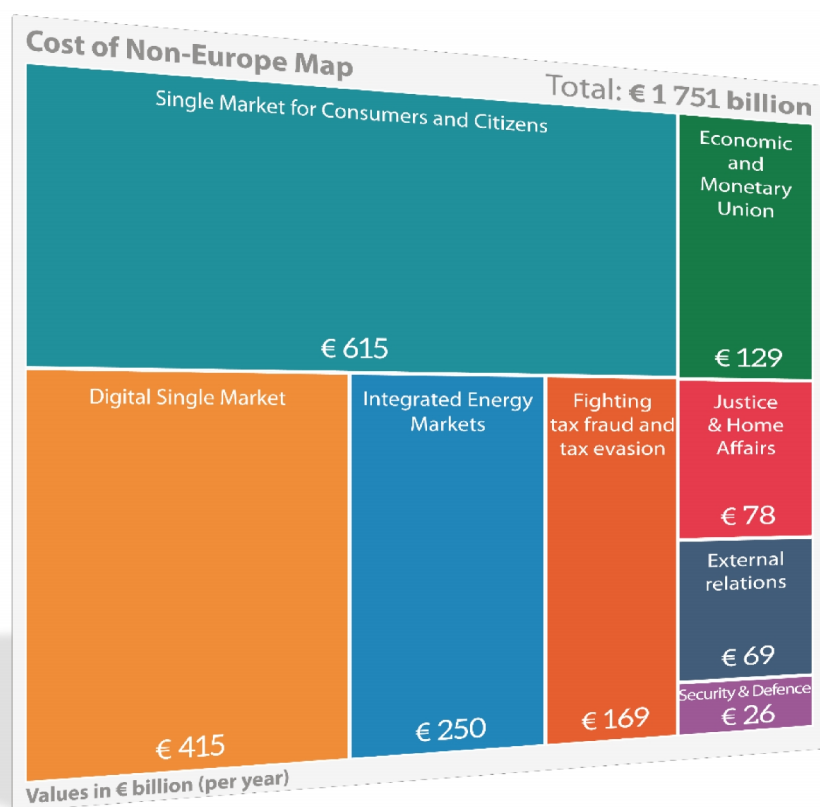

Mapping the Cost of Non-Europe, 2014-19

Fourth edition



STUDY

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European Added Value Unit

PE 603.239 – December 2017

Mapping the Cost of Non-Europe, 2014-19

Fourth edition
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This study brings together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy through pursuing a series of policy initiatives recently advocated by Parliament – from a wider and deeper digital single market to more systematic coordination of national and European defence policies or increased cooperation to fight corporate tax avoidance. The benefits are measured principally in additional GDP generated or more rational use of public resources. The latest analysis suggests that the European economy could be boosted by €1.75 trillion per year – or 12 % of EU-28 GDP (2016) – by such measures over time. The study is intended to make a contribution to the on-going discussion about the European Union's policy priorities over the current five-year institutional cycle, from 2014 to 2019.

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Foreword

This paper embodies work-in-progress on a long-term project being undertaken by the European Parliament's European Added Value Unit, in conjunction with the office of the Secretary-General, to try to identify and analyse the 'cost of non-Europe' in certain policy fields. It is intended as a contribution to discussions about the European Union's policy priorities during the current five-year institutional cycle, running from 2014 to 2019. The study was first published in March 2014, has been updated twice to incorporate new material (in July 2014 and April 2015), and is now being updated once again to take account of further research undertaken over the past two years.

The concept of the cost of non-Europe dates back to the 1980s, when the Albert-Ball and Cecchini Reports of 1983 and 1988 – which respectively identified and then sought to quantify the significant potential economic benefits of the completion of a single market in Europe – first brought the idea into mainstream political use. The central notion is that the absence of common action at European level may mean that, in a specific sector, there is an efficiency loss to the overall economy and/or that a collective public good that might otherwise exist is not being realised. The concept is closely related to that of 'European added value', in that the latter attempts to identify the economic benefit of undertaking – and the former, the collective economic cost of not undertaking – policy action at European level in a particular field.

The potential economic benefits of action may be measured in terms of additional gross domestic product (GDP) generated or savings in public or other expenditure, through more efficient allocation of resources in the economy as a whole. An example of additional GDP generated would be the potential multiplier effect over time of widening and deepening the digital single market on a continental scale, or indeed of further completing the existing single market in goods and services. An example of greater efficiency in public expenditure would be more systematic coordination in the field of defence policy, including joint defence procurement, where there are considerable duplications or disfunctionalities at present. An example of potential future costs avoided would be the benefit of effective action ensuring the resilience of the Banking Union to forestall any future banking or sovereign debt crises (although the benefit here would be of a one-off, rather than recurring, character), or increased cooperation in fighting tax evasion and avoidance.

The analysis in this paper builds in large part on a series of more detailed pieces of work undertaken for individual European parliamentary committees by the European Added Value Unit (within the European Parliamentary Research Service, EPRS) over the last five years, in the form of *European Added Value Assessments* – on legislative initiatives proposed by the European Parliament – and *Cost of Non-Europe Reports* in specific policy sectors. The choice of research areas is thus closely related to specific work of or requests by parliamentary committees. It also draws on other research, undertaken independently by outside think tanks and academic bodies, which relates to other

major requests made by the Parliament in its various legislative and own-initiative reports in recent years.

The 'cost of non-Europe map' featured on the cover of this paper and on page 11 constitutes an attempt to provide a graphic representation of potential efficiency gains and benefits in various policy areas. The chart on pages 92-93 gives more detailed insight into the benefits that could result from the various requests made by the European Parliament to date, or other policies in the pipeline as a result of parliamentary requests, if they were put fully into effect. Obviously, neither the map nor the detailed analysis behind it purport to make exact predictions – as all predictions depend on assumptions that must be subject to continual refinement – but they can and do illustrate the potential order of magnitude of possible efficiency gains from common action in these fields that could be realised over time.

The potential gains mentioned in this paper represent the total increase in annual EU GDP after the full phasing-in of proposed reforms over several years. In other words, they represent a permanent shift in EU GDP to a higher level. Our conclusion is that if the policies analysed in this paper were to be pursued effectively, the economic benefit would build up annually to a point where, on present calculations, almost €1.75 trillion – or about 12 % of EU-28 GDP (2016) – might eventually be added to the size of the European economy.

Mapping the Cost of Non-Europe, 2014-19 seeks to provide a reliable estimate of the magnitude of potentially measurable gains to the EU economy from the various policy initiatives listed. It is based on work from a variety of sources, which are referenced in footnotes, often with hyperlinks. When an underlying study offers a range of potential gains, the low-range value is usually selected – unless otherwise specified. The paper thus errs on the side of caution in estimating potential gains – there is substantial upside potential to this estimate over the medium to long term, from dynamic effects that cannot easily be quantified.

Different macro-economic models have been used in the underlying studies cited. Most estimates are continuous, in that they relate to on-going benefits that recur. However, it should be noted that certain scenarios are non-continuous – specifically, the estimates for the potential benefits of a fully fledged Banking Union, of improved fiscal coordination, and of a common deposit guarantee scheme, are calculations of one-off losses that could be avoided in a future crisis scenario, in a particular year, by putting appropriate arrangements in place now.

It is worth noting that the analysis in this paper dovetails with wider research being undertaken in the academic and think-tank community, both in respect of particular EU policies and the wider benefits of EU membership itself. For example, a study produced

in 2014 by Campos, Coricelli and Moretti,¹ which attracted a good deal of public attention, sought to quantify the economic benefits of EU membership for the 19 Member States that acceded to the Union in the successive enlargements from 1973 to 2004. Although the size and nature of the economic gain might vary by Member State, and derive predominantly from different factors in each case – whether intra-EU trade liberalisation (for the 10 Member States joining in 2004), the single market (for the United Kingdom), the single currency (for Ireland) or labour productivity (for Finland, Sweden and Austria) – the overall conclusion was that national incomes are now on average 12 % higher in those countries than they would otherwise be, as a result of membership and its associated economic integration. Their study also found that such gains are generally permanent and increase over time.

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European Parliamentary Research Service (EPRS),

December 2017.

¹ N Campos, F Coricelli and L Moretti, '[Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union using the Synthetic Counterfactuals Method](#)', IZA Discussion Paper No 8162, May 2014.

Contents

Foreword.....	1
Introduction.....	6
Cost of Non-Europe Map - Summary.....	9
DIGITAL ECONOMY	10
1. Digital single market.....	10
2. Sharing economy.....	19
SINGLE MARKET FOR CONSUMERS AND CITIZENS	25
3. Completing the European single market.....	25
4. Single European transport and tourism areas.....	33
5. Codification of passenger rights.....	39
6. European Research Area.....	43
7. Equal pay for equal work.....	46
8. Information and consultation of workers.....	51
9. Cross-border voluntary activity within the EU.....	57
10. Company law on cross-border transfer of company seats.....	62
11. European mutual society.....	67
12. Water legislation.....	72
13. 'Cost of non-Schengen': Impact of re-introducing border controls.....	76
EUROPEAN ENERGY POLICY	81
14. Integrated energy markets.....	81
Cost of Non-Europe Map	89
FIGHTING TAX FRAUD AND TAX EVASION	91
15. Addressing corporate tax avoidance.....	91
16. Combating value added tax fraud.....	95
RESILIENT ECONOMIC AND MONETARY UNION	98
17. A strong banking union to avert a new financial crisis.....	98
18. Better coordination of fiscal policies.....	102
19. Common deposit guarantee scheme.....	106
20. Common unemployment insurance scheme for the euro area.....	110
FUNCTIONING AREA OF JUSTICE AND HOME AFFAIRS	117
21. Fighting organised crime and corruption.....	117
22. Combating violence against women.....	121

23. Improving the operation of the European Arrest Warrant.....	125
24. Unifying limitation periods for road traffic accidents	129
25. EU codification of private international law	132
26. Protection of vulnerable adults.....	136
27. Cross-border recognition of adoptions.....	139
28. Liability rules related to autonomous vehicles.....	144
29. Framework for democracy, rule of law and fundamental rights.....	149
30. Common minimum standards on civil procedure	154
31. EU law on administrative procedure	158
TRADE AND EXTERNAL RELATIONS.....	161
32. Transatlantic trade deal.....	161
33. Better donor coordination in development policy	167
SECURITY AND DEFENCE	170
34. Common security and defence policy	170

Introduction

The process of better law-making within the European Union encompasses several stages: from agenda-setting, through advance consultation, to legislative action, and then on to implementation, followed by ex-post evaluation or scrutiny. There is a legislative or policy cycle involving these and other components. Ideally, that cycle should link up, so that the outcome and effects of existing legislation and policy are properly evaluated and taken into account in defining new initiatives.

Traditionally, the agenda-setting process at EU level has been predominantly the preserve of the European Commission. Nowadays, however, the Commission is no longer the sole actor in this field. Article 17 of the Treaty on European Union (TEU), introduced by the Lisbon Treaty, states that the Commission, as well as 'taking appropriate initiatives to promote the general interest of the Union, will initiate the Union's annual and multiannual programming with a view to achieving inter-institutional agreements'. This is a process that, by definition, involves the Commission, Council and Parliament jointly, and the joint declaration of the three institutions on the EU's legislative priorities for 2017 marked an important step forward in this approach.² The Treaty also provides specifically for the Parliament to enjoy the right to propose legislative initiatives to the Commission – to 'request the Commission to submit any appropriate proposal on matters on which it considers that a Union act is required for the purpose of implementing the Treaties' (Article 225 TFEU introduced by the Lisbon Treaty).

The European Parliament in turn takes its right and responsibility to contribute to the agenda-setting process very seriously – both by means of traditional own-initiative reports, expressing general policy preferences, and through a growing number of legislative initiative reports that make specific requests for new legislative proposals from the Commission in accordance with Article 225 TFEU. In doing so, Parliament is alert to the principle of subsidiarity, whereby Union action should be considered when objectives 'cannot be sufficiently achieved by the Member States ... but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level' (Article 5 TEU).

As part of a general move to strengthen its capacity for impact assessment and the analysis of potential added value, Parliament began already in the last legislative period to subject its various initiatives to more systematic analysis of the likely economic or other benefits of actions that it may be proposing. This paper takes this process a stage further, in that it brings together recent or on-going work in relation to ideas in 35 areas of policy, usually in fields where there have been own-initiative or legislative initiative reports adopted by Parliament by large majorities in plenary session. Taken as a whole,

² [Joint declaration on the EU's legislative priorities for 2017 – A Europe that protects, empowers and defends](#), 13 December 2016.

the work set out here is designed to contribute to the process of shaping a broad-based policy agenda and of monitoring progress in its implementation throughout the current institutional cycle (2014 to 2019) in the European Union.

It is particularly appropriate that the European Parliament should undertake work in this field, because the very concept of 'non-Europe' was in fact first pioneered and developed in Parliament over three decades ago, through a report that it commissioned from two leading economists, Michel Albert and James Ball. Like now, the early 1980s were a period of economic crisis and pessimism about the future. Parliament's own Special Committee on European Economic Recovery explored ways and means of breaking out of this cycle, inviting Mr Albert and Professor Ball to think creatively about new economic scenarios.

The Albert-Ball Report, presented in August 1983, makes surprisingly fresh reading today. It foreshadows the challenges and choices that the Union faces now, albeit in the context of its own time. It argues that 'the main obstacle to the economic growth of European countries is what we must call "Non-Europe" ... declining on the slippery slope of non-growth', and describes how what was meant to be a common market was becoming an un-common one. It painted a picture of a European economy in which the future had been sacrificed to the present, by giving priority to short-term and national considerations, over longer term and collective goals.

The Albert-Ball analysis suggested that the 'absence of a genuine common market ... and all the other obstacles to trade are equivalent to a financial surcharge that would certainly represent approximately one week's work per year on average for every family in Europe' or around 800 ECU³ per year in the money of that time. In other words, every worker in Europe worked 'one week every year to pay for non-Europe, with an additional cost of the order of two % of Gross National Product (GNP)'. To take advantage of the potential multiplier effect of common action, the recovery would need to be 'Community-wide or there would be none'.

The concept of the 'cost of non-Europe' was the leitmotif of the landmark Cecchini Report in April 1988, which helped provide a powerful economic rationale for the programme to complete the single market by 1992. It estimated the likely gain to Community-wide GDP from that programme to be in the order of 4.5 % (and potentially up to 6.5 %). The Cecchini analysis helped drive forward efforts to complete the single market, which have continued since then, but the central idea behind it seems gradually to have disappeared from debate, as the positive effects of a deeper and wider market have come to be taken for granted. In recent years, public discussion has more often centred on the 'cost of Europe' than on the continuing GDP gains possible from the pursuit of appropriate policies at European level. In the light of challenges that the EU is facing today – from the opening of Brexit negotiations, the rise of populist parties

³ European currency units.

throughout EU Member States, the lack of support for the European project, over to still sluggish European growth and too high a level of unemployment, the analysis included in this publication appears all the more relevant.

