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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council

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Subject: Discussion paper on a deepened Single Market for a strong recovery and a competitive, sustainable Europe

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Delegations will find attached a discussion paper from the Presidency on the above mentioned topic.

**A deepened Single Market for a strong recovery and a competitive, sustainable Europe**

*Discussion paper*

1. In order to further develop Europe's economic base and strengthen its competitiveness, the EU's **Strategic Agenda 2019-2024** calls for a more integrated approach connecting all relevant policies and dimensions: deepening and strengthening the Single Market and its four freedoms, designing an industrial policy fit for the future, addressing the digital revolution and ensuring fair and effective taxation. It also sets out the goal of creating a Europe that is climate-neutral, green, fair and social.
2. This year, the **COVID-19 crisis** has markedly changed the frame of reference for Single Market policy: measures imposed by Member States in the context of the crisis have led to clearly perceptible restrictions within the Single Market, raising questions as to the **resilience of the Single Market, for example with regard to industrial ecosystems and value chains**. A fundamental question that needs to be asked is how the **Single Market can contribute to Europe's economic recovery** and what priorities Single Market policy should set towards this end.
3. While the COVID-19 crisis has brought these particular questions into focus, the framework for Single Market policy in the foreseeable future will also be shaped by **long-term trends**: firstly, the ecological transformation of Europe's economy and the **European Green Deal**, and secondly, the **digital transformation** and the imperative to develop and apply new technologies. An additional challenge is being posed by an **increasingly problematic international environment** which has seen rules-based cooperation and free and fair trade come under pressure and in which the EU is forced to permanently assert its influence and autonomy. Questions are also raised as to **social welfare, inclusion, equal opportunities and fairness**.

4. In its **Communication** of 27 May 2020 entitled “**Europe’s moment: Repair and Prepare for the Next Generation**”, the European Commission pointed out that the pandemic had served to reaffirm the interdependence of Europe’s economies and the importance of a fully functioning Single Market. Industrial ecosystems are increasingly integrated and connected. Research, engineering, manufacturing, assembly and servicing often take place in different parts of Europe, and allow businesses to be more competitive and focus on what they do best. This, the Commission believes, is **exactly what will be needed for Europe’s recovery**.
5. Other key issues raised by the Commission’s Communication include **reducing the regulatory burden**; better **implementation and enforcement of Single Market rules**; with the new Single Market Enforcement Task Force (SMET) playing an essential role; **ensuring a level playing field** within the Single Market; **reviewing the EU competition framework and state subsidies from third countries**. These issues are particularly important for Europe’s SMEs, constituting 99% of all companies outside the financial sector, and being overproportionally impacted by regulatory and administrative burden.
6. In their Joint Statement of 12 June 2020, the Ministers responsible for Industry and the Internal Market pointed out that the re-establishment, strengthening and deepening of the Single Market in all its dimensions was a precondition for industrial competitiveness and would be **one of the criteria for the success of Europe’s economic recovery**; they highlighted the need to implement the Single Market Enforcement Action Plan without delay and to strengthen the resilience of the Single Market in the face of crises.
7. The **Council Conclusions (Competitiveness)** entitled “**A deepened Single Market for a strong recovery and a competitive, sustainable Europe**”, to be adopted at the Council meeting on 18 September 2020, are to make a substantial contribution to the development of a Single Market policy for the coming years. Special emphasis is placed on strengthening the resilience of the Single Market, the continued relevance of the Single Market elements of the ‘March 2020 package’, the contribution of the Single Market to economic recovery, and its orientation towards future challenges.

