

“State of integration and merits of the internal market – Status quo”

By Aart De Geus, Chairman and CEO of Bertelsmann Stiftung

Welcome

Dear Commissioner Bieńkowska,

Dear Excellencies,

Good morning ladies and gentlemen,

I would like to welcome you on behalf of the Bertelsmann Stiftung to this conference, which we organise together with the European Commission in the context of their new Internal Market strategy.

These are dramatic, historic days in Athens, Brussels, and across Europe. The “Grexit” showdown has reached its peak. All eyes are on the euro – again. Whatever will happen in the next days, it will either strengthen or weaken the Euro – but it will not break it. We have been there already, and, I am sure, we will see it through – again.

Yes, the Euro is a core European project and the strongest symbol of European integration. However, we must not forget that the EU is more than just the Euro. Much more. The central core of the European project is its Internal Market – with its four freedoms and with its power for growth, jobs and integration.

These days remind us that the Eurozone is a project under constant construction – a work in progress. And also the Single Market is far from final or perfect. As much as the Eurozone needs further integration, also the internal market needs continued deepening.

This is why we chose to organise this conference to look at “Making the EU services market an engine for growth”. I want to highlight two points:

- 1) How a real single services market can bring growth and jobs.
- 2) How the Single Market is a source of stability and unity for the Eurozone and the EU as a whole.

How could a single services market be an engine for growth?

There is no doubt: Growth in Europe is too low. So what we need is higher growth and, above all, growth that creates jobs. We need to look at where there still is growth potential in our developed economies and then fully tap into these potentials.

In this endeavour we should look specifically at services because this sector is a great candidate for three reasons:

- **First**, at the moment, services are far less well integrated than goods. The Commission estimates that trade integration of goods (currently at 22%) is more than four times higher than that of services (currently at only 5%).
- **Second**, the existing Services Directive of 2006 is far from being fully transposed by member states. Analyses show that transposing the missing pieces of the Services Directive could by itself boost growth by 1-2% over 5 years. And this does not even include the growth effects of any new measures that the Commission will propose later this year. That makes services a key sector for additional growth.
- **Third**, the services sector makes up a total of 75% of EU GDP and around 70% of current employment. The Commission estimates that 9 out of every 10 new jobs are created in the services sector. That makes it the key sector for job creation.

Let me be frank: It's not going to be easy to deepen the Internal Market in services further. It seems like a low hanging fruit, but it's not an easy ride! Removing barriers to cross-border services means changing domestic regulations. And this is politically very sensitive territory.

We all remember the heavy political infighting that preceded the 2006 Services Directive, proposed by Commissioner Bolkestein. As a member of the Balkenende government at the time, I remember very well the discussion also within our own cabinet. While the Finance and Economy Ministers were fully behind the EU Directive, as Labour and Social Minister I advocated for transitional measures for sectors heavily exposed to new competition.

So for further liberalising the services market we should follow the credo: *fortiter in re, suaviter in modo* = *Strong in direction, but prudent in process*.

In this sense I commend President Juncker and Commissioner Bienkowska for their ambitious Internal Market Strategy and call on them to follow that credo. I am sure the Commissioner will further explain to us her ideas on how to make the internal market for services a reality and a benefit for our citizens.

Now, let me put the Single Market into the wider context and show that it is a source of stability and of unity.

The last years have shown that the monetary union is prone to internal economic imbalances. Over the years, the countries today known as “deficit economies” piled up an unsustainable amount of foreign liabilities, while other countries persistently ran large surpluses.

The most effective way to limit the size of new euro-internal imbalances is to expose larger parts of our economies to competition. A well-functioning Single Market provides an automatic corrective: It promotes gradual adjustment between countries as opposed to the sudden, costly and painful adjustment experienced in the course of the crisis. Deepening the Single Market thus has a double dividend: In addition to fostering growth and jobs in Europe, it can help rebalance the euro-economy, avoid the build-up of new imbalances and thus help stabilize the monetary union.

It is therefore a logical step that the Internal Market plays a prominent role in the seminal “Five Presidents’ Report” on completing EMU, published last week. A well-functioning internal market is a key tool for achieving a true monetary and economic union.

But the single market has also a second systemic importance, that of a symbol of European unity. The creation of the Single Market is one of the greatest successes of the European project, even a point of reference and a global role model. From Asia, Africa to Latin America, other regions in the world are striving for creating their own internal market. Europe’s Single Market is its greatest strength and a key leverage for our role in the global economy: As the single biggest economic bloc we can attract large investments and negotiate powerful trade agreements with major global players.

At a time when Europe is divided on many issues, the idea of a Single Market is still popular with most EU member states and citizens. It is based on the idea that the free movement of goods, services, capital, and labour does create growth, jobs and prosperity for all. It is deeply rooted in the European values of freedom and solidarity.

But the principle of the four freedoms is also facing opposition. The British government wants to renegotiate the British status in the EU before asking its citizens whether or not to remain in the Union. On the one hand, David Cameron seeks to restrict the free movement of workers into the UK and the social benefits they can claim. On the other hand, London claims that the Internal Market is at the core of British interests. In fact, the Commission's new Single Market initiative actually overlaps with many of Cameron's most prominent reform demands: to cut red tape, to open the EU to more competition, and to deepen the Single Market further.

A joint effort to complete the Internal Market for Services therefore offers not only the chance to show that the European project is alive and delivers growth and jobs. It can also help convince our British partners to remain part of the EU.

Let us not forget that we all sit in the same boat: A recent study by the Bertelsmann Stiftung has shown that given our common interdependence in the Single Market, all EU members would lose from a "Brexit": First and foremost the British, but also the others.

Let me come to my final remarks. Europe has been in crisis before. And every time we have been there we had the same choice: going forward with "more Europe", or rolling back to "less Europe".

We are now at that junction again: for stabilising the Eurozone we clearly need "more governance and more coordination", as outlined in the five Presidents' Report on EMU. For boosting growth and jobs, we need "more internal market" – be it services or digital. And we need to make Europe "more attractive and better" by showing that the Single Market can remain an ever more important well-functioning power house of the European machinery – A power house that the UK not only needs, but just cannot do without.

In times of crisis as this week, it is important that we manage the imminent challenges ahead, such as the Greek case. But we also have to develop a more long-term positive perspective and narrative of where Europe will stand in the years to come. The Single Market must be a key part of that narrative and vision and there can only be one direction: deeper and freer.

Thank you.