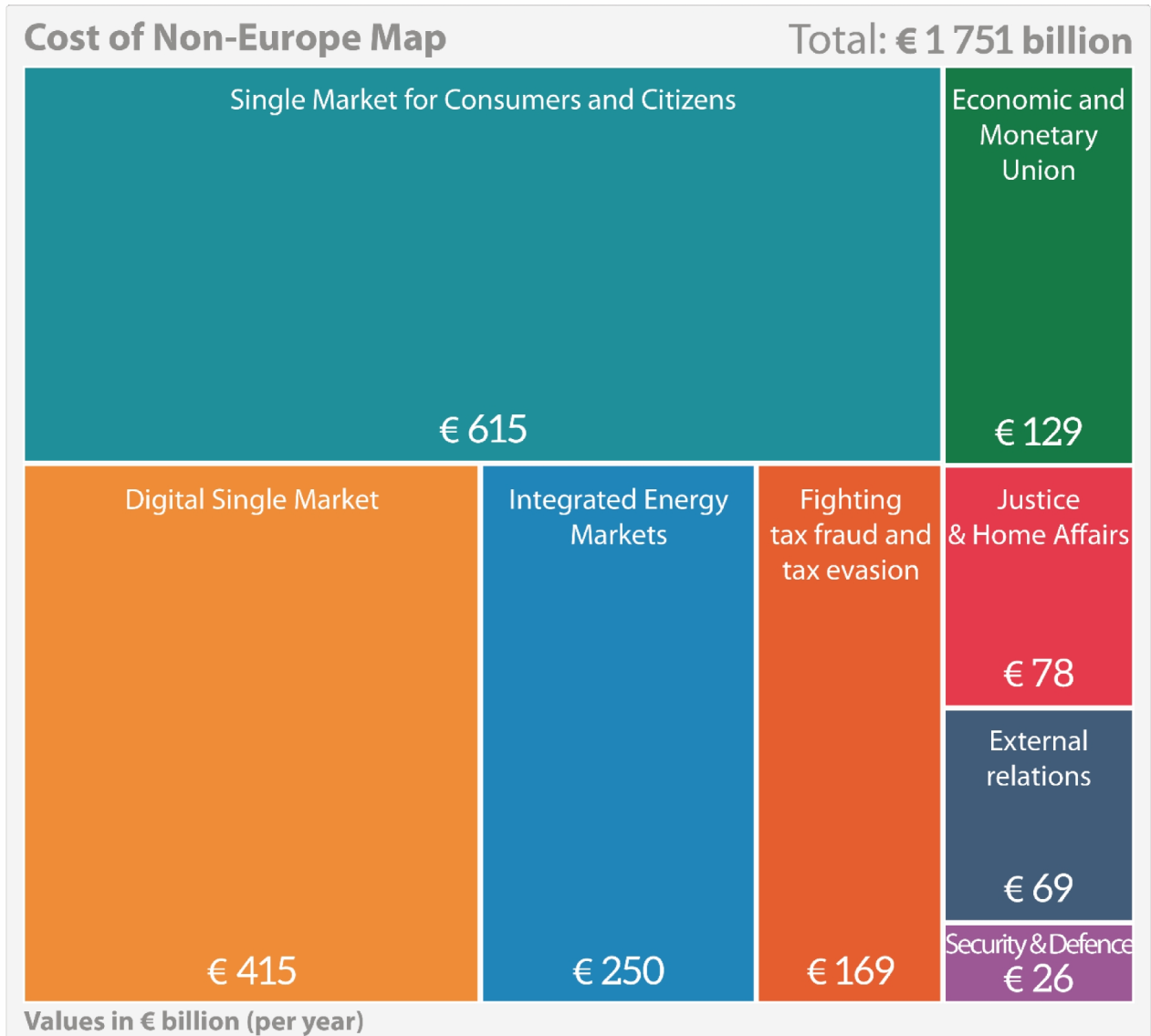
The potential multiplier effect of either deepening existing European action or undertaking new action in certain fields remains strong today. This paper offers a series of estimates for the possible economic gains – principally from additional GDP generated or a more rational allocation of public resources through better coordination of spending at national and European levels – that could help significantly to boost the European economy over time. They point to a strategy for 'growth without debt' as the Union slowly emerges from the recent economic, financial and sovereign debt crises. Some of the figures involved are significant, such as the €415 billion in additional GDP that the digital single market could bring, an amount larger than the GDP of several Member States. Other figures – such as those relating to harmonising passenger rights, codifying private international law, or improving the European Arrest Warrant – may be less eye-catching, but they are nonetheless designed to avoid real costs to individuals, so easing the everyday life of citizens.

The work on this project is on-going and is being updated regularly. In the first edition of this paper, published in March 2014, an initial figure for the cumulative potential GDP gain from a series of policy actions at European level, when fully realised, was cited as over €800 billion; in the second edition, in July 2014, this figure rose to just under €1 trillion. The third edition, published in April 2015, which contained in-depth studies on the single market and the digital single market, saw this figure rise upwards to nearly €1.6 trillion.

As result of further research undertaken over the last two years – with new areas being explored, such as the fight against tax fraud and tax evasion, the sharing economy or crime and corruption – the figure has now been revised slightly upwards to €1.75 trillion, representing approximately 12 % of EU GDP (2016). This increase is linked mainly to the inclusion of new policy fields in the discussion.

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DIGITAL ECONOMY

1. Digital single market

Potential efficiency gain: €415 billion per year

Key proposition

The digital revolution of the past few decades has profoundly affected the economy and society: it has changed people's everyday lives, and shopping and leisure habits, and has also deeply transformed the way business works. Today, digital services and telecommunications are responsible for over a quarter of economic growth in the European Union. They are crucial drivers for growth and highly-qualified jobs. The creation of a fully functioning digital single market (DSM) within the EU thus offers significant potential for future economic growth and appears to be vital for European competitiveness in a globalised world.

However, the EU is not yet making the most of the potential of the telecoms market and online business. The overall situation in the European digital field remains largely one of fragmentation, with essentially 28 coexisting national markets. Too many barriers still block the free flow of goods and online services across national borders, preventing the single market from meeting its full potential, and although e-commerce is growing rapidly in the EU - increasing at an average annual rate of 22 % - the level of cross-border e-commerce is still relatively low with around 80 % of EU online expenditures going to domestic sellers.⁴

Based on existing research, conducted notably by Copenhagen Economics,⁵ and on the findings of a Cost of Non-Europe Report commissioned by the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) from the European Added Value Unit of DG EPRS,⁶ it has been estimated that the potential gain in gross domestic product (GDP) from a completed digital single market could amount to between €415 and 500 billion per year (3.0 to 3.6 % of EU GDP). This added value would derive in particular from progress in the fields of e-commerce and e-procurement. However, as the complexity of the process makes it unlikely that removing barriers could, in practice, be achieved completely, the lower of these two figures was chosen as the estimate.

⁴ E Gomez-Herrera, B Martens and G Turlea, 'The drivers and impediments to cross-border e-commerce in the EU', JRC/IPTS Digital Economy Working Paper 2013-02, 2013.

⁵ Copenhagen Economics, [The Economic Impact of a European Digital Single Market, Final Report, March 2010](#).

⁶ [The Cost of Non-Europe in the Single Market III – Digital Single Market](#), EPRS, European Parliament, September 2014.

Against this backdrop, both the European Parliament⁷ and the Heads of State or Government have emphasised the urgency of creating a fully functioning DSM.⁸ For this purpose, the Juncker Commission presented a comprehensive 'Digital Single Market Strategy for Europe' on 6 May 2015,⁹ which aims to address many of the impediments highlighted in the Parliament's Cost of Non-Europe Report.

More detailed analysis

A fully functioning digital single market within the European Union should bring significant economic gains over time:

1. Higher productivity, resulting from the faster flow of information, benefits knowledge-service industries that depend on information for their services. Digitisation – if electronic invoicing were to be generalised – would also for instance increase productivity and reduce the cost of businesses-to-business (B2B) transactions and of government services, while at the same time generating substantial potential savings in public procurement procedures.
2. Greater efficiency and economies of scale can be exploited by businesses using e-commerce to trade across borders, reducing costs, increasing efficiency and promoting competitiveness, thus improving total factor productivity.¹⁰ E-commerce also helps businesses improve their sourcing strategies by making available a variety of production inputs at more competitive prices. According to Eurostat, B2B e-commerce accounts for as much as 87 % of e-commerce in revenue terms.¹¹ E-commerce also enables reduced transaction costs in traditional sectors, such as the free movement of goods and services.
3. It has been estimated that employment gains of 0.1 % - the equivalent of over 223 000 jobs - could be generated by 2020 as a result of a fully functioning DSM. Average wages would also increase slightly, boosting household incomes.
4. Structural changes would benefit the EU economy, with activity moving away from manufacturing and traditional service sectors towards knowledge services.
5. Consumer welfare improvements would result from a higher level of e-commerce, in terms of lower on-line prices and wider choice from a higher level of e-commerce (as a result of increased competition). The potential impact is

⁷ EP resolution of 4 July 2013 on [completing the digital single market](#) (2013/2655(RSP)).

⁸ European Council, [Strategic Agenda for the Union in Times of Change](#), Conclusions 26/27 of June 2014.

⁹ European Commission, [A Digital Single Market Strategy for Europe](#), May 6, 2015, COM(2015) 192 final.

¹⁰ L Aguiar and J Waldfogel, 'Quality Predictability and the Welfare Benefits from New products: Evidence from Digitisation of Recorded Music', JRC/IPTS Digital economy Working paper No 2014-12, 2014.

¹¹ European Commission, Eurostat, ICT survey of Enterprises, 2014.

estimated by the European Commission to be worth around €12 billion.¹² Along the same lines, a 2014 working paper on the digital economy estimated the 'consumer surplus value' of the internet - namely the possibility to buy goods or services corresponding better to a consumer's wishes - to amount to 1-2 % of GDP.¹³

Therefore, if e-commerce were to grow to 15 % of the total retail sector, which is a plausible assumption, and single-market barriers were eliminated, the total long-term consumer welfare gains are estimated at around €204 billion, equivalent to 1.6 % of EU GDP.

However, too many barriers still block online services and online transactions. The most serious impediments relate to e-privacy, e-payments, data protection, the VAT regime, lack of legal certainty, and the large number of geographical restrictions or 'geo-blocking' (access to products sold electronically being limited by law or practice to certain geographic areas). The effect is to partly renationalise the supply for goods and services. These obstacles clearly jeopardise the single market.

The European Parliament's Cost of Non-Europe Report quantified the direct costs associated with gaps in three specific areas:

- cloud computing: it pointed to the lack of liability of cloud computing service providers and the inconsistency of transnational laws and regulations;
- e-payments: the most serious barriers arose from the substantial differences in commercial practices between Member States and the excessive costs of making cross-border payments;
- postal and parcel delivery: considerable information gaps exist in relation to the availability of various delivery services and associated delivery options – both for consumers and e-retailers, with considerable costs involved. The Report expressed doubts as to the possibility of addressing these issues by means of voluntary self-regulation in the sector and the adoption of best practice.

It is therefore estimated that the direct 'cost of non-Europe' stemming from the lack of adequate legislation in these areas could be between €36 and 75 billion per annum (0.3 to 0.5 % of EU GDP).¹⁴

As a result of these findings, the Report highlighted the urgent need to bring EU single market rules up to date, in particular as regards on-line payments, e-invoicing, the protection of intellectual property rights, data protection and privacy, as well as value

¹² Civic Consulting, [The functioning of e-commerce and Internet marketing and selling techniques in the retail of goods](#), September 2011.

¹³ S Pantea and B Martensa, 'The Value of the Internet for Consumers', JRC/IPTS Digital Economy Working paper No 2014-08, 2014.

¹⁴ Ibid.

added tax (VAT) requirements. It pointed out that measures in these areas would generate trust in e-commerce and provide more adequate protection for EU consumers, who are still more inclined to shop online at domestic shops rather than with a seller in another country.¹⁵ This means that an important public good could be created by the establishment of comprehensive consumer protection fit for the digital age. If at the same time, effective pan-European legislation were to protect consumers from fraud, rogue trading and identity theft, this would boost confidence and the welfare gain would likely be substantial.

The Cost of Non-Europe Report also made a number of policy suggestions, with a view to addressing legislative gaps identified in the area of contract law, as well as with respect to horizontal enablers of the DSM, such as e-identification or postal and parcel delivery services. It also recommended putting in place online dispute resolution (ODR) – as well as alternative dispute resolution systems – for consumer disputes, which could generate savings of some €22 billion.¹⁶ Presented by the Commission in 2011, the ODR Regulation entered into force in June 2013.

Other estimates of the cost of non-Europe

Several existing studies confirm the substantial size of the potential gains to be expected from the realisation of a digital single market in Europe. As already indicated, detailed work undertaken by Copenhagen Economics in 2010¹⁷ estimates the long-term increase in GDP – resulting from an acceleration of the digital economy, involving increased use of online services, improved digital infrastructure and improved e-skills – to amount to at least 3 %, or around €500 billion per year at current prices.

Similar findings resulted from a 2014 study, which estimated the long-run impact on GDP growth to be over 1 % for digital reform efforts already undertaken and a further 2.1 % if the measures envisaged in the digital agenda for Europe were fully implemented.¹⁸

A 2014 study by the Conference Board¹⁹ argues that there is an urgent need for an integrated single digital and telecoms market in order to mobilise the potential of the

¹⁵ According to Eurostat, ICT survey of households, 2014, only 15 % of consumers bought online from other EU countries in 2014, with a total of 50 % of European shopping conducted online.

¹⁶ European Commission, [Impact Assessment](#) accompanying the proposal for a directive of the European Parliament and Council on alternative dispute resolution for consumer disputes (Directive on Consumer ADR) and proposal for a regulation of the European Parliament and Council on Online Dispute Resolution for consumer disputes (Regulation on Consumer ODR), COM(2011) 793 final; SEC(2011) 1409 final.

¹⁷ Copenhagen Economics, op. cit.

¹⁸ D Lorenzani and J Varga, 'The Economic Impact of Digital Structural Reforms', European Commission Economic Papers No 529, 2014.

¹⁹ [Unlocking the ICT Growth Potential in Europe: Enabling people and businesses](#), The Conference Board for the European Commission, January 2014.

digital economy, innovation and services. It develops four scenarios that show that information and communications technology (ICT) could be a major source of growth for the European economy (up to half of potential GDP growth in the Union), thereby creating hundreds of thousands of new jobs, notably for younger job-seekers, and a vibrant knowledge-based society.

As regards gains connected more specifically with productivity, the European Commission estimates that moving from the current situation, where electronic invoices account for only 5 % of B2B transactions, to one of widespread acceptance, would in itself bring benefits of around €240 billion over a six-year period (i.e. €40 billion annually).²⁰

Considerable efficiency gains and savings would result in particular from the generalisation of e-procurement. An estimation by the European Commission suggests potential savings for public authorities of €100 billion per annum, if all public procurement could be dealt with online.²¹ In this respect, the entry into force of the most recently up-dated Single European Payments Area (SEPA) rules in 2014 has prepared the ground and most likely enhanced the impact of the European e-invoicing initiative. It has been estimated that the additional gains from SEPA directly linked to completion of the DSM would range between €2.2 billion and €6.6 billion, and would accrue mainly to businesses.²²

Finally, considering the economic and commercial prospects of the cloud,²³ the Cost of Non-Europe Report on the DSM also calculated the potential cost savings for the private and public sectors from the wider use of cloud computing in Europe to be between €31 and €63 billion. Working from the assumption of an average of 18 % ICT expenditure savings by private organisations having already adopted cloud solutions,²⁴ the study applied this percentage to total expenditure on ICT; as not all savings can be attributed to legal, informational and implementation efforts, the mid-range result of €47 billion in savings has been kept for the purposes of the overall evaluation of the potential gains from the DSM.

²⁰ European Commission, [Reaping the benefits of electronic invoicing for Europe, December 2010](#), COM(2010)0712.

²¹ Directives [2014/24/EU](#) and [2014/25/EU](#). (The adoption of 'self-declarations' as preliminary evidence and the 'winning bidder' approach to documentary evidence would reduce administrative burdens associated with public tendering by 80 %).

²² [The Cost of Non-Europe in the Single Market III – Digital Single Market](#), EPRS, European Parliament, September 2014, p.58.

²³ European Commission, [Communication on Unleashing the Potential of Cloud Computing in Europe, COM\(2012\) 529](#) final, 2012. The Communication outlines actions designed to deliver a net gain of 2.5 million new European jobs, and an annual boost of €160 billion to EU GDP by 2020, by speeding-up and increasing the use of cloud computing across the economy as a whole.

²⁴ Quantitative Estimates of the Demand for Cloud Computing in Europe and the Likely Barriers to Up-Take, Report by IDC (2012) for DG Information Society, European Commission.

All of the above elements can be combined to provide a comprehensive picture of the building blocks of an integrated digital single market, set out in the table below:

Table 1: Potential GDP gains from completing the digital single market

Building blocks - Potential GDP gains from completing the digital single market	Cost of non-Europe (€ billion per year)
E-commerce	204 ²⁵
E-procurement	100 ²⁶
Single European Payments Area (SEPA) and e-payments	2
E-invoicing	40 ²⁷
Cloud computing	47
Online and alternative dispute resolution systems	22 ²⁸
Total:	415²⁹

European Parliament position in this field

Completing the digital single market has been a key priority for the European Parliament for some time. Back in 2013, the Parliament emphasised that removing existing barriers and completing the digital single market was crucial to stimulate growth and boost employment in the European economy. It stressed that fragmentation and lack of legal certainty were primary concerns in this field, and called notably for targeted legislative proposals to strengthen consumer access to, and trust in, products and services traded on line.

In a resolution entitled 'Towards a Digital Single Market Act', adopted as a follow-up to the Commission's DSM strategy for Europe, presented on 6 May 2015, the Parliament expressed concern over the diverging national approaches that Member States have pursued when regulating the internet and the sharing economy. The Parliament underlined that online and offline sales should be treated equally in terms of consumer protection, and that the Commission's proposals for cross-border contract rules should avoid setting different legal standards for these two kinds of purchase.

²⁵ European Commission, [Communication on a coherent framework for building trust in the Digital Single Market for e-commerce and online services](#), Brussels, 11.1.2012, COM(2011) 942 final, based on a study from Civic Consulting, 'Consumer market study on the functioning of e-commerce', 2011.

²⁶ European Commission, [Public Procurement Reform Factsheet No. 4 2014: e-procurement](#).

²⁷ European Commission, [Communication on Reaping the benefits of electronic invoicing for Europe](#), Brussels, 2.12.2010, COM(2010) 712 final, p. 2.

