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## **The EU Single Market at 30**

The Commission (still) at the Vanguard of  
Single Market Integration

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## The EU Single Market at 30

### The Commission (still) at the Vanguard of Single Market Integration

By Ringa Raudla & Aneta Spendzharova<sup>1</sup>

#### Executive Summary

- This policy paper unpacks the role of the European Commission, with a focus on a range of recent initiatives contributing to further single market integration in areas such as:
  - Regulatory initiatives;
  - Hybrid governance arrangements;
  - Public-private collaborations;
  - New financial instruments.
- There is no ‘automaticity’ in further single market integration, especially against the backdrop of re-nationalisation pressures stemming from economic crises.
- The examples discussed in this policy paper highlight the key role of the European Commission at the vanguard of policy-making to ensure further single market integration across policy sectors.
- The Commission is a crucial policy entrepreneur promoting the creation of new financial instruments and incentives at the EU level.

#### Introduction

The European single market has been a flagship achievement of the European integration process, seeking to ensure the free movement of people, goods, services, and capital across the Union.<sup>2</sup> Recently, efforts to extend the scope and pace of single market integration have targeted new policy frontiers, such as energy and defence, where the member states have traditionally preferred national rather than cross-border markets. Nevertheless, EU-wide crises, such as the Eurozone crisis, Brexit, the recent covid-19 outbreak, and the war in Ukraine reveal vulnerabilities in the design and operation of the single market and put pressure on initiatives for further market integration. Some of these crises, such as the Eurozone crisis, have led to deeper integration in domains closely linked to the single market, for instance, the European Banking Union and the Economic and Monetary Union (EMU). Other crises, such as the covid-19 pandemic, however, have highlighted a move toward a more differentiated

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<https://www.tandfonline.com/doi/full/10.1080/07036337.2021.2011263>.

integration approach, where national responses took precedence over coordinated EU-wide measures.

In some areas of the European single market, such as finance, energy, digital services, and defence, the EU has recently launched important integration initiatives in order to take steps towards single EU markets. The recent EU-wide crises have exacerbated already existing regulatory challenges requiring more supranational harmonisation, such as the development of common standards to ensure the interoperability of the underlying financial, IT, energy grid, and defence infrastructures. Furthermore, the crises have highlighted the need for more investment to reduce the economic disparities between countries in the Union's economic core and periphery, so that all member states can benefit from their participation in the single market.

### **The Commission: pivotal coordination and pioneering new financial instruments to enhance single market integration**

In this policy paper, we seek to unpack the role of the European Commission, with a focus on a range of recent initiatives that have all sought to contribute to further integration efforts, structured as follows.

- First, regulatory initiatives promoting single market integration;
- Second, hybrid governance arrangements and extensive public-private collaborations;
- Third, new financial instruments that further single market integration in domains previously reserved for national markets, such as defence.

Starting with the Commission's recent efforts to promote single market integration, since 2015, the Commission has launched several high-profile initiatives to ensure the completion and better enforcement of the single market. First, the Commission has advocated further single market integration via (more traditional) *regulatory initiatives* in the domain of regulating digital markets. Cini and Czulno (2022) identify an important policy change in the Commission's approach to digital single market regulation from purely ex-post enforcement to adding an ex-ante regulatory regime. While previously, in dealing with cases involving online platforms, the Commission had maintained that the established regulatory approach of ex-post enforcement was sufficient, there was important recent policy change in the Commission's thinking. In December 2020, the Commission proposed new sectoral legislation, the Digital Markets Act (DMA), designed to supplement ex-post competition enforcement with an ex-ante regulatory regime. The new approach intends to set out broad goals in a proactive and comprehensive manner to correct market failure, rather than just to protect existing competition on a case-by-case basis. The Commission was acting to prevent fragmentation of the single market in the absence of EU legislation, as the member states were starting to regulate digital markets in divergent ways.

Furthermore, the Commission plays a pivotal coordinating role in the new monitoring and enforcement governance structure in order to ensure better implementation of the single market. Following a critical report by the European Parliament (2015) on the co-called 'costs of non-Europe', these are areas of weak single market enforcement or lack of supranational rules, the Commission worked on developing a new single market strategy to ensure 'a deeper

and fairer single market that will benefit both consumers and businesses’ (European Commission 2015).

In March 2020, the Commission adopted a new ‘Enforcement Action Plan’ for the single market, placing a special emphasis on monitoring and information sharing tools, such as the annual ‘Single Market Scoreboard’ and a newly created Single Market Enforcement Task Force (SMET), which seeks to foster a collaborative approach between the Commission and the member states in enforcing the single market rules, especially in crisis circumstances. For example, the Commission convened the first meeting of the SMET in April 2020 in order to resolve differences among the member states and create a common approach to allow the free flow of goods such as face masks, medical supplies, and food across the EU in the midst of the first covid-19 lockdowns imposed across the EU (European Commission 2020). These new initiatives were set in motion in 2019 when the European Council invited the Commission to prepare a long-term action plan for better implementation and enforcement of the single market, following concerns about the uneven enforcement across the member states in the complex EU multi-level governance structure.

The Single Market Scoreboard shows how EU single market rules are applied in the European Economic Area (EEA) countries on a range of important metrics, such as market openness, governance tools as well enforcing the single market in specific policy areas. The findings are presented in the form of a ‘traffic light’ system, by attributing red (below average), yellow (average) and green (above average) cards. For example, most recent scoreboard awarded 152 green cards (153 in 2018), 111 yellow cards (137 in 2018) and 61 red cards (59 in 2018). The best performing countries in 2019 were Latvia, Cyprus, Denmark, Estonia, Finland, and Slovakia, while the least improvements were observed in Spain, Italy, France and Austria (Single Market Scoreboard 2020).

