

Vice-President Jyrki Katainen
Jobs, Growth, Investment and Competitiveness
European Commission
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1049 Brussels
Belgium

Commissioner Elżbieta Bieńkowska
Internal Market, Industry, Entrepreneurship and SMEs
European Commission
Rue de la Loi/Wetstraat 200
1049 Brussels
Belgium

25 September 2015

Dear Vice-President, Dear Commissioner,

The single market is the EU's greatest economic achievement. It added over 2% to EU GDP, provided a platform for business growth, created new opportunities for citizens and provided consumers with greater choice. The single market encourages innovation, competition and resource efficiency and it remains one of the most powerful tools that we have to increase productivity and competitiveness and secure the EU's continuing prosperity. But times have changed. Markets are increasingly integrated, manufacturers are reliant on world-class services providers and digital technology is reshaping every aspect of the economy. We can no longer continue with business as usual. If we do, we risk consigning the EU to years of economic underachievement. If we are to avoid this and provide European business and industry with the platform it needs to compete globally, we need a step-change in our approach. We need reforms that will modernise and deepen the single market, support the growth and competitiveness right across the EU, and promote the interests of consumers. We need to tackle head-on the root causes of uncompetitive markets so as to create the best possible conditions for the success of our manufacturers and service providers. We need to take on vested interests wherever necessary and we need to future proof our regulatory framework. This requires real political leadership from the Commission, Member States and the European Parliament.

President Juncker has already made clear his commitment to completing the single market in goods and services and making it a launch pad for European business to thrive in a global economy. What is now needed is a single market package that will deliver on this. We believe that this could be achieved if the following actions are prioritised:

1. **Services** – Uncompetitive services markets are one of the most significant drivers of the EU's productivity gap with the United States and are acting as a drag on the success of European manufacturers, particularly those competing at the global level. This must be addressed by:
 - a) Comprehensively reviewing the application of the Services Directive (as required by Article 41) and related jurisprudence of the Court of Justice of the EU, and responding to the findings of this review with an ambitious action plan to unlock the full economic potential of the Directive;
 - b) Taking a targeted approach to reform based on economic evidence and focusing on sectors where there is a high potential for economic gain;

- c) Advancing mutual recognition in those sectors including through, for example, the development of a services passport;
- d) Removing unjustified rules on company ownership for professionals which do not comply with the provisions of the Services Directive, including those related to legal form or shareholding requirements;
- e) Improving access to professional indemnity insurance through, for example, greater mutual recognition of the equivalent provisions among Member States;
- f) Rolling out common training frameworks and the European Professional Card in construction and across professional business services, prioritising as necessary and ensuring that the conditions of Directive 2005/36/EC are fulfilled. This will assist in the recognition of professional qualifications and reduce the administrative burdens faced by businesses and professionals;
- g) Reducing or removing unjustified regulation of professions where possible; and
- h) Revising the process for notifying national measures under the Services Directive, ensuring that the process applies to draft laws and is effective and transparent, with Member State notifications being made publicly available (online for example) so that business have the opportunity to react to them.

2. **Industry** – Industrial competitiveness is crucial for the EU economy. If industry is to thrive, we must improve the market framework within which it operates. That means deepening the single market and ensuring that reforms reflect the increasing convergence between manufacturing, services and digital technology. This should be addressed by:

- a) Ensuring that the impact on industrial competitiveness of new EU policies is properly considered;
- b) Identifying barriers within the single market that undermine the competitiveness of industry and taking targeted action to address these as quickly as possible;
- c) Noting the fact that, with increased convergence between goods and services, action must be taken to ensure that the goods framework is effective;
- d) Assessing whether the Single Market is working to facilitate the integration of EU businesses into industrial value chains;
- e) Improving the regulatory framework for industry, including by ensuring the implementation of the recent package of better regulation measures announcement by First Vice-President Timmermans.