²⁸ See footnote 4, 0.17 % of EU GDP: estimated savings for European consumers if quality alternative dispute resolution is available. 0.02 % of EU GDP: potential savings for European consumers if online dispute resolution for cross-border e-commerce transactions is available. In aggregate terms, potential savings for European consumers are estimated at roughly €20 billion, which corresponds to 0.17 % of EU GDP, while for the latter these savings are estimated at around €2.5 billion, which corresponds to approximately 0.02 % of EU-27 GDP.

²⁹ The figures indicated should be understood to include a notional contribution to the sector concerned from the sharing economy (see Section 2 below and Cost of Non Europe map, p. 94).

The Parliament therefore advocated swift implementation of the proposals included in the DSM strategy in order to boost a more dynamic (digitised) economy conducive to innovation. More specifically, it recommended the elimination of barriers for businesses (especially for innovative enterprises, SMEs, start-ups and scale-ups) and the creation of a level playing-field, through the development of e-government, a future-proof regulatory and non-regulatory framework for the DSM, a long-term digital investment strategy and better access to finance.

The Parliament also supported the Commission's commitment to end unjustifiable geo-blocking practices, which often generate undesirable consequences, such as discriminatory payment conditions, extra-cost incurred by consumers, the creation of de facto monopolies and even the switching to illegal content by consumers. The resolution also urges the Commission to develop a strategy addressing shortages of e-skills, especially among young people.

As indicated above, the Parliament was also swift to recognise the potential of cloud computing, calling on the European Commission in 2013 to move quickly to propose a European-level strategy for this important market. Then, in 2016, the Parliament requested the Commission to establish a European open science cloud by the end of 2016, 'which should seamlessly integrate existing networks, data and high-performance computing systems and e-infrastructure services across scientific fields within a framework of shared policies, standards and investments'.

- European Parliament resolution of 11 December 2012 on completing the digital single market (2012/2030(INI))
Rapporteur: Pablo Arias Echeverría (EPP), IMCO Committee
Plenary vote: in favour: 604; against: 45; abstentions: 15
- European Parliament resolution of 4 July 2013 on completing the digital single market (2013/2655(RSP))
Co-rapporteurs: Pablo Arias Echeverría (EPP) and Malcolm Harbour (ECR), IMCO Committee
Plenary vote: in favour: 587; against: 48; abstentions: 4
- European Parliament resolution of 10 December 2013 on unleashing the potential of cloud computing in Europe, 2013/2063(INI)
Rapporteur: Pilar del Castillo Vera (EPP) – ITRE Committee
Plenary vote: Show of hands
- European Parliament resolution of 19 January 2016 'Towards a Digital Single Market Act', 2015/2147(INI)
Co-rapporteurs: Evelyne Gebhardt (S&D), Kaja Kallas (ALDE)
Plenary vote: in favour: 551; against: 88; abstentions: 39

European Commission proposals

Creating a connected digital single market is a core priority of the Juncker Commission. On 6 May 2015, the Commission presented its comprehensive 'Digital Single Market Strategy for Europe'³⁰ with a set of 16 key legislative and non-legislative initiatives organised under three pillars: 1) better access to digital goods and services; 2) a better business environment for digital networks and innovative services; and 3) maximising the growth potential of the digital economy.

As outlined in the recently published mid-term review,³¹ the Commission has taken initiatives in all 16 areas, with a total of 35 legislative proposals and other policy initiatives, while agreement has been reached on three proposals.³² The review outlines three main areas where the EU needs to act further - namely the European data economy, cybersecurity and online platforms - in order to ensure a fair, open and secure digital environment. The review also shows that substantial additional investment in digital skills, infrastructure and technologies is essential. At the same time, it reiterates the importance of creating a legal framework that stimulates innovation and tackles market fragmentation so as to provide trust, as well as stable and balanced conditions for all operators. Finally, the Commission's communication calls for timely delivery and effective implementation, the objective being to complete the strategy by 2018. In this respect, it refers to the inter-institutional joint declaration on EU legislative priorities, stressing the political responsibility of the three EU institutions - Parliament, Council and Commission - to finalise key legislation under the DSM by end of 2017.³³

European Council position in this field

The European Council has consistently supported the concept of a digital single market in Europe. In June 2010, it endorsed the Commission's flagship initiative on a 'Digital Agenda for Europe' and the establishment of an ambitious plan, based on concrete proposals, with the aim of creating a fully functioning digital single market by 2015. In October 2013, the European Council acknowledged that the completion of the digital single market could generate additional GDP growth of 4 % over the period up to 2020, and expressed support for new investments in infrastructure and the deployment of new technologies, such as 4G, while maintaining technology neutrality. It also called for the adoption of the EU general data protection framework and the Cyber-Security Directive as essential pieces of legislation for the completion of the digital single market by 2015.

³⁰ European Commission, [A Digital Single Market Strategy for Europe](#), May 6, 2015, COM(2015) 192 final.

³¹ European Commission, [Communication on the Mid-Term Review of the implementation of the Digital Single Market Strategy](#), May 10, 2017, COM(2017) 228 final.

³² The allocation of the 700 MHz band, the portability of online content, and wholesale roaming charges.

³³ [Joint declaration on the EU's legislative priorities for 2017](#), 13 December 2016.

In March 2014, the European Council agreed that the rapid conclusion of the work on all Single Market Act I proposals was an essential priority, particularly as regards key files such as e-identification/e-signature.

In its 2014 Strategic Agenda for the Union in Times of Change,³⁴ the European Council highlighted the key role of a functioning digital single market in boosting growth and jobs, and set the target of the end of 2015 for its achievement. Since the 2015 target could not be met, the European Council has called on several occasions for determined action on the digital agenda, in order to be able to reap the benefits of the digital era and boost innovation.

In June 2016,³⁵ the European Council adopted an agenda calling for swift progress to bring the full benefits of the digital single market to all stakeholders. It notably recommended the swift adoption of measures ensuring cross-border portability, the removal of barriers to e-commerce, including unjustified geo-blocking, and reduced costs of parcel delivery, as well as a modernisation of VAT systems.

In addition, the Heads of State or Government also called for a review of the wholesale roaming market, with a view to abolishing roaming surcharges by June 2017, an aim which has now become reality, and for the reform of the copyright and audio-visual frameworks, whilst inviting governments and EU institutions to meet the targets of the eGovernment action plan.

Furthermore, the European Council stressed the need to create the right conditions for stimulating new business opportunities by ensuring very high capacity fixed and wireless broadband connectivity across Europe. The review of the telecoms regulatory framework should aim to incentivise major network investments while promoting effective competition and consumer rights. The European Council added that it would review progress in this field every year in June.

The President of the European Council, in his conclusions from 9 March 2017,³⁶ reiterated the call for swift progress on legislative proposals, in line with the joint declaration of 13 December 2016 on the EU's legislative priorities for 2017. The conclusions stress that the shared objective remained the completion and implementation of the digital single market strategy by 2018.

Finally, in its June 2017 conclusions,³⁷ the European Council welcomed the Commission's DSM mid-term review and emphasised that further efforts were needed to achieve the level of ambition for the digital single market as reflected in the June 2016 conclusions.

³⁴ European Council, [Strategic Agenda for the Union in Times of Change](#), Conclusions 26/27 of June 2014.

³⁵ [European Council conclusions](#), 28 June 2016.

³⁶ [Conclusions by the President of the European Council](#), 9 March 2017.

³⁷ [European Council conclusions](#), 22-23 June 2017.

2. Sharing economy

Potential efficiency gain: up to €158 billion per year

Key proposition

In recent years, a major shift towards what is known as the 'sharing economy' – also referred to by the European Commission as the 'collaborative economy' – has begun to reshape modern economic relations. Although, no one can yet say with certainty to what extent the 'sharing economy' will change the economic landscape, the speed, dynamism and scale of the change seem to point to a substantial long-term trend. What is at work here is a transition from traditional individual ownership of most assets towards accessibility-based economic models in an increasing variety of markets.

A consensus has yet to be forged at EU level on either the name or the definition of these new economic models. Research undertaken by the European Added Value Unit of DG EPRS³⁸ for the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) in 2016 defined the sharing economy as follows: 'The use of digital platforms or portals to reduce the scale for viable hiring transactions or viable participation in consumer hiring markets (i.e. 'sharing' in the sense of hiring an asset) and thereby reduce the extent to which assets are under-utilised'.

The EPRS report on 'The Cost of Non-Europe in the Sharing Economy' estimated that the short-run gain from higher utilisation of assets made possible through sharing would generate around €21 billion per year. In the medium to longer term, this figure is expected to rise to €158 billion. In a barrier-free scenario, the full potential reduction in the under-utilisation of assets (including human capital) linked with the sharing economy across the EU28 would amount to €572 billion.

Therefore, in order to enable the sharing economy to reach its full potential, the introduction of barriers, which would be likely to limit the growth prospects of digital platforms, should be avoided. New initiatives concerning these platforms should be based on the application of existing competition rules, which have allowed the dynamic development of digital markets.

More detailed analysis

According to the Cost of Non-Europe Report, activity in the sharing economy is likely to grow in both scale and scope, extending to new markets and partly replacing formal economic activity.

³⁸ P Goudin, [The Cost of Non-Europe in the Sharing Economy: Economic, Social and Legal Challenges and Opportunities](#), EPRS, European Parliament, January 2016.

Two trends can be observed in the evolution of this rental-like model. Firstly, technological progress is enabling the new business model to spread to more and more markets and making it increasingly convenient and flexible. Secondly, over time, there is a shift to a peer-to-peer accessibility-based business model, centred on companies that operate through an online platform or marketplace that connects consumers owning certain assets and skills with consumers in temporary need of them.

The continuing growth of the sharing economy will have an impact on a range of market participants:

- consumers will be able to access better services at lower prices and without the need to make large purchases of expensive and then often under-utilised goods;
- providers will see new opportunities to work or increase their earnings, though they will tend to receive less in other benefits than those in traditional employment;
- competitors will face increased competition – sometimes in markets in which high earnings were possible and where they were previously sheltered from competition.

Other potential impacts can also be suggested or envisaged. For instance, there should be an opportunity to improve tax compliance, taking advantage of the increased use of electronic payments in sectors where cash was often the norm previously. At the same time, it does seem plausible that the sharing economy could create new forms of social exclusion; for instance, if certain providers are unable to maintain a reasonable score in ratings systems and other systems used to protect consumers.

Overall, it can be expected that the potential reduction in under-utilisation of assets (including human capital) associated with the sharing economy could amount to €572 billion in annual consumption across the European Union. This is, however, subject to a number of obstacles and barriers, such as digital access and skills, physical barriers (low population density), consumer preferences, labour market obstacles, tax policy and regulation. The value of many of the barriers should decline over time. In the short-run, higher utilisation of assets made possible through sharing would be worth around €21 billion per year. In the medium to longer term, that figure could rise to €158 billion. These amounts should, however, be compared with a potential maximum value of €572 billion in an obstacle-free environment.

That means the significance of regulatory barriers for the growth of the sharing economy can be expected to rise over time, as other obstacles, such as lack of digital access or skills and lack of consumer trust, decline. In the short-run, high-level regulatory barriers (deterring 30 % of remaining transactions) would cost around €6 billion a year, while low-level regulatory barriers (deterring 15 % of remaining transactions) would cost around €3 billion a year. Over time, as other barriers fall away and the sharing economy grows, this is expected to rise to the point where high regulatory barriers would cost €47 billion a year while low regulatory barriers would cost €24 billion a year.

That cost could rise further if other potential remaining obstacles, such as labour market obstacles, are eventually addressed successfully.

Other estimates of the cost of non-Europe

A 2016 study commissioned from PWC³⁹ for the European Commission shows that the annual growth rate of the sharing economy exceeded 25 % in recent years. The study found that, in 2015 alone, the gross revenue in the EU from collaborative platforms and providers totalled €28 billion within Europe, with five key sectors of the sharing economy generating platform revenues of close to €4 billion. These findings led the Commission to recognise this sector's strong potential.

The collaborative economy provides new opportunities for citizens and innovative entrepreneurs. But it has also created tensions between the new service providers and existing market operators. The Commission is therefore looking at ways of encouraging the development of new and innovative services, as well as at the temporary use of otherwise under-utilised assets, while ensuring adequate consumer and social protection.

As announced in its 2015 single market strategy, the Commission presented a communication on 'A European agenda for the collaborative economy'⁴⁰ on 2 June 2016. The agenda is to serve as legal guidance and policy orientation for Member States to help ensure balanced development of the collaborative economy across the EU and is aimed at supporting confident consumer, business, and public authority participation. This guidance is complementary to the Commission's broader approach to online platforms presented in May 2016 as part of the digital single market strategy. The guidance also drew on the results of the Commission's consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy, held from September 2015 to January 2016.

The 2015 ING global survey on the sharing economy⁴¹ in 15 countries (including 12 EU Member States) found that the majority of sharers across Europe (74 %) earned €1 000 or less in a year from sharing, with European sharers earning a median of around €300. According to the same survey, cars are the most frequently shared items (9 %), with holiday accommodation expected to take the lead as of 2016. The survey also showed that consumers seem to be less willing to share clothes (4 %), electrical items (4 %) and household appliances (4 %).

³⁹ PWC, Assessing the size and presence of the collaborative economy in Europe, Robert Vaughan and Raphael Daverio, UK, April 2016.

⁴⁰ The European Commission uses the terms 'sharing economy' and 'collaborative economy' interchangeably.

⁴¹ [ING International Survey, Special report on the sharing economy](#), published in Economy and Finance, July 2015.

Over the coming decade, a strengthened sharing economy could become a beacon of growth in the context of generally lower growth across Europe. The study forecasts growth in sharing economy revenues of roughly 35 % per year, around 10 times faster than the wider economy as a whole (which is expected to expand at roughly 3 % per year over the same period). PWC also expects the growth of the sharing economy to be broadly spread: by 2025, four out of the five sharing economy sectors assessed could enable over €100 billion of transactions on an annual basis, with only on-demand professional services still short of this level of sustained growth.

European Parliament position in this field

In its January 2016 resolution 'Towards a digital single market act',⁴² the European Parliament welcomed the increased competition and consumer choice arising from the sharing economy. It underlined in particular the opportunities for job creation, economic growth and competitiveness, for a more inclusive job market and a more circular EU economy through more efficient use of resources, skills and other assets. It urged the European Commission and Member States to support the further development of the sharing economy by identifying artificial barriers and relevant legislation hindering its growth. It called on the Member States to ensure that their employment and social policies are fit for purpose in terms of digital innovation, entrepreneurship, and growth of the sharing economy, which relies partly on more flexible forms of employment. It further urged the Commission to identify and facilitate exchanges of best practices in the EU in these areas and at international level.

The Parliament's IMCO Committee recently prepared an own-initiative report on the European agenda for the collaborative economy.⁴³ It was adopted by the plenary of the Parliament on 15 June 2017.⁴⁴ The resolution emphasises that:

- the collaborative economy is having a profound impact on long-established business models;
- the collaborative economy is more than just a business model; it has generated a new form of interaction between the economy and society, in which economic relations and social ones are intertwined. This has led to the emergence of new forms of community;
- if developed in a responsible manner, the collaborative economy could create significant opportunities for citizens and consumers, who would benefit from enhanced competition, tailored services and lower prices;
- this type of business could also generate new entrepreneurial opportunities, jobs and growth, and could play an important role in making the economic

⁴² European Parliament, resolution of 19 January 2016, [Towards a Digital Single Market Act \(2015/2147\(INI\)\)](#).

⁴³ European Commission, [European agenda for the collaborative economy](#), COM(2016) 356 final, 2 June 2016.

⁴⁴ European Parliament, resolution of 15 June 2017, [European Agenda for the collaborative economy \(2017/2003\(INI\)\)](#).

system not only more efficient, but also socially and environmentally sustainable.

The Parliament's resolution acknowledges the consequences that collaborative businesses are having on the urban environment. It also expresses concern about:

- the risk of having different legal standards for similar economic actors;
- the risk of reducing consumer protection, workers' rights and tax compliance;
- the risk of increasing regulatory grey areas, the consequent disregard of existing regulations and the fragmentation of the single market.

It therefore underlines that, if not properly governed, these changes could result in legal uncertainty about applicable rules and constraints in exercising individual rights, and considers the development of a dynamic and clear legal environment to be of paramount importance for the collaborative economy to flourish in the EU.

The text also points out that European entrepreneurs are showing a strong propensity to create collaborative platforms for social purposes, and acknowledges a growing interest in cooperative governance models. As a result, it calls on the Commission to encourage non-profit, user-governed, collaborative practices aimed at building sharing and cooperation, and a common approach to the collaborative economy, so as to foster the scalability of a social economy and access to open knowledge.

Earlier resolutions are also relevant. In its October 2015 resolution⁴⁵ on new challenges and concepts for the promotion of tourism in Europe, the Parliament emphasised that current legislation was not suited to the sharing economy. Parliament stressed that platforms needed to be fully accessible and that consumers using such sites must be correctly informed and not misled, and that their data privacy must be protected. The Parliament also pointed out that the technology companies acting as intermediaries needed to inform providers of their obligations, particularly as regarded the protection of consumer rights.

