brussels rather than implementation and enforcement at national level. This must change: Only a combination of political

commitment and fresh thinking will solve the current impasse.

A real test-bed for this new thinking will be the fate of the services directive, which aims to create a single market in services to match the EU's cross-border trade in goods. This, studies show, could increase EU GDP by 0.8% a year and create 600,000 jobs. The deadline for putting this key piece of legislation into national law expired last December but many member states have been dragging their feet. The new Commission must show the muscles of a tough enforcer.

Against this background, it is regrettable that the newly presented EU 2020 strategy document does not highlight the single market as a flagship initiative for the future but as merely a missing link and bottleneck. The single market is far more than this: It is an absolute precondition for a more competitive and prosperous union. And time is running out for Europe.

A group chaired by Mario Monti, the ex-competition commissioner, is due to produce a report on how to revive the single market next month and is likely to suggest ambitious targets for 2020. But 2012 comes much earlier: The 20th anniversary of the single market might be the last chance to create a more effective, simple, dynamic, and digital European economy capable of competing with the best of the world.

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