3. **Enforcement** – Many of the rules needed to make the single market operate effectively have already been agreed. However, they are not properly applied or implemented. This must be addressed by:

- a) Continuing to take a firm approach to enforcement, including of the Services Directive, as you have already advocated. If the Commission does not enforce, Member States will never feel the pressure needed to drive modernisation;
- b) Taking targeted action, based on clear and transparent criteria, including economic significance, and drawing on ring-fenced resources in the Commission, to address these;
- c) Ensuring rapid progress on the implementation of country-specific recommendations, particularly in relation to services, for example through better monitoring and peer review. The Commission's own analysis shows that only 2% of country-specific recommendations have been fully implemented. As a result, essential reforms that would improve the EU's services markets are not being delivered. Member States must take responsibility for this, but the Commission should also apply more pressure to ensure delivery;
- d) Introducing guidance on proportionality so that Member States can assess what national measures are disproportionate barriers to trade;
- e) Improving the uniform application and interpretation of EU legislation by competent authorities, for instance by streamlining enforcement procedures, introducing common standards or European codes of practices;
- f) Improving the uniform application of the Internal Market Information System (IMI) as the electronic tool provided by the Commission to facilitate administrative cooperation between competent authorities of the Member States and the Commission; and
- g) Improving the SOLVIT network, accelerating the resolution of unresolved cases and assessing whether linking it to the broader framework of EU complaint procedures

including the EU-pilot and the Commission's formal complaints procedure, would provide better support for those operating within the single market.

4. **Digitalisation** – Digital technology is transforming the economic landscape for consumers and businesses. Disruptive and innovative new business models, for example in the sharing economy, are revitalising parts of the economy, creating new jobs and providing new products. However, the potential of these developments is put at risk by regulatory systems that are outdated, bureaucratic and unresponsive to the needs of the businesses and citizens that want to take advantage of the digital economy. The Digital Single Market Strategy is an important step in the right direction, and the Single Market Strategy should take these objectives further by:
 - a) Bringing an end to unjustified price-differentiation or unjustifiably limiting access to goods or services based on geographic location (geo-blocking);
 - b) Stopping Member States from banning or imposing inappropriate rules on new business models, such as online platforms, where this fragments the market or imposes unnecessary or disproportionate requirements;
 - c) Making life easier for online businesses by removing national restrictions on sales promotions and domain names;
 - d) Ensuring that businesses only have to go through one digital process to set up and operate anywhere in the EU;
 - e) Supporting the digitalisation of industry through an agenda for smart industry, including by facilitating EU and global standards-setting and interoperability;
 - f) Building on the interconnection of business registers and bringing about an EU wide 'once-only' principle.

5. **The Business Environment** – Every business needs the opportunity to succeed, from large corporations that compete on a global scale to individuals who – thanks to new technology – can now become entrepreneurs on their own terms. The single market needs to work for all these businesses. This can be addressed by:
 - a) Setting up a network of Digital Single Gateways (fully functioning e-government portals) to help businesses to start-up, scale-up and trade across borders by providing all the information needed to operate in a Member State;
 - b) Increasing access to finance by improving venture capital frameworks for SMEs following the publication of the Green Paper *Building a Capital Markets Union*;
 - c) Ensuring that public procurement takes place online, is more accessible to small businesses and businesses from other Member States and complies with European standards in public procurement;
 - d) Ensuring that there is clear legal status for intermediaries such as fulfilment centres, which have become central players in e-commerce, to ensure that market surveillance authorities have European economic operators to hold responsible for unsafe and dangerous products distributed through such intermediaries;
 - e) Fully applying the "Think Small First" principle and recommitting to the provisions in the Small Business Act for Europe.

Your single market package must move the agenda forward and towards a European solution that will boost growth, competitiveness, productivity and job creation. Only a truly ambitious set of proposals will do this and we are confident that you will bring forward such a package. When you do, you will have our support.

We are copying this letter to Vicky Ford, Chair of the Internal Market and Consumer Protection Committee in the European Parliament.

Yours,

Mr. Ivan Vrdoljak
Minister of the Economy
Republic of Croatia

Mr. Giorgos Lakkotrypis
Minister of Energy, Commerce, Industry and
Tourism
Republic of Cyprus

Jan Mládek
Minister of Industry and Trade
Czech Republic

Mr. Troels Lund Poulsen,
Minister for Business and Growth
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Kristen Michal
Minister of Economic Affairs and Infrastructure
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Jari Lindström
Minister of Justice and Employment
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Richard Bruton
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Zdravko Počivalšek,
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Baroness Neville-Rolfe
Parliamentary Under-Secretary of State for the
Department for Business, Innovation and Skills and
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