In a resolution⁴⁶ of July 2016 on tax rulings and other measures similar in nature or effect, the Parliament has also stressed the potential of digital solutions for effective tax collection, gathering tax data directly from operations in the sharing economy and lowering the overall workload of tax authorities in Member States.

⁴⁵ European Parliament, [resolution of 29 October 2015 on new challenges and concepts for the promotion of tourism in Europe](#) (2014/2241 (INI)).

⁴⁶ European Parliament, [resolution of 6 July 2016 on tax rulings and other measures similar in nature or effect](#), 2016/2038(INI).

- European Parliament resolution of 29 October 2015 on new challenges and concepts for the promotion of tourism in Europe (2014/2241(INI))
Rapporteur: Isabella De Monte (S&D)
Plenary vote: in favour: 485 ; against: 120; abstentions: 12
- European Parliament resolution of 16 December 2015 with recommendations to the Commission on bringing transparency, coordination and convergence to corporate tax policies in the Union, (2015/2010(INL))
Rapporteurs: Anneliese Dodds (S&D), Ludek Niedermayer (EPP),
Plenary vote: in favour: 500, against: 122, abstentions: 81
- European Parliament resolution 19 January 2016 'Towards a Digital Single Market Act' (2015/2147(INI))
Rapporteurs: Evelyne Gebhardt (S&D) and Kaja Kallas (ALDE)
Plenary vote : in favour: 551 ; against: 88; abstentions: 39
- European Parliament resolution of 15 June 2017 on a European Agenda for the collaborative economy (2017/2003(INI))
Rapporteur: Nicola Danti (S&D)
Plenary vote : in favour: 510 ; against: 60; abstentions: 48

European Council position in this field

At the Competitiveness Council on 29 September 2016, EU ministers discussed the Commission's agenda for the collaborative economy, and backed the balanced development of the collaborative economy in Europe, which benefits consumers as well as businesses.

SINGLE MARKET FOR CONSUMERS AND CITIZENS

3. Completing the European single market

Potential efficiency gain: €615 billion per year

Key proposition

The European single market is one of the greatest achievements of the European integration process, benefiting millions of businesses, consumers and citizens on a daily basis.⁴⁷ Since the launch of the project in the 1980s, the single market for goods and services has already contributed significantly to economic growth and consumer welfare within the European Union. Over the period from 1992 to 2006, the progressive deepening of the European market has, according to European Commission estimates, increased EU gross domestic product (GDP) and employment by 2.2 % and 1.3 %, representing figures of €306 billion (at current prices) and 2.8 million jobs respectively.⁴⁸

However, despite the largely successful adoption and implementation of over 3 500 individual single market measures during the last three decades, there are still significant challenges remaining and 'missing links'. A further deepening of the 'classic' single market could yield very substantial additional gains for EU consumers and citizens if remaining barriers could be eliminated and if exiting European law were applied effectively.

Research carried out by the European Added Value Unit of DG EPRS for the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) estimates that fully delivering the existing single market in the fields of free movement of goods and services, public procurement and in relation to the consumer *acquis*, whilst further completing it in other ways, could eventually generate €615 billion per annum in additional gains for the EU economy, representing 4.4 % of EU GDP (after full phasing-in).⁴⁹

Combining these findings with research on specific aspects of the single market, such as the digital single market,⁵⁰ a subsequent EAVA study from January 2016 found that the potential economic gain of full completion of the single market could amount to as

⁴⁷ See for example the study by Europe Economics, [Measuring the Benefits to UK Consumers from the Creation of the European Single Market: Feasibility Study and Test Case](#), 2014.

⁴⁸ E Casalprim, [The Added Value of the European Single Market](#), DG EPRS, European Parliament June 2013.

⁴⁹ Z Pataki, ['Cecchini Revisited' An overview of the potential economic gains from further completion of the European Single Market](#), DG EPRS, European Parliament, September 2014.

⁵⁰ [The Cost of Non-Europe in the Single Market III - Digital Single Market](#), EPRS, European Parliament, September 2014.

much as €1 trillion per annum.⁵¹ Crucially, this paper, which is based on the conclusions of a high-level panel of experts formed by the IMCO Committee in 2015, outlines a strategy to tap the full economic potential of the single market, and suggests the necessary practical measures to carry it out. For the purpose of the present paper, the findings of the first study were nevertheless kept and a distinction between the classic and digital single markets maintained.⁵²

More detailed analysis

The European single market for goods and services has already reached a high level of economic integration in what is now the largest combined market-place in the world. The data available suggests that European integration and the creation of the internal market has already substantially benefitted the economies of the Member States.⁵³ While the range of estimates on the benefits diverge, all studies tend to agree that the relationship between European integration and economic benefits for Member States is strong and positive.

However, as pointed out by the high-level panel of experts set up by the IMCO Committee,⁵⁴ all Member States recognise that the single market is under-performing in almost all areas – notably in boosting the digital economy as a driver for cross-border trade, in successfully promoting start-ups, in integrating the EU economy into global supply-chains, and in promoting and regulating new business models; it is also falling short on market facilitation, on standardisation and on the licensing of professionals. The incompleteness of the European single market implies significant efficiency losses and costs for the EU economy, and for EU society as a whole.

The economic rationale and potential benefits of a completed single market have yet to be fully realised. Findings from research carried out by the European Added Value Unit suggests that further deepening the 'classic single market' could still lead to significant gains for EU consumers and citizens, eventually increasing EU-28 GDP by €615 billion or 4.4 %, if remaining barriers could be eliminated and existing European law were applied effectively.

This study found that, for the free movement of goods alone, untapped potential still represents as much as €183 billion per year – 1.3 % of EU GDP. This figure takes account only of the statistical effects of intra-EU trade in goods and does not include or quantify the dynamic effects – in other words, the multiplier effect of increased trade through, for example, greater economies of scale, lower consumer prices or improved innovation.

⁵¹ S de Finance et al., [A strategy for completing the Single Market: 'The trillion euro bonus - Summary Report of the High-Level Panel of Experts to the IMCO Committee](#), EPRS, European Parliament, January 2016.

⁵² The classic and the digital single markets constitute separate points on the political agenda and are subject to distinct policy action plans.

⁵³ N Campos, F Coricelli and L Moretti, ['Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union using the Synthetic Counterfactuals Method'](#), IZA Discussion Paper No 8162, May 2014.

⁵⁴ S de Finance et al., op cit.

The long-term potential gains from completing the single market in services is of the order of €338 billion or 2.4 % of EU GDP. Fully implementing and exploiting the existing 2006 Services Directive alone, which covers perhaps 40 % of the services economy, could amount to 0.3 to 1.5 % of EU GDP. There would also be gains from services in the network industries, professional services and from the railway sector.

A study on the body of EU consumer law (referred to as the consumer *acquis*), which was carried out in parallel, suggests that consumer detriment resulting from an incomplete single market in this field is of the order of €58 billion per year or 0.42 % of EU GDP. Further gains from improved enforcement of existing law⁵⁵ would lead to a more equal application of that consumer *acquis* across Europe, greater legal certainty for market operators, greater competition on retail markets, higher consumer trust, fewer compliance costs for businesses, lower litigation costs and less consumer detriment overall.

Table 2: Potential GDP gains from closing gaps in the EU single market

Potential GDP gains from closing gaps in the EU single market	Cost of non-Europe (€ billion)
Free movement of goods	183
Free movement of services	338
Consumer <i>acquis</i>	58
Public procurement and concessions	36
Total:	615

When combining the findings of the above study with research on specific aspects of the single market, such as the digital single market⁵⁶, a subsequent paper published by the European Added Value Unit⁵⁷ suggested that the potential economic gain of full completion of the single market could amount to as much as €1 trillion per annum.⁵⁸

This single market growth 'bonus' has however yet to be materialised. The European Commission has estimated for instance that the average economic value added of the Services Directive between 2012 and 2014 was + 0.1 % of GDP over five to ten years, while a gain of between + 0.8 and + 1.8 % could have been expected.⁵⁹ Impact is not the same thing as implementation or potential. So it is important to identify the causes of under-performance to date.

⁵⁵ European Consumer Summit, [Towards a more efficient enforcement of EU Consumer Rights](#), 2013.

⁵⁶ [The Cost of Non-Europe in the Single Market III - Digital Single Market](#), EPRS, European Parliament, September 2014.

⁵⁷ [A strategy for completing the Single Market: The trillion euro bonus](#) - Summary Report of the High-Level Panel of Experts to the IMCO Committee, EPRS, European Parliament, January 2016.

⁵⁸ [A strategy for completing the Single Market: 'the trillion euro bonus'](#) - Summary Report of the High-Level Panel of Experts to the IMCO Committee, EPRS, European Parliament, January 2016.

⁵⁹ European Commission, [State of the Single Market Integration 2013](#), COM (2012) 752 final; see also European Commission, Update of the 2012 assessment of the economic impact of the Services Directive, presentation of 17 September 2015.

The Organisation for Economic Co-operation and Development (OECD) has pointed out the growth impediment caused by diverging product market regulations and the often adverse effect on foreign direct investment of regulatory heterogeneity.⁶⁰ Poor enforcement of EU legislation, especially directives,⁶¹ is a major factor, as the most efficient mechanisms (trade and competition) depend on regulation at EU rather than at Member State level.⁶² Mutual recognition is often not respected.⁶³

Consequently, a crucial question that needs to be raised at the highest political level is to determine why – despite clear diagnosis of problems, identification of obstacles and regular acknowledgement of the need for reform – has action at national and EU levels too often lagged behind. It is indeed largely remarkable that calls for action made notably in the 2010 Monti Report have remained unanswered – although many of the suggestions or proposals made remain valid today.⁶⁴

In this context, the European Added Value Unit's January 2016 paper, which summarises the main conclusions of a high-level panel of experts set up by the EP IMCO Committee in 2015, shapes a comprehensive strategy to achieve the full economic potential of the single market. It notably outlines concrete steps to further integrate the European market, and suggests to initiate measures to:

- encourage innovation, entrepreneurship and facilitate start-ups;
- shape a less static environment, which implies not only better regulation, but also common regulation where possible, in areas such as telecoms, certification, public procurement, energy and rail;
- develop a 'fifth freedom' for knowledge:⁶⁵ innovation can be inhibited by regulation, so it is crucial to find the optimal level of regulation;

⁶⁰ J-M Fournier, Reinvigorating the EU Single Market, OECD Economics Department Working Paper No 1159, ECO/WKP(2014)55.

⁶¹ For overview of transposition and compliance deficit of Single Market Directives see the 2015 European Commission [Scoreboard](#). According to European Commission data as of 10 May 2015, there were 1 115 directives in force regulating functioning of the single market. In absolute terms, 46 directives were not transposed on time in at least one Member State. The main problem areas are: financial services, environment, employment and social policy and transport.

⁶² J Pelkmans and A Correia de Brito, [Enforcement in the EU Single Market](#), Centre for European Policy Studies, 2012.

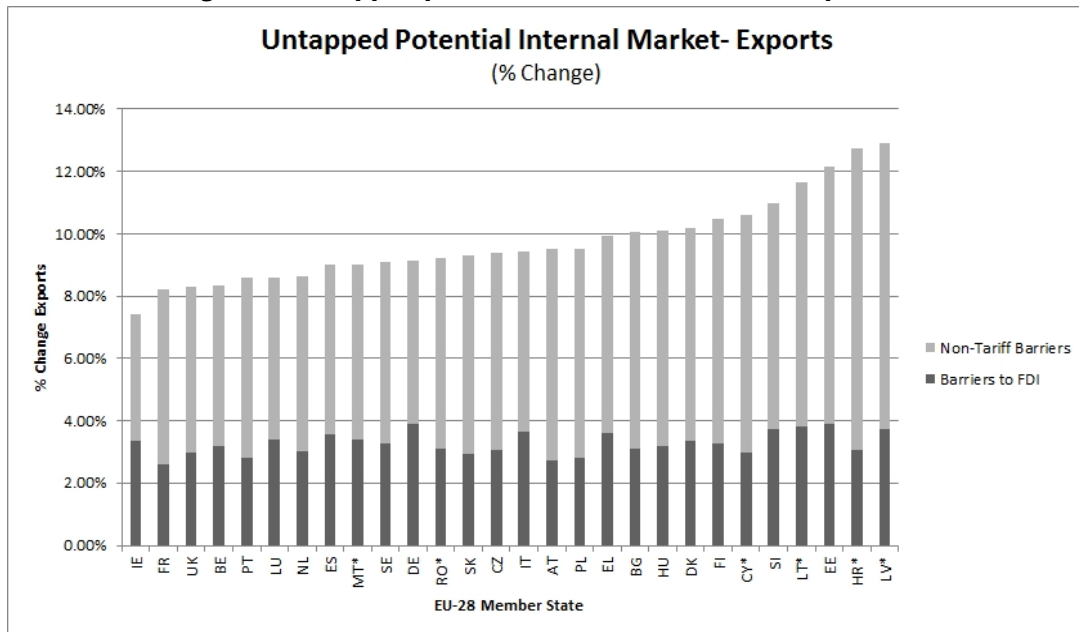
⁶³ Evidence given by Ms Dragsdahl, Confederation of Danish Industry, 18 March 2015.

⁶⁴ There is a wealth of policy analysis and economic diagnosis on the reasons why the European Union single or internal market is not performing to its full potential. Most recently, see for instance M Mariniello, A Sapir and A Terzi, The long road towards the European Single Market, Bruegel Working Paper 2015/01, March 2015.

⁶⁵ Council of the European Union, [Presidency Conclusions](#), 20 May 2008, 7652/1/08; see also European Commission, Communication from the Commission to the Council and the European Parliament, [European Research Area: Progress Report 2014](#), COM (2014) 575 final; C Salm and T Zandstra, [European Research Area](#), EPRS, European Parliament, May 2016.

- facilitate access to credit: free movement is an important element but not the only condition for economic growth – access to credit being also a major factor;⁶⁶
- set out flanking measures and complementary policies in areas such as education and the improvement of skills.⁶⁷

Figure 1: Untapped potential of internal market - exports



The European Commission's new single market strategy of 28 October 2015 does provide a list of measures necessary to deliver a deeper and fairer single market and the core action necessary to improve its functioning.⁶⁸ It does not, however, do enough to address the need for a new strategic vision. The core argument developed in the strategy, and shaped by the European Parliament, is that the EU needs strategic vision and political leadership to re-frame the single market discourse.

Other estimates of the cost of non-Europe

Whatever the economic gains achieved, a number of other studies support the proposition that a fuller and deeper single market could yield greater benefits still.⁶⁹ The

⁶⁶ See for example data and analysis by the [World Bank](#).

⁶⁷ M Mariniello, A Sapir and A Terzi, The long road towards the European Single Market, Bruegel Working Paper 2015/01, March 2015.

⁶⁸ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, [Upgrading the Single Market: more opportunities for people and business](#), 28.10.2015, COM(2015) 550 final.

⁶⁹ F Izkovitz, A Dierx, V Kovacs and N Sousa, [Steps towards a deeper economic integration: the Internal Market in the 21st century - a contribution to the Single Market Review](#), European Economy, Economic Papers No 271, January 2007.

2010 Monti Report⁷⁰ suggested that half of all single market directives face implementation difficulties of some kind. One study on the benefits of the single market⁷¹ estimates that, if all remaining barriers to trade were fully eliminated within the Union, GDP could be as much as 14 % higher in the long run relative to a scenario of no further integration. Based on this approach, another study⁷² concludes that even a more modest objective of reducing the remaining trade barriers within the EU by only half would raise the long-term level of EU GDP by 4.7 %. A further major study, undertaken for the European Commission in October 2013, identifies six areas in which the single market needs to be further developed (construction, retail trade, business services, wholesale trade, logistics and accommodation) and suggests corresponding policy options.⁷³ Econometric analysis suggests that completing the single market in these sectors could boost them by 5.3 %, and EU GDP by 1.6 %. In its communication 'Upgrading the Single Market', of October 2015, the Commission estimates that more ambitious implementation of the Services Directive would raise EU GDP by 1.8 %.⁷⁴

European Parliament position in this field

The European Parliament believes that the free movement of goods, capital, services and people offers yet untapped potential for citizens and business, in terms of efficiency, growth and job creation. It considers that the single market is now in significant need of new momentum, and has called on the Commission to put forward legislative proposals accordingly. This pressure led to the Commission's communications on the Single Market Act (April 2011) and Single Market Act II (October 2012).

The Parliament is also anxious that the environmental and social dimensions be properly integrated into the single market strategy. It seeks to support the creation of a sustainable single market through the development of an inclusive, low-carbon, green, knowledge-based economy, including measures to further any innovation in cleaner technologies. It intends to put consumer interests and social policy at the heart of the single market, notably by ensuring the protection of services of general economic interest and improving the informal problem-solving mechanisms in the single market (such as SOLVIT).

Finally, the Parliament has called for improved governance of the single market, for example by developing an analytical tool to measure single market integration within the framework of the 'single market pillar' of the European Semester in relation to the

⁷⁰ M Monti, [A new strategy for the Single Market: At the service of Europe's economy and society](#), 2010.