In the EU’s multi-level governance system, the SMET will work together with a new EU-wide cooperation network composed of the national enforcement coordinators in each member state and drawing on the existing Internal Market Advisory Committee (IMAC) framework. The aim of this ‘network governance’ approach is to facilitate the exchange of information and best practices regarding national administrations’ approaches to analysing and pursuing important single market cases at the national, regional, and local levels. The national authorities responsible for single market surveillance are also involved in the network.

Second, the Commission has played a crucial role in facilitating the emergence of *hybrid governance arrangements* in various policy domains, especially focusing on building public-private collaborations to sustain the scope and momentum of single market integration. By including a broader range of private actors in its initiatives, the Commission can benefit from the expertise and information these actors have and mobilize their support for implementing policy change. This can be seen, for example, in the examples of large-scale pilots in the digital single market (Schmidt and Krimmer 2022). Involving universities and businesses (alongside governmental entities) in such pilots has proven beneficial for the advancement of the digital single market. The involvement of private actors helps to ensure that both supply and demand side aspects are covered and the technological and innovation elements pertaining to use, application, and deployment are taken into account. While the (public) universities have been able to contribute the necessary scientific background for the pilots, the engagement of private companies has enabled the deployment of technological know-how and

flexible approaches for the development of the necessary ICT architecture and solutions (Schmidt and Krimmer 2022).

The Commission has also played a pivotal role in conceiving hybrid governance arrangements in the trans-European networks of transport (Stephenson 2022). Setting up deliberation fora and the use of stakeholder consultation and evaluation have promoted the resilience of TEN-T and have helped maintain momentum in the implementation of cross-border transportation projects. Meetings with representatives of employers, workers, and civil society organisations have enhanced the informational resources of the Commission in implementing TEN-T. In the European University Initiative (EUI), which makes extensive use of the bottom-up projects of higher education institutions and envisages the involvement of diverse stakeholders in transnational alliances (including academic institutions, private actors, and public authorities, such as municipalities and local councils) the Commission acts as a coordination hub within these alliances by providing capacity-building action (Cino-Pagliarello 2022).

Furthermore, the Commission has also played a considerable role in the recent institutional reforms the energy and the banking sector to ensure deeper single market integration. Eckert (2022) examines the integration dynamics in the European Banking Union and the European Energy Union and provides evidence of formalisation and centralisation of networks of regulators. Informal networks or structures were replaced by formal networks and committees and were subsequently transformed into EU agencies in both sectors. While the resulting structures are still networks of regulators at heart, they also engage in close cooperation with the European Commission and its relevant DGs, as well as with the European Central Bank (ECB) in the case of banking. These networks of regulators have been successful in ensuring deeper market integration and enhanced inter-operability in banking and energy, albeit with important caveats.

Third, the Commission is an important policy entrepreneur promoting the creation of *new financial instruments and incentives* at the EU level. It is at the very heart of managing these complex new policy and financial packages. For example, the creation of the European Defence Fund illustrates the importance of the Commission as a coordination hub when it comes to promoting further single market integration in the defence sector (Sabatino 2022). The latest integration initiatives in this field build on earlier non-binding harmonization measures from the mid-2000s, such as the Code of Conduct on defence procurement and the Code of best practice in the supply chain (European Defence Agency, 2006) and the then newly set-up intergovernmental European Defence Agency (EDA). At present, the Commission is especially keen to integrate the activities of the European Defence Agency with those of the newly created DG for Defence Industry and Space (DG DEFIS) in order to ensure a more coordinated approach between the different bodies promoting further single market integration in defence. The European Defence Fund (EDF), a major new financial instrument at the supranational level, may be a ‘game changer’ in ensuring deeper market integration in defence. In the new Multiannual Financial Framework (MFF) 2021-2027, the EU devotes part of its budget to cross-border collaboration on research and development projects for military capabilities via the EDF, and highlights that for the first time the European Commission will manage defence-related research and development projects for the Union as a whole.

These new financial instruments at the EU level have a lot of potential in furthering single market integration across different sectors. For example, the European Investment Bank (EIB)

has played an important role in steering and implementing large-scale financial facilities at the EU level, such as the European Fund for Strategic Investments (EFSI) and, more recently, the Investment Plan for Europe (Mertens and Thiemann 2022). The Commission has sought to develop new financial instruments to help with the implementation of complex large-scale transportation corridors, such as the Connecting Europe Facility and EFSI (Stephenson 2022). It discusses an innovative feature of TEN-T financing – the so-called blending call launched in 2017 – aimed at selecting actions combining CEF support with financing from EFSI, the EIB, a National Promotional Bank or a private sector investor.

## Conclusions

- There is no ‘automaticity’ in further single market integration, especially against the backdrop of re-nationalisation pressures stemming from (economic) crises.
- The examples provided in this policy paper highlight the key role of the European Commission at the vanguard of policy-making to ensure further single market integration across sectors.
- The Commission is also a crucial policy entrepreneur promoting the creation of new financial instruments and incentives at the EU level.
- Supranational actors, such as the Commission, the European Investment Bank, and EU agencies monitor and safeguard effective cross-border coordination within the single market, and they launch new integration initiatives.

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