

18 June 2019

Informal Meeting of Ministers responsible for Competitiveness
(Internal Market and Industry)
Helsinki, 5 July 2019

Background document for break-out group 2

Group 2: Single market as a services market: What kind of
single market policy is vital for services?

Aim of discussion

The aim of the discussion is to provide input for further work on the most important elements and policy actions in the development of the Single Market, in particular from the perspective of the services market.

Background information and relevant aspects for the discussion

There is a very important link between services and manufacturing as many industries are highly dependent on services in terms of value creation. This also applies to many traditional industries, regardless of whether they are low-tech, medium-tech or high-tech companies. Services are also an important means to closer customer relations and can become the main value creation vehicle or platform. On the other hand, many services need manufacturing in order to maximise their potential as part of industrial value chains.

The EU's growth potential lies to a great extent in services. In order to boost Europe's capacity to generate growth and jobs, that potential must be realised. The focus should be on strengthening services, especially digital services for both businesses and citizens. This was also highlighted in the European Council conclusions of March 2019.

Businesses' activities across the Single Market are still too often confronted with obstacles – existing ones but also new obstacles that are emerging. Many parts of our Single Market are still characterised by fragmentation, in particular in the area of services. Although the EU services sector represents over 70 % of the EU economy, intra-EU trade in services only represents

one third of intra-EU trade in goods. This 'lack of a truly Single Market' is damaging the competitiveness of our economy. The EU's current path of low growth is largely caused by low productivity growth in services. Boosting the EU's economic growth requires increasing the productivity growth of our services sector. For this, we need a better functioning Single Market which gives businesses the right incentives to invest and innovate.

The proper implementation and enforcement of all rules that aim to drive forward the Single Market is a challenge. Putting into practice the rules that have already been agreed is an obvious precondition to deepening the Single Market in services. The conditions for sustainable growth can only be based on a sound and enabling regulatory environment which is enforced and implemented consistently and in a uniform manner. To this end, the European Council, in its conclusions of March 2019, invited the Commission to develop by March 2020, in close coordination with the Member States, a long-term action plan for better implementation and enforcement of Single Market rules. This requires strong involvement and ownership at all levels of government in each Member State, the European Commission and the European Parliament.

Mainstreaming digital services and removing the remaining unjustified barriers that hamper cross-border digital services are key to increasing the productivity of the European economy. European industries and businesses need better opportunities for exploiting the digital economy on the market, especially across borders. This would encourage companies to continue investing in new digital technologies, innovations and skills which would improve their productivity and opportunities for scaling up their services and thus make Europe a single market area from their perspective as well. In addition to digital services, 'traditional' service sectors also warrant reinforced efforts given their continued prominence across the services market.

Despite a broad consensus on the need for the further integration and opening up of services, the results in practical terms have been modest. It is therefore time to explore completely new approaches to making better use of the opportunities related to the services market. A thorough sector-by-sector analysis could be opportune. This kind of approach would facilitate the creation of tailor-made and more user-centric policy measures. Furthermore, we need to identify which opportunities entrepreneurs already have and which barriers they face, including in sectors where these barriers are the most impenetrable. On that basis, Member States could also commit to improving their performance in reducing service restrictions.

Questions for discussion:

- What is the most important policy action at EU-level to harness the untapped potential of services?
- How could we join our efforts in creating a functioning European services market? What should be done next at EU-level and what kind of actions are needed from the Member States?