⁷¹ V Aussilloux, C Emlinger and L Fontagné, ['What benefits from completing the Single Market?'](#), *La Lettre du CEPII*, No 316, 15 December 2011.

⁷² Y Decreux, 'Completing Single Market II', in the HM Government and Centre for Economic Policy Research (CEPR) study, [Twenty Years On: The UK and the Future of the Single Market](#), 2012.

⁷³ London Economics and PwC, [The cost of non-Europe: the untapped potential of the European Single Market](#), April 2013.

⁷⁴ J Monteagudo, A Rutkowski and D Lorenzani, [The economic impact of the Services Directive: A first assessment following implementation](#), Economic Papers 456, European Commission, June 2012.

country-specific recommendations (CSRs) under the Economic and Monetary Union (EMU).

- European Parliament resolution of 20 May 2010 on delivering a single market to consumers and citizens (2010/2011(INI))
Rapporteur: Louis Grech (S&D), IMCO Committee
Plenary vote: in favour: 578; against: 28; abstentions: 16
- Motion for a resolution of 14 June 2012 on Single Market Act: The Next Steps to Growth. (2012/2663(RSP))
Plenary vote: in favour: 554; against: 41; abstentions: 20
- European Parliament resolution of 25 October 2012 on the 20 main concerns of European citizens and business with the functioning of the Single Market (2012/2044(INI))
Rapporteur: Regina Bastos (EPP), IMCO Committee
Plenary vote: Show of hands
- European Parliament resolution of 7 February 2013 with recommendations to the Commission on the governance of the Single Market (2012/2260(INL))
Rapporteur: Andreas Schwab (EPP), IMCO Committee
Plenary vote: in favour: 527; against: 30; abstentions: 31
- European Parliament resolution of 25 February 2014 on Single Market governance (2013/2194(INI))
Rapporteur: Sergio Gaetano Cofferati (S&D), IMCO Committee.
Plenary vote: in favour: 607; against: 64; abstentions: 9.
- European Parliament resolution of 25 February 2014 on Single Market governance within the European Semester 2014 (2013/2194(INI))
Rapporteur: Sergio Gaetano Cofferati (S&D), IMCO Committee
Plenary vote: in favour: 607; against: 64; abstentions: 9
- Single Market governance within the European Semester 2015, (2014/2212(INI)).
Rapporteur: Ildikó Gáll-Pelcz (EPP), IMCO Committee
Plenary vote: in favour: 568; against: 107; abstentions: 11
- European Parliament resolution of 26 May 2016 on the Single Market Strategy (2015/2354(INI))
Rapporteur: Lara Comi (EPP), IMCO Committee
Plenary vote: in favour: 423; against: 92; abstentions: 54
- European Parliament resolution of 25 February 2016 on the Single Market governance within the European Semester 2016 (2015/2256(INI))
Rapporteur: Catherine Stihler (S&D) - IMCO Committee
Plenary vote: in favour: 462; against: 166; abstentions: 7
- European Parliament resolution of 15 February 2017 on the Annual Report on the Single Market Governance within the European Semester 2017 (2016/2248(INI))
Rapporteur: Antonio López-Istúriz White (EPP) - IMCO Committee
Plenary vote: in favour: 568; against: 122; abstentions: 1

European Council position in this field

The European Council welcomed the Monti Report in June 2010 and the following year, it endorsed the concept of the Single Market Act, initiated by the Parliament and adopted by the Commission. It also invited the co-legislators to adopt, by the end of 2012, a first set of priority measures to bring new impetus to the single market, with a particular emphasis on measures that create growth and jobs. This wish was reiterated in March 2012.

In December 2013, the European Council called for enhanced efforts as regards the speedy adoption of remaining legislation under the Single Market Acts I and II, and the swift implementation by Member States of the measures they contain.

In December 2015, 'further to the Commission's initiatives to strengthen and deepen the single market', the European Council called 'for ambition in the implementation of the roadmap for delivering on the single market strategy (so as) to achieve a deeper and fairer single market for goods and services in all key areas'. 'In the interest of consumers and industry alike', it invited 'the EU institutions to accelerate implementation of the digital single market strategy' in particular.

In June 2016, the European Council stated that 'Delivering a deeper and fairer single market will be instrumental in creating new jobs, promoting productivity and ensuring an attractive climate for investment and innovation. This requires a renewed focus across Europe. The European Council calls for the different single market strategies, including on energy, proposed by the Commission, to be completed and implemented by 2018'.

Finally, in June 2017, the European Council reiterated the importance of a well-functioning single market, with its four freedoms, in fostering growth, creating jobs and promoting investments and innovation. It underlined that co-legislators had made it possible to achieve significant progress towards the shared objective of completing and implementing the various strategies by 2018. Yet, it stressed that there were still gaps which required further attention and emphasised that further efforts were needed from the EU and its Member States to achieve the ambitions for the single market as set out in the June 2016 conclusions, including on services, the digital single market, the capital markets union and the energy union, including interconnections.

4. Single European transport and tourism areas

Potential efficiency gain: €11 billion per year

Key proposition

Transport plays a key role in the smooth running of the European Union's internal market, allowing people, goods and services to move freely across the borders and throughout the territory of the Member States. Despite significant progress made over the last 20 years in creating a single market for transport, the sector still suffers from multiple barriers – such as incomplete liberalisation, increasing technological complexity and red tape – which generate substantial additional costs.

This dynamic sector is also facing serious negative external factors affecting the environment, safety, human health and the overall competitiveness of the economy and quality of life. Moreover, new socio-economic and technological challenges such as the sharing economy, automation and digitalisation are constantly creating new opportunities as well as challenges. There is therefore an increasing need for integrated measures to secure efficient transport systems, higher levels of transport safety, adequate social rules and the enhanced environmental sustainability of the sector.

Research commissioned by the European Added Value Unit for the European Parliament's Committee on Transport and Tourism (TRAN)⁷⁵ has shown that the removal of inefficiencies in the transport and tourism sectors has the potential to yield annual gains of at least €5.7 billion in the area of transport and to boost tourism by the same amount. A better functioning transport market would mean improved mobility for consumers, enhanced environmental sustainability, better intra-EU connectivity and greater international competitiveness.

More detailed analysis

The European Parliament's research estimates the potential benefits of removing barriers and inefficiencies in the single market for *rail transport* at between €20 and 55 billion during the 2015-35 period, or between €1 and 2.7 billion per year. Integration in the *road sector* could bring a net benefit of €50 to 90 billion over the same period, or between €2.5 and €4.5 billion per year.

These figures reflect direct efficiency gains for the economy and represent a small proportion of potential overall benefits were fuller integration in rail sector be seriously pursued. Broader indirect benefits such as environmental sustainability, better intra-EU

⁷⁵ M Nogaj, [Cost of Non-Europe Report - Single Market in Transport and Tourism](#), EPRS, European Parliament, October 2014.

connectivity, better passenger information and greater international competitiveness could raise the total benefits even more.

In the *air and maritime transport* sectors, the completion of the single market would raise efficiency, with shorter routes and lower operational and environmental costs. In air transport, between €18 billion and 36 billion could be saved over the 2014-34 period, or between €0.9 and 1.8 billion per year. Optimisation of maritime and inland logistic container routes could generate between €26 and 52 billion in savings over the same period, or between €1.3 and 2.6 billion annually.

The European *tourism sector*, a vital component of the economy in terms of growth and employment, continues to be hampered by market inefficiencies. Further benefits can be achieved by addressing the sectors which have lowest economic efficiency, supporting the development of SMEs (especially in the food-related sector), and promoting the development of quality, sustainable tourism. The potential efficiency gains have been estimated at an average between €5.7 and 6.7 billion per year.

Table 3: Building blocks - Potential savings and efficiency gains in transport and tourism by sector

Building blocks - Potential savings and efficiency gains in transport and tourism by sector	Annual cost of non-Europe (€ billion) ⁷⁶
Rail transport	1
Road transport	2.5
Air transport	0.9
Water transport	1.3
Total for transport	5.7
Tourism	5.7
Overall total:	11.4

Other estimates of the cost of non-Europe

A number of other studies already point to significant gains from targeted action in specific sectors.

In *rail transport*, a quantitative impact assessment⁷⁷ has estimated the net gains from further market opening, greater open tendering for public service contracts and

⁷⁶ M Nogaj, [Cost of Non-Europe Report - Single Market in Transport and Tourism](#), EPRS, European Parliament, October 2014, p.62. Low-range value estimates have been taken.

⁷⁷ [Further action at European level regarding market opening for domestic passenger transport by rail and ensuring non-discriminatory access to rail infrastructure and services](#), Steer Davies Gleave for the European Commission, November 2012.

continued unbundling to be in the range of €18 billion to 32 billion over a 15-year period from 2019 to 2034 (when the full effect can be expected). If the lower figure is retained for the purpose of a cautious estimate, this would mean average benefits in the region of €1 billion per year.

Another study has identified the economic benefits that can be expected from the revision of the institutional framework in which the European Railway Agency (ERA) operates and facilitating the creation of a single European rail transport area.⁷⁸ Benefits would arise principally from savings in safety certification and rolling authorisation. It has been estimated that the benefits from shared competence on the part of the ERA and national supervisory authorities (NSAs) in these fields could be worth €508 million over the period from 2015 to 2025, or some €50 million per year.

In *water transport*, a European Commission impact assessment identified significant benefits from the liberalisation of the provision of port services and from the increased financial transparency of ports.⁷⁹ Total port-related costs could be cut by around 7 %. This represents savings of about €1 billion annually.

In *air transport*, a 2011 study highlighted a number of problems, including less than full use of capacity at some airports and the difficulties faced by carriers trying to expand their operations at congested airports to compete with incumbent carriers.⁸⁰ Also identified were the inadequate operation of the slot coordination process and a lack of consistency with the Single European Sky. The study estimated that a review of European slot allocation rules alone could lead to €5 billion in efficiency gains by 2025, or €334 million per year (estimated over a period of 15 years from 2010 to 2025).

Furthermore, a study for the Commission has found that the productivity gain attainable in the road freight market is estimated at 231 tonne-km per employee, which corresponds to a reduction of the productivity gap from 36 to 10 %. Productivity gaps in land transport of freight mainly arises because of factors such as the poor degree of liberalisation, congestion and infrastructure bottlenecks.

European Parliament position in this field

The European Parliament has stressed the importance of a single European transport area characterised by intermodality, inter-connectivity and inter-operability, based on

⁷⁸ [Impact assessment support study on the revision of the institutional framework of the EU railway system, with a special consideration to the role of the European Railway Agency](#), Steer Davies Gleave for the European Commission, June 2012.

⁷⁹ European Commission, [Impact Assessment](#) accompanying the proposal for a regulation establishing a framework on the market access to port services and the financial transparency of ports, SWD(2013)0182, May 2013.

⁸⁰ European Commission, [Impact Assessment](#) accompanying the White Paper – Roadmap to a Single European Transport Area - Towards a competitive and resource-efficient transport system, SEC(2011)0391, March 2011.

genuine European management of transport infrastructure and systems, and which is to be achieved by eliminating 'border effects' between Member States in all transport modes. The Parliament has strongly supported efforts to increase the sustainability of transport, for instance by promoting the take-up of alternative fuels. It has called on the Commission to adapt the sector's greenhouse gas (GHG) emissions targets to the EU 2030 climate goals and called for a proposal that will deliver the White Paper's⁸¹ long-term target of a reduction in GHG emissions from transport of at least 60 % by 2050. It also stressed that a single European transport area requires effective implementation of EU legislation by Member States, and where necessary its simplification.

Several EU legislative proposals have recently been adopted in the transport field, and if properly implemented, they will further strengthen the single European transport area.

- *Railways*: The fourth railway package was finally adopted in 2016.⁸² In relation to market reforms, the Parliament insisted that: (i) Member States should be given enough flexibility to organise their rail networks allowing a mix of open-access services and services performed under public service contracts; (ii) social provisions should be strengthened; (iii) an information and ticketing system common to infrastructure managers, all rail companies, and stakeholders, should be adopted. Implementation of the package would accelerate completion of rail market liberalisation and strengthen competitiveness of the railway sector in Europe.
- *Waterways*: Technical requirements for inland waterway vessels were regulated at EU level in 2016⁸³ by a directive that will ensure more legal certainty and promote innovation. The Parliament was in favour of the provisions on facilitated and timely introduction of technical adaptations to technical progress. The Parliament also supported measures ensuring maintenance of high safety standards on all EU inland waterways.
- *Maritime transport*: The Parliament supported two recently adopted pieces of legislation. First, a 2015 regulation on the monitoring, reporting and verification of carbon dioxide emissions,⁸⁴ which the Parliament considered to be a first step in setting global standards for shipping emissions. The Parliament has repeatedly called on the Commission to submit legislation on the inclusion of maritime transport in the EU GHG emissions reduction targets,⁸⁵ since it is the only means of

⁸¹ European Commission, [2011 White paper on transport](#), DG Transport and Mobility.

⁸² European Commission, [Fourth railway package of 2016](#), DG Mobility and Transport.

⁸³ Directive (EU) 2016/1629 of the European Parliament and of the Council of 14 September 2016 [laying down technical requirements for inland waterway vessels](#), amending Directive 2009/100/EC and repealing Directive 2006/87/EC.

⁸⁴ [Regulation \(EU\) 2015/757 of the European Parliament and of the Council of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC \(Text with EEA relevance\)](#).

⁸⁵ Parliament's call was repeated in amendments adopted by the European Parliament on 15 February 2017 to the proposal for a directive of the European Parliament and of the Council amending Directive

transportation not yet included. Second, a 2017 piece of legislation on market access to port services and financial transparency of ports aimed at making EU ports more efficient and attractive to investors.⁸⁶ Although the new rules will not impose any specific management model on ports, they do lay down conditions if ports wish to set minimum requirements for certain services or to restrict the number of providers of these services. Furthermore, in June 2017, the co-legislators reached an interinstitutional agreement to revise three directives in the area of passenger ship safety.

- *Aviation*: The Parliament welcomed the Commission's 2015 aviation strategy⁸⁷ and the latest package of 2017 proposals.⁸⁸ The Parliament has called for a holistic and ambitious approach to EU aviation policy, underlining the importance of the safety principle.

- European Parliament resolution of 15 December 2011 on the Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system 2011/2096 (INI)
Rapporteur: Mathieu Grosch (EPP), TRAN Committee
Plenary vote: in favour: 523; against: 64; abstentions: 37
- European Parliament resolution of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility 2015/2005(INI)
Rapporteur: Wim van de Camp (EPP), TRAN Committee
Plenary vote: in favour: 599; against: 80; abstentions: 16
- European Parliament resolution of 16 February 2017 on an Aviation Strategy for Europe 2016/2062(INI)
Rapporteur: Pavel Telička (ALDE), TRAN Committee, and Ole Christensen (S&D), EMPL Committee
Plenary vote: in favour: 397; against: 99; abstentions: 49

European Commission position in this field

The Commission's 2017 mobility package comprises eight legislative proposals accompanied by non-legislative documents. It aims at the modernisation of EU road transport, keeping it competitive, providing rules ensuring social fairness, accelerating

2003/87/EC [to enhance cost-effective emission reductions and low-carbon investments](#) (COM(2015)0337 – 2015/0148(COD)).

⁸⁶ Regulation (EU) 2017/352 of the European Parliament and of the Council of 15 February 2017 [establishing a framework for the provision of port services and common rules on the financial transparency of ports](#) (Text with EEA relevance).

⁸⁷ European Commission, communication, [An Aviation Strategy for Europe](#), COM(2015)598.

⁸⁸ European Commission, [Aviation Strategy for Europe](#), DG Mobility and Transport.

the shift to clean energy, and digitalisation.⁸⁹ Proposals concern improving the functioning of the road haulage market, enhancing the employment and social conditions of workers and promoting smart road charging in Europe. Over the next 12 months, the Commission will present further proposals, not least on post-2020 emissions standards for cars and vans and, for the first time, for heavy-duty vehicles.

The Commission presented the aviation strategy in 2015;⁹⁰ the latest proposals in this field were published in June 2017. In 2015, the Commission withdrew a proposal for a directive on aviation security charges and a proposal for a regulation on ground handling services at EU airports, as no agreement among Member States could be reached.

⁸⁹ European Commission, [Europe on the Move: Commission takes action for clean, competitive and connected mobility](#), DG Mobility and Transport.

⁹⁰ European Commission, communication, [An Aviation Strategy for Europe](#), COM(2015)598.

5. Codification of passenger rights

Potential efficiency gain: €355 million per year

Key proposition

An important plank of a common transport policy has been to standardise the rights of passengers across the European Union. Although important progress has been achieved in securing strong passenger rights through legislation, significant challenges remain both legally and practically. Differences in the level of protection from one mode of transport to another, as well as cases of 'non-application', mean that passengers often do not enjoy in practice the rights to which they are entitled.