8. The Conclusions emphasise that **now is a crucial moment to draw lessons from the COVID-19 crisis, to address existing shortcomings in the Single Market, and to give a new impetus** to support the recovery of Europe's economy and the long-term competitiveness of European businesses, notably SMEs. In the Conclusions, Member States underline their determination to strengthen the Single Market and highlight the urgent need for immediate action based on specific operational targets and ambitious and realistic timelines.
9. Restrictions imposed by Member States in the context of the COVID-19 crisis must not lead to permanent distortions in the Single Market. The Conclusions call on Member States to **remove any remaining temporary restrictions as fast as possible**. They also emphasise that restoring the Single Market to its state before the COVID-19 crisis will not be enough, and that the **Single Market needs further improvement and deepening, particularly in order to support the recovery of the European economy**.
10. The Conclusions highlight the need to **improve the governance of the Single Market**, also with a view to possible future crises, **in order to make it far more resilient** and to prevent restrictions to the Single Market. Efforts to **strengthen industrial ecosystems** and **investment in strategic value chains and key technologies** in the EU play an important role in this context.
11. **Improving the implementation and enforcement of Single Market rules** is an essential aspect for strengthening the Single Market. In 2019, both the **European Council** and the Council had called for a long-term action plan on this matter. The Conclusions welcome the long-term Action Plan for better implementation and enforcement of Single Market rules, which has now been presented by the Commission. The new **Single Market Enforcement Task Force (SMET)** is the key instrument established by the Action Plan for cooperation between the Commission and the Member States. The Conclusions stress that SMET should have a strong and clear mandate, that its work should be goal-oriented, and that it should focus in particular on the **implementation, application and enforcement of Single Market rules** as well as the **prevention of new restrictions**. They also emphasise that SMET should identify and prioritise the **most pressing existing barriers** and **pursue specific actions to address and eliminate them**.

12. A major concern of Single Market policy is the removal of unjustified barriers to the Single Market. The Conclusions welcome the Communication on barriers to the Single Market, issued by the Commission as part of the ‘March 2020 package’, and calls on Member States and the Commission to **step up their efforts to remove fragmentation and reduce barriers at all levels (European, national, regional and local)**.
13. As far as the removal of barriers is concerned, the **service sector** has been a subject of debate for a while. The Conclusions highlight the opportunities that the optimal functioning of the Single Market for services would offer and underline that **unnecessary barriers to cross-border trade in services and goods and to labour mobility should be removed** while ensuring the protection of workers. In order to reduce barriers to the Single Market, it is also vital to make it easier to launch operations in other Member States by **providing information and facilitating compliance with requirements**. Thus, the Conclusions stress the need to improve the provision of information and to simplify administrative procedures, including proper **implementation of the Single Digital Gateway**.
14. For **European companies**, the Single Market represents a **large home market** and a space of opportunities. This is especially true of areas where the EU places a strong focus on innovation, such as the **green and digital transitions** or the **development of a circular economy**. Here, the Single Market can help companies to generate the economies of scale that are sought for new solutions.
15. A functioning Single Market is also of paramount importance to small and medium-sized enterprises so that these can innovate, scale-up and prosper in a large market. Therefore, it is vital to **enhance the business environment for SMEs in the Single Market** by fostering the ‘Think Small First’ Principle and promoting growth investments.

16. If the Single Market is to live up to these expectations, **free and fair competition and a level playing field** have to be ensured both **within the Single Market** and globally. The Conclusions stress that players from third countries competing in the Single Market should operate under the same conditions and rules as their European counterparts, and that the EU's long-term strategic interests should be protected. This includes ensuring that the EU remains an attractive business environment for foreign investment from third countries. In this context, the Conclusions also point to the upcoming discussions on the **White Paper on levelling the playing field as regards foreign subsidies**.
17. Likewise, it is important to ensure that the horizontal importance of digitalisation is adequately reflected in Single Market policy. By using digital resources, **administrative burdens and compliance costs can be reduced** and the efficiency of the Single Market enhanced. All **policy approaches for the Single Market** should be aligned and unified with approaches in the field of digitalisation in such a way that the EU can give rise to an economic area that is open to new, especially digital business models. The **Digital Services Act Package**, which will require thorough attention by the Council, promises a great leap forward.
18. With a view to the potential **contribution of the Single Market towards enhancing competitiveness**, the Conclusions point to the **need for structural reforms in the Member States** and welcome the approach the Commission has adopted to examine the performance of the Single Market and its relationship with structural reforms within the framework of the European Semester. Member States are called on to **implement the necessary reforms**, also within the context of the recovery process.
19. The European Commission is called on to present a **Strategic Report by 15 January 2021** that takes stock of the state of implementation of the Action Plan, the progress made in addressing barriers in the Single Market and the resilience of the Single Market, and discusses the need for further regulatory and non-regulatory action on this basis.

Question for discussion:

*In the view of Member States, which components of the 'March 2020 package' of the European Commission, notably the Action Plan for better implementation and enforcement of Single Market rules, are particularly adequate to effectively strengthen the Single Market, and should therefore be prioritised in order to handle the impact of the COVID-19 crisis and support the speedy recovery of the economy?*

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