

25 years of the EU Single Market

factsheet

The EU Single Market celebrates its first 25th anniversary in 2018. It is the largest free movement area in the industrialised world with 13 trillion euro GDP and completing it might bring economic benefits amounting to more than 650 billion euro per year.

Macro-economic data

Since 1993, the Single Market has grown from 345 million to about 510 million citizens and the number of its Member States has almost doubled (from 12 to 28). Since the creation of the European Economic Area in 1994, the Single Market also includes Iceland, Norway and Liechtenstein.

From 1992 to 2006, the EU GDP has grown by 2.2 % (that is 233 billion euro, around 500 euro per capita) and employment rate increased by 1.4% (2.75 million jobs). From 1992 to 2016 the Foreign Direct Investment increased from 64 billion to 280 billion euro.

Thanks to the Single Market, intra-EU trade increased by 9%, and so did bilateral trade in goods between Member States (+ 8%). Since 1992, intra-EU exports increased from 9% to 21% of EU GDP. From 1994 to 2015, intra-EU trade in goods more than quadrupled (from 800 billion to 3,063 billion euro per year).

The Single Market enhanced the attractiveness of the EU as a trade partner for third countries, as well as its competitiveness on the global market: from 1992 to 2016, intra-UE exports in goods and services increased from 25.5% to 43% of the EU GDP. Trade in goods is estimated to be 60 per cent higher than if trading partners simply relied on World Trade Organisation rules.

The Single market was given an important additional impetus between 1999 and 2004 by the broadening of the market and thanks to the enlargement and the introduction of the Euro, which further facilitated intra-EU transactions; moreover, between 1999 and 2014, the number of companies almost doubled (from 12 to more than 22 million).

Benefits for citizens and consumers

- **Public Health:** cross-border patient mobility, healthcare claims, mechanisms for the immediate detection of animal diseases, food labelling rules.
- **Mobility of individuals:** growth of European citizens living in a Member State other than their own (from 4.6 million in 1995 to 16 million in 2015). Thanks to the Schengen Agreement, 400 million citizens from 22 Member States can travel through Europe without passport, which means 225.4 million journeys for the purpose of tourism per year.
- **Students' mobility:** the number of university students studying in an EU Member State other than their own has increased from 3,000 in 1988 to 272,000 in 2014 thanks to the Erasmus program launched in 1987.
- **Telecommunications:** abolition of roaming charges. From 2009 to 2013, the reduction of barriers had already allowed European consumers to save 9.6 billion euro.
- **Products and services:** greater choice, high quality standards, lower prices.
- **Consumer rights and compensation mechanisms:** accurate information, openness, guarantees of safe products and services, harmonisation of the EU rules on general consumer rights and remedies

in case of faulty goods (unfair contracts, misleading or aggressive advertising, right of withdrawal in case of online purchasing); sectoral rights for consumers when on holidays or travelling (Package Travel Directive and Timeshare Directive).

- **Purchase of financial services:** consumer credit, mortgages, basic payment accounts.
- **Digital Single Market:** implementation and harmonization of European redress mechanisms for the protection of consumers' interests; adoption of a regulation to ban unjustified geo-blocking; initiatives to make possible the retail purchase of financial products on the EU market.

Benefits for companies, SMEs and professionals

Custom formalities and duties were abolished, while the different national technical and quality standards were replaced by common European rules so that EU companies, SMEs and professionals can benefit from important economic opportunities in terms of economies of scale, lower transaction costs and better allocation of resources. In the manufacturing industry, the increased competitiveness of European companies has engendered price convergence and stimulated innovation.

Furthermore, the removal of barriers to the free provision of services across the EU contributed to the development of the intra-EU services market, which grew by 5% from 1999 to 2005 and from 215 million to 685 million euro from 1992 to 2013. It is estimated that the Services Directive (2006) has boosted the EU GDP by 0.8% with an impact ranging from 0.3% to 1.5% of the national GDPs.

The promotion of research and innovation, the protection of intellectual property (EU unitary patent system and Unified Patent Court), and the facilitation of access to finance (with the establishment of the European Fund for Strategic Investment and measures aimed at promoting venture capital) are all measures that contributed to the creation of a favourable economic environment for companies and SMEs.

On the other hand, the recognition of professional qualifications, the European Professional Card, the recognition of diplomas facilitate jobs mobility and allow professionals and EU citizens to work or be employed across the EU. Around 11.3 million people, which is about 3.7% of total EU workforce, now work in a Member State other than their own and increase GDP by 0.3% each year.

Common rules on public procurement ensure also smaller and medium-sized companies the opportunity to bid for EU contracts.

Finally, a number of actions are in progress, such as initiatives in favour of EU digital businesses and start-ups, including those operating in the sector of collaborative economy and online platforms; others are aimed at modernising the EU copyright system to make it fit for the digital age, and at facilitating access to digital content (Digital Single Market), at providing further financing opportunities for companies (Capital Markets Union), strengthening network industries (Energy Union), and simplifying EU laws and rules (REFIT), making it thus easier for businesses to comply.

Future perspectives

Despite all efforts being made, the great potential to the free movement of goods, capital, services and persons is not already fully exploited in terms of efficiency, growth and job creation.

The economic cost of market fragmentation is considerable: it is estimated that the damage for consumers caused by an incomplete single market would be around 58 billion euro per year, that is 0.42% of EU GDP.

Concerning the free movement of goods, the untapped potential is estimated to amount at least to 183 billion euro per year (-1.3% of EU GDP).

Some of the 3,500 measures adopted so far, mainly to set common or minimum standards, are not yet implemented or efficiently enforced. The “Monti report” of 2010 has suggested that half of the directives on the Single Market are facing difficulties of implementation, even if the official rate of missed or incorrect implementation in Member States is only within 1%.

Completing the Single Market would produce economic benefits ranging from 651 billion to 1.1 trillion euro each year, that is a range of 5%-8.63% of EU GDP. Moreover, it would create at least 7.5 million jobs by 2030 in the sectors of Digital Single Market (223,000 jobs by 2020) and Research (7.2 million jobs by 2030). Long-term benefits deriving from completing the Single Market of services would amount to 338 billion euro, that is 2.4% of EU GDP.

European Parliament has frequently encouraged the Commission to submit proposals aiming at maximising the Single Market potential . The following goals, if achieved by 2020, could add further 3% to EU GDP:

- Full implementation of the Services Directive
- Further integration of the energy and financial services sectors
- Further improvements in public procurement openness

Finally, even if the direct and indirect impact of Single Market integration is economic, it should be considered that the EU Single Market has also other purposes, such as supporting the inclusive and sustainable growth and protecting European consumers’ rights. Therefore, further Single Market benefits could derive from a wider analysis of all the macroeconomic, social and environmental aspects, and their impact on welfare, employment, income and ecological footprint.

Sources

- <http://www.europarl.europa.eu/resources/library/media/20180116RES91806/20180116RES91806.pdf>
- http://ec.europa.eu/economy_finance/publications/pages/publication784_en.pdf
- http://ec.europa.eu/dgs/education_culture/repository/education/library/statistics/erasmus-plus-factsfigures_en.pdf
- http://www.amchameu.eu/sites/default/files/amcham_eu_single_market_web.pdf
- <http://ec.europa.eu/growth/tools-databases/regprof/index.cfm>