Research undertaken by the European Added Value Unit of DG EPRS for the European Parliament's Committee on Transport and Tourism (TRAN)⁹¹ estimates that the cost to citizens and businesses resulting from the absence of a consolidated framework for passenger rights is at least €355 million per year.

More detailed analysis

Despite efforts over recent years to strengthen and codify passenger rights across the European Union, a number of legal inconsistencies are undermining their concrete benefits. From one mode of transport to another, the scope of passenger protection can vary substantially, although these differences are not always objectively justified by the mode or situation. These inconsistencies create uncertainty and confusion for both passengers and carriers. Moreover, given the lack of awareness and the existence of a number of 'clauses' justifying non-application of the rules in certain cases, passengers often do not enjoy in practice the rights to which they are entitled.

The EPRS Cost of Non-Europe Report identifies the current gaps and inconsistencies in the protection of 10 core passenger rights⁹² across the different transport modes (air, rail, water and road transport). On this basis, the study quantifies the economic costs arising from these shortcomings, as well as from the fragmentation of current EU passenger rights legislation. The quantitative analysis focuses on selected aspects in

⁹¹ M Nogaj, [Codification of passenger rights – Cost of Non-Europe Report](#), EPRS, European Parliament, July 2015, and [Single Market in Transport and Tourism – Cost of Non-Europe Report](#), EPRS, European Parliament, October 2014.

⁹² 1) The right to non-discrimination in access to transport; 2) the right to mobility; 3) the right to information; 4) the right to renounce travelling in case of disruption; 5) the right to the fulfilment of the transport contract in case of disruption; 6) the right to assistance in cases of delay or cancellation; 7) the right to compensation under certain circumstances; 8) the right to carrier liability towards passengers and their baggage; 9) the right to a quick and accessible system of complaint handling; and 10) the right to full application and effective enforcement of EU law.

four areas of passenger rights: transparency, quality of service, enforcement and intermodality.

The costs taken into consideration include: the cost of time lost by passengers while searching for adequate information on the final price of tickets and other services included (or not) in the final price; legal costs related to complaint-handling and litigation; and the cost of time lost owing to delays, cancellations and non-optimal intermodal connections.

Table 4: Potential savings due to the codification of passenger rights by type of transport mode

	Transport mode	Cost of non-Europe (€ million per year)
Transparency	Air	130
Quality of service	Air	18
Enforcement	Air, rail, road, water	69
Intermodality	Air-rail (high speed train airport connections and integrated ticketing)	138
Total:		355

European Parliament position in this field

The European Parliament has called for completion of the 'established legislative framework for passenger rights with measures aimed at eliminating all possible loopholes in the legislation'.

When it comes to the rights of passengers travelling by air, the Parliament has called on the Member States to agree on the revision of two regulations, one on compensation and assistance to passengers in the event of denied boarding, cancellation or long delay of flights,⁹³ and the other, on air carrier liability in the event of accidents. Both files have been on ice since 2013.⁹⁴

As regards the rights of rail passengers, the Parliament has called for the 'development and implementation of integrated ticketing systems for national and international rail transport, and the elimination of extra charges applicable to rail passengers travelling cross-border'.

⁹³ Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 [establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights](#), and repealing Regulation (EEC) No 295/91 (Text with EEA relevance) and Council Regulation (EC) No 2027/97 of 9 October 1997 [on air carrier liability in the event of accidents](#).

⁹⁴ The European Parliament has adopted its [first reading position](#) on the reviewed Regulation (EC) No 261/2004 and Regulation (EC) 2027/97. Problems reaching agreement in the Council stem from Member States' divergent views of on passengers' and airlines' interests, as well as from the on-going dispute over the Gibraltar airport between Spain and the UK.

- European Parliament resolution of 23 October 2012 on passenger rights in all transport modes (2012/2067(INI))
Rapporteur: Georges Bach (EPP), TRAN Committee
Plenary vote: show of hands
- European Parliament resolution of 7 July 2015 on delivering multimodal integrated ticketing in Europe, (2014/2244(INI))
Rapporteur: Dieter-Lebrecht Koch (EPP), TRAN Committee
Plenary vote: in favour: 592; against: 62; abstentions: 52
- European Parliament resolution of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility, (2015/2005(INI))
Rapporteur: Wim van de Camp (EPP), TRAN Committee.
Plenary vote: in favour: 599; against: 80; abstentions: 16

Since 2012, the Parliament has repeatedly asked the European Commission to develop a more holistic approach to passenger rights. It has called notably for the establishment of a charter of passengers' rights, to cover all forms of transport, including a separate section on multimodal journeys, with clear and transparent protection of passengers' rights in the multimodal context, taking account of the specific characteristics of each transport mode, and integrated multimodal ticketing, by the end of 2017. This would enhance passenger rights, which are currently limited to the extent that they apply separately to each contract of carriage individually, and are not guaranteed when it comes to cross-border legs or multimodal transport.

Subsequent Parliament resolutions have addressed the issue of non-discrimination and removal of barriers in access to transport, including multimodal transport, for vulnerable people in particular. The most vulnerable should have easier access to travel information, ticketing options, reservation and payment systems, including the ability to reserve wheelchair spaces.

European Commission position in this field

In response to the European Parliament's request that it address the legislative gap in the protection of passenger rights in multimodal transport, the European Commission is currently evaluating the relevance and possible scope of a legislative proposal. A public consultation was organised in the first half of 2017. Policy options that are being considered vary from self-regulation and development of codes of good conduct or codes of good practice to a legislative instrument comprising a set of new comprehensive rules specific to multimodal journeys.

As the Commission does not expect the revised Air Passenger Rights Regulation to enter into force within the next few years, on account of a lack of agreement in the Council, in

June 2016 it issued interpretative guidelines on the matter. These should ensure better application and enforcement of the existing regulation and align it with the relevant jurisprudence of the European Court of Justice.⁹⁵

In 2015, the Commission assessed the operation of Regulation (EC) 1371/2007 on rail passengers' rights and obligations. It concluded that passengers were not benefitting fully from their rights, especially on national markets, mainly on account of the many derogations applied to national carriers. On 27 September 2017, the Commission presented a proposal for a recast of the regulation 1371/2007. It proposes notably to unify application of EU law and removal of hindering exemptions for long-distance domestic services as well as for cross-border services of urban, suburban and regional trains.⁹⁶ The Commission proposes that rail operators could be derogated from an obligation to compensate passengers only in very specific cases (like exceptional natural catastrophes). The proposal also aims at improving passenger information and strengthen rights of passengers with disabilities or reduced mobility. . As regards passenger rights when travelling by passenger ship, in 2015 and 2016, the Commission conducted an ex-post evaluation of Regulation (EC) No 392/2009 on the liability of carriers of passengers by sea, followed by a public consultation. It focused in particular on the regulation's impact on passenger rights at sea in the event of an accident. A Commission ex-post evaluation was published on 28 September 2017, positively concluding on the effectiveness of the regulation 392/2009.⁹⁷ The Commission pointed out that existing exemptions for some domestic carriers should come to an end in order to increase application of the regulation in the whole EU.

⁹⁵ M Juul, [Strengthening air passenger rights in the EU](#), EPRS, European Parliament, 2015.

⁹⁶ European Commission, [proposal for a regulation on rail passengers' rights and obligations \(recast\)](#), COM(2017)548, 27 September 2017.

⁹⁷ European Commission, Staff Working Document, [Ex-post evaluation of Regulation \(EC\) No.392/2009 on the liability of carriers of passengers by sea in the event of accidents, SWD\(2017\) 329 final](#), 28 September 2017.

6. European Research Area

Potential efficiency gain: €3 billion per year

Key proposition

About 85 % of European publicly funded research is undertaken exclusively at national level. As a result, the fragmentation of national research systems limits the full potential of European research to impact on technological progress and generate further growth and jobs. The European Research Area (ERA) concept aims to unify research across the EU Member States. Introduced in 2000, it helps to maximise the use of scientific capacities and material resources in the EU Member States, in order to strengthen the EU's scientific and knowledge base and ensure that new technology-intensive products and services are developed, and that growth and jobs are generated in Europe.

A Cost of Non-Europe report undertaken for the European Parliament's Industry, Research and Energy Committee (ITRE) by the European Added Value Unit in 2016 estimated that there is a remaining implementation gap of 19 % before ERA completion, amounting to a loss of €3 billion annually.⁹⁸

More detailed analysis

Dating from the European Commission's 2007 green paper on the subject, the ERA is currently structured around six priorities for implementing a Europe-wide infrastructure for research.⁹⁹ These are:

- (i) more effective national research systems,
- (ii) optimal transnational cooperation and competition,
- (iii) an open labour market for researchers,
- (iv) gender equality and gender mainstreaming in research,
- (v) optimal circulation, access to and transfer of scientific knowledge, and
- (vi) international cooperation.

However, there are various shortcomings in the ERA framework and these result in an 'implementation gap' that reduces potential benefits in terms of efficiency and synergies. As regards priority 1, for instance, the aim of which is to increase competition and boost investment in research, an important indicator is the share of national income spent on research and development (R&D) nationally. In 2002, the European Council adopted the Barcelona target for all the Member States of 3 % of gross domestic product

⁹⁸ C Salm and T Zandstra, [European Research Area – Cost of Non-Europe Report](#), EPRS, European Parliament, April 2016.

⁹⁹ See V Reillon, [The European Research Area – Evolving concept, implementation challenges](#), EPRS, European Parliament, March 2016, pp. 29-32.

(GDP) to be invested in R&D (one third of funding from governments and two thirds from business). In fact, only slight progress has been made in the EU Member States in this regard - from 1.81 % in 2002 to 2.01 % in 2013.

Another obvious shortcoming in the ERA framework is the fact that less than 1 % of national R&D funding is spent on transnational research, although priority 2 is specifically aimed at promoting effective transnational cooperation in the field of research.

Other estimates of the cost of non-Europe

A 2012 European Commission impact assessment on the ERA estimated that the combined effect of the Barcelona target, an increased share of transnational funding, and the funding provided through the Horizon 2020 research programme¹⁰⁰ would lead to €445 billion of additional GDP growth and 7.2 million more jobs by 2030.¹⁰¹ This implies annual growth of an additional 0.25 % of GDP.

Other studies indicate that EU-funded research activity has been characterised by considerable growth in terms of participating entities and participation across successive framework programmes, resulting in a wider set of networks, helping to form a critical mass in research.¹⁰² Above all, a complete and fully functioning ERA would maximise the impact of funds invested in research and benefit European society as a whole, by enabling research to contribute fully to tackling major challenges, such as demographic change, food security, secure and clean energy, climate change and secure societies.

European Parliament position in this field

The European Parliament supports the effective and rapid completion of the ERA. However, it has also called for a European research policy that is able to react to changing circumstances and newly emerging research priorities. In addition, in recent years, the Parliament has also called repeatedly for a substantial increase in research

¹⁰⁰ Horizon 2020 is the largest EU programme supporting research ever established at the European level, with a budget close to €80 billion for the 2014 to 2020 period.

¹⁰¹ European Commission, [Impact Assessment](#) accompanying the Communication from the Commission: A Reinforced European Research Area Partnership for Excellence and Growth, COM(2012) 392 final, 17.7.2012.

¹⁰² T Roediger-Schluga and M Barber, [R&D collaboration networks in the European framework programmes: data processing, network construction and selected results](#), *International Journal of Foresight and Innovation Policy*, Vol. 4, 2008, pp. 321-347; S Breschi and L Cusmano, [Unveiling the texture of a European Research Area: emergence of oligarchic networks under EU Framework Programmes](#), *International Journal of Technology Management*, Vol. 27, No 8, 2004; European Commission, [High Level Panel on the Socio-Economic Benefits of the ERA](#), Final report, June 2012.

spending.¹⁰³ EU funding for research and innovation in Europe for the 2014 to 2020 period amounts to about €120 billion.¹⁰⁴

- European Parliament, resolution of 8 May 2000 on the Commission Communication – Towards a European Research Area, 2000/2075(COS)¹⁰⁵
Rapporteur: Elly Plooij-van Gorsel (ELDR)
Vote: Show of hands

European Council and Commission positions in this field

In its conclusions of February 2011, the European Council called for the creation of a genuine single market for knowledge, research and innovation and for the completion of the ERA by 2014. At its meeting of November/December 2015, the Competitiveness Council adopted conclusions aimed at ensuring the full implementation of the ERA. They include a reference to research integrity, a paragraph on advancing gender equality in the ERA and an agreement to review the ERA advisory structure.¹⁰⁶ In addition, in May 2015 the Council endorsed the ERA roadmap for 2015-2020, developed by the European Research Area Committee.¹⁰⁷

The purpose of the Commission's 2016 policy agenda, Open Science, Open Innovation and Open to the World,¹⁰⁸ was not only to contribute to completing the ERA, but also to prepare it to make best use of current and future developments, such as in the area of digital technologies, in order to make science and innovation more open, collaborative and global. The Commission's 2016 progress report on ERA highlights positive developments on all ERA priorities across the EU,¹⁰⁹ which could help to remedy the shortcomings and related costs identified in the EPRS Cost of Non-Europe Report.

¹⁰³ [Fact Sheets on the European Union](#), Policy for research and technological development, European Parliament, 2017.

¹⁰⁴ V Reillon, [Overview of EU Funds for research and innovation](#), EPRS, European Parliament, 2015.

¹⁰⁵ European Parliament, Resolution from 18 May 2000 on the Commission communication – [Towards a European Research Area](#), 2000/2075(COS).

¹⁰⁶ [European Council Conclusions. A Rolling Check-List of Commitments to Date](#), EPRS, European Parliament, March 2017, p. 129.

¹⁰⁷ European Research Area Committee, ERAC 1208/15; ERAC [Opinion](#) on the European Research Area Roadmap 2015-2020, 20 April 2015.

¹⁰⁸ European Commission, [Open Innovation, Open Science, and Open to the World – a vision for Europe](#), 2016.

¹⁰⁹ European Commission, European Research Area, [Progress Report](#) 2016, 2017.

7. Equal pay for equal work

Potential efficiency gain: €13 billion per year

Key proposition

Progress in closing the gender pay gap (GPG) has been very slow, although the principle of equal pay has been enshrined in the EU Treaties since the very beginning, in 1957.¹¹⁰ Despite a wide range of initiatives since 1975, there is still an enormous pay gap between men and women in Europe. The 2017 report on equality by the German federal government shows, for instance, that German women earn, on average, 21 % less than men.¹¹¹ According to the latest data by Eurostat, the GPG for the EU as a whole totalled 16.3 % in 2015, implying that there had been only a small decrease since 2014, when the gap was 16.7 %.¹¹² As a result of women's lower earnings over their life cycle, the pensions of women are also lower.¹¹³ The reasons for the GPG in Europe relate in part to structural differences as, by contrast to men, women have on average less financially rewarding jobs, are more engaged in minor employment and do more part-time work.

Crucially, closing the GPG is not only desirable in its own right, but it would also have positive effect on economic growth in Europe. A European Added Value Assessment, undertaken for the European Parliament's Committee on Women's Rights and Gender Equality (FEMM) by the European Added Value Unit in 2013, concluded that a revision of the directive on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (2006/54/EC) could boost EU gross domestic product (GDP) by up to as much as €51 billion per year. A more conservative estimate outlines a lower boundary of €13 billion per year.¹¹⁴

More detailed analysis

At over 16 %, the GPG remains critically high, indicating that the directive (2006/54/EC) has not been effective in mitigating this structural phenomenon. As a recast of secondary law dating back to 1975 pursuing gender equality in (access to) employment, the 2006 directive was meant to be a milestone in tackling the GPG.

¹¹⁰ Article 119 of the Treaty of Rome. Currently the principle of equal pay is recognised in Article 157 of the Treaty on the Functioning of the European Union (TFEU).

¹¹¹ Sachverständigenkommission zum Zweiten [Gleichstellungsbericht](#) der Bundesregierung, Erwerbs- und Sorgearbeit gemeinsam neu gestalten. Gutachten für den Zweiten Gleichstellungsbericht der Bundesregierung, 2017.

¹¹² Eurostat, [Gender gap in unadjusted form](#).

¹¹³ European Commission, 2017 [Report](#) on equality between women and men in the EU, 2017.

¹¹⁴ M Del Monte, [Application of the principle of equal pay for men and women for equal work of equal value](#), European Added Value Unit, European Parliament, July 2013.

The negative impacts of a persistent GPG are manifold, but essentially they reduce economic efficiency, since productive labour is not being allocated in an optimal manner. Conversely, closing the GPG can have many positive effects, such as: a reduced staff turnover and associated loss of organisational competence for companies, a lesser likelihood of lengthy and costly litigation, an increase in productivity, an increase in women's working hours (as women tend to move from unpaid work in the home to paid employment), higher job satisfaction and lower absenteeism. Yet, a revision of Directive 2006/54/EC has not been undertaken to date.

