

Mario Monti's Report on the re-launch of the Single Market



On the invitation of Commission President Barroso, Mario Monti, President of the Bocconi University and former member of the European Commission, delivered on 9 May 2010 a report on the re-launch of the Single Market, a key strategic objective of the new Commission. One of the conclusions of the Report¹, 'A new strategy for the Single Market at the service of Europe's economy and society'² is: 'the Single Market (...) is less popular than ever, while Europe needs it more than ever'. However, the economic crisis has challenged conventional views of the EU economy and has opened a window of opportunity for Europe to become more pragmatic and re-launch the Single Market.

Challenges

In Mr. Monti's view, the economic crisis is enough of an argument to reinforce the Single Market. However, confidence in the benefits of attaining greater economic integration is seriously weakened among political decision-makers. The Single Market is seen as 'yesterday's business' compared to other policy priorities. Social support for market integration is waning, including among business leaders and trade unions. Single Market regulations are often perceived as threatening established interests, flattening national diversity or as counter-productive to a well-functioning market economy. As a result of the global economic crisis, confidence in the positive role and fair functioning of markets has been reduced. 'Integration fatigue' is thus compounded by a feeling of 'market fatigue'.

Stakeholders

The political and social circumstances for a re-launch of the Single Market today are very different and more complex than they were at the time of Jacques Delors' initiative in 1985. The Single Market is part of a broader political and institutional context that has changed considerably. There is a greater and more diverse number of actors

involved. Taking this complexity in his stride, Professor Monti consulted a wide range of stakeholders (citizens, consumers, social, environmental and business organisations) and quizzed them on their concerns about the Single Market.²

The package approach

The Report recommends taking a pro-active approach that would seek to re-energise the Single Market through a major policy initiative based on a comprehensive strategy. A 'package approach' that brings together initiatives from different policy areas. The proposed strategy consists of three broad sets of initiatives:

- Initiatives to build a stronger Single Market;
- Initiatives to build consensus on a stronger Single Market;
- Initiatives to deliver a stronger Single Market.

Building a stronger Single Market

The first objective of a new policy initiative should be to strengthen the Single Market in areas where it is not yet completed or where barriers still fragment cross border trade, the so called 'missing links' and 'bottlenecks'. The Report examines the areas of free movement of goods, capital and people, suggesting priority actions in the areas of standardisation processes, creation of a European patent, transport and logistics and geographical labour mobility.

In addition, Single Market policies need to cover new areas or markets that did not exist when it was first conceived – the 'new frontiers'. These areas are the digital sector, energy and environment - with particular regard to the development of innovative products and technologies for a low carbon economy as well as some areas in the services sector that are not already covered by the Services Directive.

For market reforms to succeed, it is critical to show concrete examples of how the Single Market works for citizens, consumers and SMEs. The Report proposes that priority political attention is given to this dimension and recommends some policy initiatives to that effect.

¹ http://ec.europa.eu/internal_market/strategy/docs/monti_report_final_10_05_2010_en.pdf

² On involving DG Internal Market and Services' stakeholders, see Single Market News 57, Stakeholder's corner, p.16.



Building a stronger consensus on the Single Market

Pointing to new economic opportunities without addressing the widespread social concerns will not be sufficient. To generate support on a stronger and deeper Single Market, the Report recommends addressing the frictions and tensions generated by the interaction between Single Market rules and the social dimension at national level. The Report refers to the objective of making the EU a 'highly competitive social market economy' set out in the Lisbon Treaty as a basis for these reflections. Some suggestions for action are: more clarity in the implementation of the posted workers directive, protect and promote services of general interest and ensure a greater integration of horizontal policy objectives in public procurement policy.

A better implementation of the Single Market

The Report suggests strong action to address the lack of compliance with Single Market rules, accelerating infringement procedures and strengthening the enforcement powers of the Commission. A closer association of the European Parliament and national parliaments would also reinforce the governance of the transposition process. The Report considers building a network of decentralised problem solving centres at national level.

Showing what is at stake for Europe, conclusions

Mario Monti concludes that it is crucial to generate the political capital and energy that can bring new momentum and commitment to the Single Market. He suggests that the best way to renew support for the Single Market is to show what is at stake for Europe. The Single Market is crucial for the success of enlargement and is an essential tool to deliver on the objectives of Europe 2020 for a smart, sustainable and inclusive growth.

The Single Market is also key for the stability of the Economic and Monetary Union, to bring Europe back to a sustainable economic growth path. A single integrated, flexible market is a prerequisite for the optimal functioning of a common currency area. Paradoxically, Member States within the Euro-area are the least compliant with Single Market legislation. The tensions that occurred recently in

the Euro-area demonstrate the need to make full use of the Single Market as a vector to enhance productivity and competitiveness in the Euro-area economies. Mr. Monti emphasizes that making the Single Market more efficient is Europe's best source of growth and job creation.

Finally, the Report highlights that all EU institutions and Member States should re-focus their way of dealing with Single Market-related issues and bring in a more unitary vision and integrated approach. The report proposes a 'new deal' between all Member States on the Single Market, and will consider what trade-offs have to be made by all players to achieve this. Examples of the sort of trade-offs involved are that Member States traditionally more attached to a social market economy vision would have to address their shortcomings in the area of competitiveness, while the 'Anglo Saxon' Member States (UK, Ireland and many of the EU-12) would need to accept the idea of more social and tax coordination as the essential quid pro quo of a future enhanced Single Market. The idea behind this is to 'regenerate political energy about the Single Market', so that the Commission is empowered in its central work, and can bring the Council and Member States towards a new engagement for the Single Market.

The Commission also needs to improve coherence on Single Market issues internally between Directorates Generals. In concrete terms, this new deal could be translated by actions such as the following:

- The Commission should make full use of its existing powers, namely by withdrawing proposals that are not progressing in a Single Market-friendly-manner through the legislator.
- The Council should move to taking decisions by Qualified Majority Voting (QMV) more quickly, rather than holding out endlessly in the hope of reaching consensus.

This may require some innovation in the way in which the Commission, the Parliament and the Council deal with Single Market policies.

In line with this, the report proposes the introduction of a fast track legislative procedure for the measures included in the strategic initiative for the Single Market. It also calls for an annual moment in which the three institutions and stakeholders take stock of the State of the Union as regards economic integration.

Commissioner Barnier will launch the Single Market Act in autumn

Following Mario Monti's Report, Commissioner Barnier will present his Single Market Act in autumn this year. It will contain a full set of measures to be carried out during 2011 and 2012, with the common aim to re-establish and deepen the European Single Market. High on the list will feature the launch of the European Union Patent as well as initiatives on e-commerce and public procurement. Commissioner Barnier believes that twenty years after 1992, it is time to complete the Single Market and reap the full benefits of integration, since it could bring an additional growth of 1 to 2% per year.

