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The Cost of Non-Europe in the Single Market (*'Cecchini Revisited'*)

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Cost of non-Europe

- The idea of there being a '*cost of non-Europe*' was first pioneered in the European Parliament in the early 1980s - through the Albert-Ball Report that paved the way for the relaunch of the single market by Commission President Jacques Delors.
- The Cecchini report, written in 1988, estimated a cost of non-Europe for the Single market at 200 billion ECU in “the potential for gains”.

Methodology (1)

- Cost of Non Europe Reports seek to evaluate the possibilities for gains and/or the realisation of a 'public good' through common action at EU level in specific policy areas and sectors.
- This report seeks to analyse the costs for citizens, businesses and relevant stakeholders of the 'gaps' in the Single Market, and identify gaps where further EU legislative action could be beneficial.
- On this basis, it provides tentative estimates of the cost of non-Europe in the Single Market.

Methodology (2)

- attempts to **identify / quantify economic gains** that can be achieved for the EU and Member States through better governance of the Single Market,
- provide a **reliable figure on potential savings or benefits**, while factoring in for possible costs of realisation.
- BUT: impossible to fully and precisely quantify the costs and benefits involved in completing the Single Market
 - => inevitable limitations linked to the degree of precision that can be expected from this EU-wide quantification should not affect the overall conclusions on the magnitude of potential savings.

Key Quantitative Findings

A further deepening of the Single Market could yield significant additional gains for EU consumers and citizens, increasing the EU-28 GDP by an additional 5 to 8.63%, equivalent to between 651 billion euro to 1.1 trillion euro of GDP per annum.

Potential GDP gains from closing gaps in the EU Single Market	Cost of Non-Europe (billion euro per year) <i>- lower estimate -</i>	Cost of Non-Europe as % of EU GDP <i>- lower estimate -</i>
Free movement of goods	183	1.43
Free movement of services	338	2.64
Public procurement and concessions	36	0.28
E-commerce	36	0.28
Consumer acquis	58	0.45
TOTAL	651	5.08

Source: Author's calculations, based on research commissioned by the European Parliament.

Substantial GDP gains in the field of...

1. The remaining untapped potential of **free movement of goods**: a further **183 to 269 billion euro** of GDP per annum growth could still be realised in the longer term, equivalent to 1.4 to 2.1% of EU GDP).
2. A **more deeply integrated EU single services market** could increase the level of long-run EU GDP by **338 to 637 billion euro**, equivalent to 2.6 to 5% in EU GDP).
3. Greater cross-border **public procurement** could potentially yield annual savings of **36 to 66 billion euro** (0.3 to 0.5% of EU GDP).
4. Direct cost of non-Europe associated with identified gaps in the **Digital Single Market** range between **36 to 75 billion euro** per annum (0.3 to 0.6% of EU GDP).
5. Consumer detriment resulting from an incomplete Single Market is of the order of **58 billion euro** per year (0.45 of EU GDP), based on a comparison of price convergence in the EU and the United States.

Further non-overlapping potential GDP gains in the Single Market, estimated by IAs (EC)

Further potential GDP gains	Cost of Non-Europe (billion euro per year)	CoNE as % of EU GDP
Further gains in E-commerce	168	1,59
E-procurement	100	0,78
Single European Payments Area (SEPA) and e-payments	65	0,51
EU regulation of EU mobile roaming rates	5	0,04
EU regulation of mobile termination rates	2	0,02
Online dispute resolution system	22	0,17
Total:	362	2.8

Source: author's calculations, based on available published and peer-reviewed estimates. Note: figures in the last column 'CoNE as % of EU GDP' may not add up as they represent results from different studies with different methods.

Key quantitative findings and **further potential estimated gains** taken together => **1,467 billion euro could be saved annually** by completing and deepening the Single Market, or more than 11% of the total EU-28 GDP.

Conclusions

- **Better transposition** of Directives => transposition deadlines realistic; requirements at national level should be assessed for impact;
- **Transparency** can be enhanced through exchanging best practices, on the model of the mutual evaluation which was done in the case of the Services Directive;
- Creating a set of **harmonised qualitative and quantitative indicators** for measuring the economic effects of application of the Single Market rules
=> monitor the Single Market, and
=> provide benchmarks to develop the internal market pillar of the European Semester, notably in relation to the country-specific recommendations;
- **Evaluation of the enforcement** of the rules of the Single Market => further unlock its growth potential. Evaluation in terms of risk-based approaches, rather on sanction oriented;

Conclusions – cont.

- The principle of **mutual recognition** is very important given the level of regulatory divergence between Member States. Evident benefits already been brought to several important areas such as the free movement of goods and the mutual recognition of professional qualifications;
- Free movement of services => **removal of remaining unjustified or disproportionate requirements**, via e.g. proportionality assessment of Members States' regulatory requirements on service providers;
- Further actions may be needed to promoting the transition to a fully functional **e-procurement regime** and the use of **e-invoicing** in Europe;
- Unlocking the potential of a **complete the Digital Single Market** and the implementation of the EU Digital Agenda