The potential economic gain from closing the GPG of €13 billion per year is based on a potential revision of Directive 2006/54/EC. The 2013 European Added Value Assessment suggested that every 1.0 % reduction in the GPG would result in an increase in GDP of 0.1 % across the EU. The minimum and maximum levels of impact of appropriate legislative action on reducing the GPG were considered to lie between 1.0 and 3.0 % for improvements in the following areas:

- improved situational analysis and transparency of results;
- work evaluation and job classification;
- equality bodies and legal remedies;
- sanctions;
- streamlining of EU regulation and policy.

Improvements in these areas would generate a potential gain of between 0.1 and 0.3 percentage points of EU-28 GDP (2013),¹¹⁵ or between €13 and 39 billion per year in real terms. As some countries have already begun to make legal provisions in these fields, these estimates do not take into account the heterogeneous situation across EU Member States in terms of GPG. These disparities mean that certain countries have scope for achieving a greater reduction in the GPG and have the potential to enjoy the economic benefits resulting from a more egalitarian pay structure.

Other estimates of the cost of non-Europe

The broader economic literature also suggests that the benefits of reducing the GPG are numerous. They include an increase in women's wages, a reduction in poverty among women, an increase in female employment (the incentive to look for a job being higher) and, on a more pragmatic note, an increase in tax revenue for the state, an increase in purchasing power in the economy, and a decrease in the depreciation of human capital. A European Implementation Assessment by EPRS in 2015 on Directive 2006/54/EC concludes that by implementing various policy measures - transparency of results, work evaluation and job classification, equality bodies and legal remedies, sanctions, and

¹¹⁵ EU-28 GDP in 2013 was €13 075 billion.

streamlining of EU regulation and policy - the EU could achieve a maximum reduction of 9 % in the current GPG.¹¹⁶

Diversity programmes can contribute to closing the GPG. In Germany, for example, enterprises with at least 10 workers adopting diversity programmes could have increased women's wages by 16 %. However, as pointed out in a 2017 study by Matt Huffman, Joe King and Malte Reichelt, only 13 % of German enterprises with at least 10 workers did so.¹¹⁷

Comparing the European GPG with those of other developed countries can show us the potential economic loss pay gap. As in Europe, the GPG in Australia is about 16 %. According to a 2016 Australian Council of Trade Unions' report, the GPG means in concrete terms that a woman loses on average more than US\$1 million over a lifetime.¹¹⁸ A 2017 study by the American Association of University Women estimates, based on hourly earnings of both full- and part-time workers, that women in the United States earn 80 % of that of their male counterparts.¹¹⁹ The same study argues that, at the rate of pay gap reduction between 1960 and 2016, women are expected to reach the same level of pay as men in 2059.

European Parliament position in this field

The European Parliament has been asking the European Commission to revise Directive 2006/54/EC for a number of years. In May 2012, the Parliament adopted a resolution on equal pay, calling on the Commission to review the directive by February 2013, notably with respect to definitions, work evaluation and job classification, equality bodies and legal remedies, prevention and discrimination, sanctions, and gender mainstreaming. In September 2013, the Parliament adopted another resolution, reiterating its request for a revision of the directive.

¹¹⁶ H Werner, [European Implementation Assessment](#), Gender equality in employment and occupation, EPRS, European Parliament, May 2015.

¹¹⁷ M Huffman, J King and M Reichelt, [Equality For Whom? Organizational Policies and the Gender Gap across the German Earnings Distribution](#), *Industrial and Labor Relations Review*, 70 (2017) 1, pp. 16–41.

¹¹⁸ Australian Council of Trade Unions, [The Gender Pay Gap over the Life-Cycle](#), March 2016.

¹¹⁹ American Association of University Women, [The Simple Truth About the Gender Pay Gap](#), Spring 2017.

- European Parliament resolution of 24 May 2012 on application of the principle of equal pay for male and female workers for equal work or work of equal value (2011/2285(INI))
Rapporteur: Edit Bauer (EPP), FEMM Committee
Plenary vote: in favour: 482; against: 160; abstentions: 35
- European Parliament resolution of 12 September 2013 further to Question for Oral Answer on the application of the principle of equal pay for male and female workers for equal work or work of equal value (2013/2678(RSP))
Edit Bauer (EPP), FEMM Committee
Plenary vote: in favour: 544; against: 34; abstentions: 50
- European Parliament resolution of 14 March 2017 on equality between women and men in the European Union (2016/2249(INI))
Ernest Urtasan (Greens/EFA), FEMM Committee
Plenary vote: in favour: 369; against: 188; abstentions: 133

The resolution noted the slow progress in narrowing the GPG in the EU and expressed criticism at the lack of efficiency of the framework set by the 2006 Directive in tackling the GPG and achieving the objective of gender equality in employment and education. More recently, with its resolution of March 2017 on equality between women and men in the EU in 2014-2015, the Parliament has once again called for a revision of Directive 2006/54/EC. The resolution:

- points out that the EU is obliged to combat social exclusion and discrimination under the Treaty on European Union (Articles 2 and 3(3) second subparagraph) and the Treaty on the Functioning of the European Union (Article 8),
- calls on the Commission and the Member States to strengthen policies and increase investment supporting female employment in quality jobs across all sectors and to take steps to combat precarious forms of work;
- notes that equal participation by women and men in the labour market and better and fairer wages for women would not only increase the economic independence of women but also significantly increase the economic potential of the EU;
- calls on the Commission and Member States to monitor and take action against violations of the rights of workers, especially female workers, who work increasingly in low-paid jobs and are the victims of discrimination;
- welcomes the fact that the Commission considers 'equal pay for work of equal value' to be one of the key areas for action and calls in this context for the recast of Directive 2006/54/EC.

European Council and Commission positions in this field

In its work programme for 2017,¹²⁰ the European Commission committed to pursuing its work towards greater equality between men and women. Correspondingly, equal pay for work of equal value represents one of five key areas¹²¹ of the Commission's Strategic Engagement for Gender Equality for the 2016-2019 period.¹²² The Commission's aim is to reduce the persistent gender pay, earnings and pension gaps, and thereby reduce inequality in access to financial resources throughout life. Among the main actions to reach this objective is further improving the implementation and enforcement of the equal pay principle, by carrying out an assessment of Directive 2006/54/EC in 2016/2017. Further key actions are aimed, among other things, at strengthening pay transparency and sanctions to improve the deterrent effect of the prohibition of pay discrimination.

For its part, with its 2016 conclusion on gender equality, the Council of Ministers reaffirmed its call on the Commission to enhance the status of its strategic engagement for gender equality 2016-2019 by adopting it as a communication.¹²³ At the same time, the Council asked the Commission to reduce the gender gaps in employment, pay, earnings and pensions. Moreover, the Council conclusions, adopted by the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) in March 2017, emphasised that more visibility should be given to the gender pay gap and gender gap in coverage of pensions.¹²⁴

¹²⁰ 2017 European Commission work programme – [key documents](#).

¹²¹ The other key areas are: (i) equal economic independence for women and men; (ii) equality in decision-making; (iii) dignity, integrity and an end to gender-based violence; and (iv) promotion of gender equality beyond the EU.

¹²² European Commission, [Strategic Engagement for Gender Equality. 2016-2019](#), 2015.

¹²³ Council of the EU, [press release](#), Council conclusions on gender equality, June 2016.

¹²⁴ Council of the EU, [Outcome of proceedings](#), EPSCO Council meeting held on 3 March 2017.

8. Information and consultation of workers

Potential efficiency gain: €3 billion per year

Key proposition

Information, consultation and participation of workers, or employee involvement, forms part of EU social policy.¹²⁵ Article 27 of the European Union Charter of Fundamental Rights provides workers with the right to information and consultation (I&C) within the undertaking (any entity engaged in an economic activity) they work for. The exercise of this EU fundamental right at the national or company level is further regulated by the EU secondary legislation, including a 1998 directive on collective redundancies, a 2001 directive on transfer of undertakings, and another from 2002 establishing a general framework for informing and consulting at national level.¹²⁶ Furthermore, the EU's social dimension is a key aspect of the Europe 2020 strategy, which is aimed at ensuring 'inclusive growth' with high levels of employment and a reduction in the number of people living in poverty or at risk of social exclusion.¹²⁷

However, the current legislative framework in the area of I&C excludes certain groups of workers (notably employees of SMEs and public servants); it lacks consistency in defining the terms 'information' and 'consultation'; it leads to various costs for employees and employers linked with the exercise of this right; and it is generally outdated.¹²⁸ In this context, responding to the need for an updated and improved EU legislative framework, the European Parliament adopted a series of resolutions on the information and consultation of workers in 2007, 2009 and 2013.¹²⁹

In preparation for the Parliament's resolution in 2013, a European Added Value Assessment undertaken for the Parliament's Committee on Employment and Social

¹²⁵ Article 153 TFEU allows the EU to support and complement Member States' activities in relation to employee involvement. The European Parliament and the Council may adopt measures designed to encourage cooperation between Member States, as well as directives setting out minimum requirements for gradual implementation. The ordinary legislative procedure applies, with consultation of the European Economic and Social Committee and the Committee of the Regions.

¹²⁶ Directive 98/59/EC on collective redundancies, Directive 2001/23/EC on transfer of undertakings and Directive 2002/14/EC establishing a general framework for informing and consulting at national level.

¹²⁷ Fact Sheets on the European Union, [Social and employment policy: General principles](#), European Parliament, December 2016.

¹²⁸ For an overview of available studies and reports, see M Remáč, [Consolidation and simplification of three directives in the area of information and consultation of workers](#), EPRS, European Parliament, June 2015.

¹²⁹ European Parliament resolution of 10 May 2007 [on strengthening European legislation in the field of information and consultation of workers](#), 2007/2546(RSP) ; European Parliament resolution of 19 February 2009 on the implementation of Directive 2002/14 [establishing a general framework for informing and consulting employees in the European Community](#), 2008/2246(INI); European Parliament resolution of 15 January 2013 [on information and consultation of workers, anticipation and management of restructuring](#), 2012/2061(INL).

Affairs (EMPL) by the European Added Value Unit in 2012 analysed the costs and benefits of possible improvements to the current legislative framework and concluded that it could generate efficiency gains of around €3 billion per year.¹³⁰ It notably suggested that a more systematic information and consultation of workers, especially at times of restructuring, could lead to significant economic benefits – by reducing the severity of industrial conflicts, reducing the rate at which people leave their jobs (known as the 'quit rate'), increasing employability, and/or easing social and health effects on social welfare systems and the related costs (notably in health-related treatment).

More detailed analysis

The 2012 European Added Value Assessment looked specifically into how an improved EU regulatory framework could limit the social costs of structural adjustment, offer an integrated and coherent approach to dealing with restructuring, and help eliminate potential distortions of competition within the single market and inequalities in treatment of workers resulting from divergences in national regulations.

The main impacts investigated included: the impact on the number of redundancies, on employability (the prospect of workers finding future employment), and on job quality (workers within their current job). The evidence concerning impacts at company level was then combined with information concerning costs, and a simple cost-effectiveness analysis was presented. The main conclusions were that, if applied in all EU Member States, early consultation would reduce the number of redundancies by approximately 22 %.¹³¹ This data was subsequently combined with labour productivity, a measure often used to estimate how efficient a given population is in producing goods and services.¹³² Based on a cautious assumption of the average of labour productivity per hour at EU-28 level of US\$26 per hour,¹³³ the economic added value of the proposed measure was estimated to be around US\$40 950 per year per unit of labour.¹³⁴ The average labour productivity per hour, multiplied by the estimated number of

¹³⁰ M del Monte, [European added value of an EU measure on information and consultation of workers, anticipation and management of restructuring processes](#), European Added Value Unit, European Parliament, November 2012.

¹³¹ Had this taken place in 2011, when there were 464 000 planned redundancies, such a measure could have resulted in an estimated reduction of approximately 100 000 redundancies.

¹³² The OECD defines labour productivity as gross domestic product (GDP) per hour worked. More simply, productivity is a measure of output from a production process, per unit of input. The labour input is defined as total hours worked by all persons engaged.

¹³³ This figure was obtained by multiplying the labour productivity by the labour hours (H) in a given week (W), and then by the labour weeks in a year (US\$26 x 35H x 45W).

¹³⁴ Based on the OECD Employment Outlook, Annual National Accounts and Labour Force Statistics, the productivity level in Europe – or GDP output per hour worked – in 2012 varied from US\$26.2 per hour in Poland to US\$77.1 dollars per hour in Luxembourg, with the euro area having labour productivity of around US\$51 per hour.

redundancies that could have been avoided for example in 2011, then gives a figure of approximately €3 billion.¹³⁵

Table 5: Potential efficiency gains from information and consultation of workers

Building blocks – Potential efficiency gains from information and consultation of workers	Cost of non-Europe (€ billion)
Early consultation and reduction in the number of redundancies by approximately 22 %	3
Helping 35 % of redundant workers find new jobs	4.8
Training to help 36 % of redundant workers find new jobs	4.9
Total:	12.7

Other estimates of the cost of non-Europe

There is evidence to show that the success of redeployment depends very much on the past career of the workers concerned and how much they benefited from training and career guidance in the transition process.¹³⁶ In terms of the benefits of information and consultation, it can be observed that advance notification of redundancies encourages successful redeployment, especially where it is accompanied by job-search assistance and training.¹³⁷

European Parliament position in this field

The European Parliament has adopted three resolutions specifically dealing with workers' right on information and consultation¹³⁸ and a resolution on the European Pillar of Social Rights, which addresses matters related to information and consultation of workers among other issues.¹³⁹

¹³⁵ US\$4 billion, dollar - euro exchange rate from the original study. The result was combined with the potential costs of implementing the measures and further reduced by applying a 'compliance rate' (i.e. the extent to which the proposed measures would be implemented in Member States).

¹³⁶ B Gazier, [Using active and passive employment policies to accompany globalization-related restructuring](#), Offshoring and the internationalization of employment – A challenge for fair globalisation, International Labour Organization (ILO), 2005.

¹³⁷ R Torres, [Social accompaniment measures for globalization: sop or silver lining?](#), Offshoring and the internationalization of employment – A challenge for fair globalisation, ILO, 2005.

¹³⁸ European Parliament resolution of 10 May 2007 [on strengthening European legislation in the field of information and consultation of workers](#), 2007/2546(RSP). European Parliament resolution of 19 February 2009 [on the implementation of Directive 2002/14 establishing a general framework for informing and consulting employees in the European Community](#), 2008/2246(INI). European Parliament resolution of 15 January 2013 with [recommendations to the Commission on information and consultation of workers, anticipation and management of restructuring](#), 2012/2061(INL).

¹³⁹ European Parliament resolution of 19 January 2017 [on a European Pillar of Social Rights](#) (2016/2095(INI)).

In its 2013 legislative own-initiative resolution the Parliament called on the European Commission to submit a legislative proposal on information and consultation of workers, and anticipation and management of restructuring, following the detailed recommendations set out in the Annex.¹⁴⁰ The European Parliament considers that lay-offs have to be seen as a last resort, after having considered all possible alternatives and without this diminishing the competitiveness of enterprises. Moreover, it called on the Commission to assess whether it is necessary to take steps at Union level to supervise the activities of companies, in order to prevent abuse of any kind with prejudicial effects, particularly on workers. Furthermore, the Parliament considered that employees should not only be informed and consulted, but also allowed to participate in company decision-making, concerning subjects such as the introduction of new technologies, changes in work organisation, production and economic planning. Alongside seafarers,¹⁴¹ public sector employees should be included in the information and consultation directives.¹⁴²

In 2015, the Parliament's Employment Committee initiated an own-initiative report on 'Workers' representation on the supervisory or administrative bodies of undertakings in Europe'.¹⁴³ In its 2017 resolution on a European Pillar of Social Rights, the Parliament reiterated its call to monitor the 'application of European legislation on European Works Councils and the information and consultation of workers and for effective measures to ensure that company restructuring takes place in a socially responsible manner'.

¹⁴⁰ The resolution specifically includes 14 recommendations on good restructuring practices; promotion of information and consultation in economic change; definitions and scope of the proposed act; long-term strategic planning, adaptability and employability; anticipation of employment and skills needs; early preparation; information and consultation concerning business decisions; minimising internal social costs through a social plan; agreements on managing restructuring processes; minimising external economic and social and environmental impacts; public support; financial support; designation of the relevant public authorities; and employment protection obligations related to compensatory payment in the event of employment termination.

¹⁴¹ The European Commission followed this call by adopting Directive (EU) 2015/1794 of the European Parliament and of the Council of 6 October 2015 amending Directives 2008/94/EC, 2009/38/EC and 2002/14/EC of the European Parliament and of the Council, and Council Directives 98/59/EC and 2001/23/EC, as regards seafarers.

¹⁴² M Schmid-Drüner, [Workers' right to information, consultation and participation](#), Fact Sheet, European Parliament, June 2017.

¹⁴³ [2015/2222\(INI\)](#).

- European Parliament resolution of 10 May 2007 on strengthening European legislation in the field of information and consultation of workers (2007/2546(RSP) Joint motion for a resolution by PES, ALDE, and Greens/EFA.
Plenary vote: Show of hands
- European Parliament resolution of 19 February 2009 on the implementation of Directive 2002/14 establishing a general framework for informing and consulting employees in the European Community (2008/2246 (INI))
Rapporteur: Jean Louis Cottigny (PES), EMPL Committee
Plenary vote: in favour: 598; against: 21; abstentions: 32.
- European Parliament resolution of 15 January 2013 with recommendations to the Commission on information and consultation of workers, anticipation and management of restructuring (2012/2061(INL))
Rapporteur: Alejandro Cercas (S&D), EMPL Committee
Plenary vote: in favour: 503; against: 107; abstentions: 72
- European Parliament resolution of 19 January 2017 on a European Pillar of Social Rights (2016/2095(INI))
Rapporteur: Maria João Rodrigues (S&D), EMPL Committee
Plenary vote: in favour: 396; against: 180; abstentions: 68

European Commission position in this field

In its response to the Parliament's legislative initiative in 2013, the Commission indicated that it did not intend to present a proposal for legislation, but put forward a communication on establishing a quality framework for restructuring and anticipation of change in December 2013.¹⁴⁴

The Commission' annual work programme for 2015 included the consolidation and simplification of three EU directives on information and consultation of workers at national level, concerning collective redundancies, the safeguarding of employees' rights in the event of transfers of undertakings or businesses as well as the general information and consultation framework.¹⁴⁵ The same year the Commission launched a

¹⁴⁴ European Commission, [EU quality framework for anticipation of change and restructuring](#), COM(2013) 882, December 2013.

¹⁴⁵ European Commission, [Communication on the Commission Work Programme 2015](#), COM(2014) 910. The three directives were listed under Annex III - REFIT Actions, announcing their consolidation and simplification. The Commission had performed a '[fitness check](#)' on these directives in 2013 (SWD(2013) 293 final) that concluded that they were broadly 'fit for purpose', except for a few gaps and shortcomings: the directives excluded smaller enterprises, seafarers and public administration employees. The involvement of information and consultation bodies was formal and limited. Workers and management were often not aware of their rights and obligations falling within the scope of information and consultation.

first stage consultation of social partners.¹⁴⁶ However, the intention of the Commission was not followed by legislation and a possible recast/revision of the legislative framework was not subsequently included in its 2016 or 2017 annual work programmes. For the time being, the Commission's only legislative initiative amending the three directives has been to end the exclusion of seafarers from the scope of the directives. The European Parliament adopted the relevant changes in 2015.¹⁴⁷

Most recently, in April 2017, the Commission presented a recommendation on the 'European Pillar of Social Rights', which might lead to future legislative proposals. This recommendation contains 20 key principles and rights (some new, some existing but not well enough known or implemented) to support fair and well-functioning labour markets and welfare systems. Principle 8 on social dialogue stipulates that workers in all sectors, regardless of company size, should have the right to be informed and consulted on any relevant matter, such as the transfer, restructuring and merger of companies.¹⁴⁸

¹⁴⁶ See information available on worker information and consultation: Commission starts consultations with the Social Partners on consolidation of three directives: [European Commission website](#), Employment, Social Affairs and Inclusion.

¹⁴⁷ European Parliament legislative resolution of 8 July 2015 on the [proposal for a directive of the European Parliament and of the Council on seafarers amending Directives 2008/94/EC, 2009/38/EC, 2002/14/EC, 98/59/EC and 2001/23/EC \(COM\(2013\)0798 and 2013/0390\(COD\)\)](#) (Ordinary legislative procedure: first reading).

¹⁴⁸ Commission Recommendation of 26.4.2017 on the [European Pillar of Social Rights](#), C(2017) 2600 final.

9. Cross-border voluntary activity within the EU

Potential efficiency gain: €65 million per year

Key proposition

Volunteering is defined as an activity conducted of a person's own free will, primarily within a non-governmental organisation, for a non-profit cause. The most common areas for volunteering are charity or humanitarian and development aid (44 %); education, training or sport (40 %); and culture or art (15 %).¹⁴⁹ Volunteering offers many benefits, both for volunteers and the sector in which they help. For example, volunteers derive meaning and take some satisfaction from helping out for a cause in which they believe. They can also gain valuable experience that can help them in developing their professional careers.

Some sectors would not be as extensive and rich in content without the continuous engagement of people as volunteers. By showing a sense of civic duty, volunteers contribute to the common good and create value for society as a whole. The EU promoted voluntary activity by means of its European Year of Volunteering in 2011. Across the EU, between 92 and 94 million people are involved in voluntary activities, representing 22-23 % of Europeans over 15 years of age.¹⁵⁰

A Cost of Non-Europe Report¹⁵¹ prepared for the European Parliament's Culture Committee (CULT) by the European Added Value Unit in 2015 estimated that some 7 000 Europeans (1 % of all volunteers) volunteer in another EU country, generating economic value of between €88 million and €176 million. It estimated that cross-border volunteering was losing out on €65 million per year, because of legal, administrative and other barriers identified in the report.

More detailed analysis

While the report estimates the economic value of cross-border volunteering at between €88 and €176 million, it states that there is little aggregated data available on the total economic value of volunteering in the EU. In France, volunteers are estimated to contribute 1.4 % to the country's gross domestic product (GDP), whereas in the UK, their share is reported to be as high as 7.9 %. Percentages also vary according to sectors: in Portugal, for example, the social services depend on the work of non-profit organisations for up to 76 % of their activities.

¹⁴⁹ [Flash Eurobarometer 408 on European Youth](#), April 2015.

¹⁵⁰ I Katsarova, [Volunteering in the EU](#), EPRS, European Parliament, October 2016.

¹⁵¹ M Del Monte and T Zandstra, [Cross-Border Volunteering](#), Cost of Non-Europe Report, EPRS, European Parliament, June 2015.

Cross-border volunteering in the EU can be organised by an international organisation, such as the Red Cross or Red Crescent, although these organisations mainly send their volunteers outside the EU. The EU itself funds the European Voluntary Service (EVS), the Europe for Citizens Programme, the Erasmus + programme and the EU Aid Volunteers Initiative. Several Member States fund international volunteering (with the highest number of volunteers coming from Germany, Italy and France), and some bilateral schemes exist (for example, the Franco-German Youth Office). Finally, there are some small local initiatives.

Nevertheless, a series of barriers hinder cross-border volunteering and thus generate costs for society as a whole. These barriers are assessed in the Cost of Non-Europe Report and include the following points:

1. Volunteer status lacks legal recognition across borders, which can bar access to unemployment benefits and social security;
2. Recruitment lacks diversity, in part owing to inadequate information/communication of volunteer opportunities abroad;
3. Skills acquired during volunteering are not consistently recognised;
4. Volunteers are often not prepared or trained for their work abroad.

The report assesses the political and economic benefits that could be gained if these barriers were to be removed. In economic terms, addressing these issues through action at EU level could free up volunteering potential worth € 65 million.

The report outlines a number of policy options, some of which are contained in the European Parliament resolution of 10 December 2013 on volunteering and voluntary activity in Europe, in which the Parliament proposed creating a European Statute on Associations that would give volunteer organisations legal and institutional recognition, across EU borders. The externally commissioned study used for the Cost of Non-Europe Report states that the costs of such a statute would be disproportionate and suggests a voluntary code that the Commission could develop as an alternative. Rules included in the Madrid Convention¹⁵² and Regulation (EC) 1082/2006 on a European Grouping for Territorial Cooperation,¹⁵³ which address mainly state-funded cross-border activities, could complement the enhanced framework for volunteering.

Other estimates of the cost of non-Europe

A 2010 study on volunteering in the European Union,¹⁵⁴ undertaken by GHK for the European Commission, assessed the legal, administrative and other barriers that prevent cross-border volunteering from achieving its full potential. The study showed

¹⁵² [European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities](#), Madrid, 21.5.1980.

¹⁵³ [Regulation \(EC\) 1082/2006](#) on a European Grouping for Territorial Cooperation.

¹⁵⁴ GHK, [Volunteering in the European Union](#), February 2010.

that stronger EU action in the field of cross-border volunteering could increase the visibility of such volunteering and its socio-economic contribution, fostering a more efficient model for volunteering and enhancing participation. Areas where the EU could act to facilitate cross-border volunteering related to funding programmes, information events, research to allow more evidence-based policy making and priority setting in funding programmes, developing tools for reflecting upon and demonstrating volunteering skills, and engaging in dialogue with representatives of volunteer organisations. The study concurred with the Cost of Non-Europe Report on the costs associated with such barriers, estimating them at approximately €65 million per year. The bulk of these costs stem from volunteers contributing less of their time to cross-border initiatives than they potentially could. Removing these barriers would enable volunteers to spend more time on their volunteering work and pave the way for more cross-border volunteering initiatives.

Estimates for 13 Member States indicate that the average contribution to the overall economy of volunteering in the sports sector alone amounts to around 0.82 % of GDP,¹⁵⁵ resulting in a gain of approximately €83 million per annum. The more systematic promotion of volunteering at European level could therefore help to boost EU GDP. A working paper published by the Johns Hopkins Center for Civil Society Studies revealed that in a selection of 13 developed and developing countries, volunteer workers represent on average 2.2 % of the economically-active population. The authors of the paper estimated that, in the countries studied, volunteers contributed an average of 0.9 % of GDP to the global economy.¹⁵⁶ The contribution of volunteers in 37 countries to the global economy has been estimated at US\$400 billion.¹⁵⁷

European Parliament position in this field

In its 2013 resolution, the European Parliament underlined that making access to volunteering easier – notably by addressing the costs incurred, the availability of information and infrastructure, and the provision of liability and accident insurance cover – was essential for promoting volunteering among all age groups. As an active method of building civil society, volunteering can contribute to the development of intercultural dialogue and play a major role in combating prejudice and racism. The Parliament asked the European Commission to set up a European volunteering development fund, in order to ensure that appropriate support infrastructure be put in

¹⁵⁵ [Volunteering in the EU](#), Educational, Audiovisual & Culture Executive Agency (EAC-EA); Directorate General Education and Culture (DG EAC), final report by GHK, 17 February 2010: The contribution of sports ranged from less than 0.5 % of GDP in Portugal, Czech Republic, Cyprus and Germany; between 0.5 and 1 % of GDP in Austria, Ireland, Denmark, France, Slovenia, Finland and the Netherlands; and more than 1 % of GDP in Sweden and the UK.

¹⁵⁶ The state of global civil society and volunteering / Johns Hopkins Center for Civil Society Studies, March 2013. Countries studied: Australia, Belgium, Brazil, Canada, Czech Republic, France, Israel, Japan, Kyrgyzstan, Mexico, Mozambique, New Zealand, Norway, Portugal, Thailand, United States.

¹⁵⁷ [International Labour Organization Manual on the Measurement of Volunteer Work](#), 18 November 2008.

place, as well as to further investigate the feasibility of an EU statute for voluntary organisations.

- European Parliament resolution of 10 December 2013 on volunteering and voluntary activity in Europe (2013/2064(INI))
Rapporteur: Marco Scurria (EPP), CULT Committee
Plenary vote: in favour: 565; against: 104; abstentions: 13
- European Parliament resolution of 27 October 2016 on European Voluntary Service and the promotion of volunteering in Europe (2016/2872(RSP))
Original question for oral answer to the Commission: Silvia Costa (S&D), CULT Committee
Plenary vote: show of hands

The Parliament called for:

1. a legislative proposal for a European statute for associations to give them the legal framework within which to operate, reduce the administrative costs associated with cross-border volunteering activities and establish voluntary structures at EU level to encourage the mobility of volunteers in the EU;
2. a single point of contact in the form of a service with the responsibility for volunteering policy; and
3. a volunteering policy to foster dialogue and cooperation between stakeholders in the various Member States.

In a 2016 resolution, the Parliament stressed that volunteering accounted for about 5 % of European GDP. It reiterated its call for a European framework for volunteering actions, which should identify rights and responsibilities and facilitate mobility and recognition of skills. It considered that Member States without a legal environment for volunteers should create one with the help of EU recommendations.¹⁵⁸ Member States should also improve the validation of skills and establish national voluntary service schemes. The Parliament expressed its appreciation of the European Voluntary Service and called for it to be promoted among all young people as well as older generations, whose experience is particularly useful for mentoring.

The Commission responded to the resolution in writing,¹⁵⁹ stating that in the European Voluntary Service, young people with special needs receive additional support. The Commission has encouraged universities to award study credits for volunteering. The

¹⁵⁸ Recommendations from the [Policy Agenda for Volunteering in Europe](#) / European Year of Volunteering 2011, and the [European Charter on the Rights and Responsibilities for Volunteers](#) / European Youth Forum, 12 September 2012.

¹⁵⁹ [Follow-up to the European Parliament resolution](#) of 27 October 2016 on European Voluntary Service and the promotion of volunteering in Europe / European Commission.

European Solidarity Corps (ESC) offers young people the opportunities to either volunteer or gain occupational experience and provides a single contact point within the Commission.

10. Company law on cross-border transfer of company seats

Potential efficiency gain: €44 million per year

Key proposition

Although Articles 49 and 54 of the Treaty on the Functioning of the European Union (TFEU) guarantee freedom of establishment for all companies, cross-border mobility of companies remains incomplete. In the absence of a harmonised legal framework, national laws apply. As a result of the disparity of national laws, companies wishing to move to other Member States inevitably face legal difficulties and substantial costs, including administrative, social and tax burdens.

It follows that action to facilitate the freedom of establishment of companies could yield significant savings by facilitating the cross-border transfer of companies' registered offices. A European Added Value Assessment undertaken for the European Parliament's Legal Affairs Committee (JURI) by the European Added Value Unit in 2013,¹⁶⁰ suggests that the potential benefit could range from €439 million, if 1.0 % of firms were to move, to at least €44 million per year, should only 0.1 % of firms move their registered offices.

More detailed analysis

An EU directive on the cross-border transfer of company seats would provide a coherent solution to the current lack of freedom of movement and freedom of services that affects companies that wish to move their seat from one Member State to another. It would also bring legal certainty and simplify transfer procedures, thus saving costs. Academic analysis shows that while companies are using freedom of establishment to register outside the country in which they originate, the number of cross-border transfers of companies registered offices does not follow any particular trend.¹⁶¹ It can be argued that this is due mainly to the cost, time and administrative burden involved.

The above-mentioned EAVA offers a comparison of national laws and practices in a selected number of Member States and explains the impact of various national approaches on the feasibility of cross-border transfers; it also highlights the costs generated by the disparity of national regimes. Currently, a company can transfer its registered office across the border, but this means winding up the company in its home

¹⁶⁰ B Ballester and M Del Monte, [European Added Value Assessment of the Directive on the cross-border transfer of a company's registered office \(14th Company Law Directive\)](#), European Added Value Unit, European Parliament, February 2013.

¹⁶¹ S Rammeloo, [Case C-378/10 VALE Építési Kft., Judgment of 12 July 2012, Freedom of establishment: cross-border transfer of company 'seat' - The last piece of the puzzle?](#), *Maastricht Journal of EU Law*, Vol. 2012, 2012, p. 563 - 588.

Member State and setting up a new legal entity in the host country.¹⁶² However, such an operation entails a loss of legal and business continuity. It is also legally complex on account of the diverse national approaches for determining the applicable law. Moreover, cross-border transfers involve risks for stakeholders, especially minority shareholders, creditors and employees, whose acquired rights may be challenged, as national rules on their protection differ.¹⁶³

A new legal act, often referred to as the 14th Company Law Directive, would allow companies to transfer registered offices between Member States, thereby avoiding unnecessary administrative burdens and associated costs, including unnecessary start-up costs.

An indication of the costs that would be avoided by such a measure was estimated using the results from the World Bank 'Doing Business' survey.¹⁶⁴ On average, the annual cost of starting up a business in a Member State is estimated at approximately €2 000. Based on that figure, the minimum start-up costs avoided as a result of a directive would be: €22 million per year in a high-level scenario, in which a total of 1 % of all firms moved; €10 million per year in a medium scenario, in which 0.5 % of currently active firms moved; and €2 million per year in a low-level scenario, in which 0.1 % of all firms moved. The merger costs avoided per year could also be quite considerable.

The Lebrecht Group¹⁶⁵ estimates the merger costs per company at approximately €35 000. Based on that figure, the indicative costs avoided in the medium-level scenario would be in the order of €200 billion per year in the form of start-up costs (if a new company had to be created) and merger costs avoided. More precisely: under the high-level scenario, in which a total of 1.0 % of all firms moved, the costs avoided would be €417 million per year; under the medium-level scenario, in which 0.5 % of firms moved, the costs avoided would be €207 million per year; and under the low-level scenario, in which 0.1 % of all firms moved, the costs avoided would be €42 million per year.

¹⁶² See also [Cross-Border Mergers and Divisions, Transfers of Seat: Is there a Need to Legislate?](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, 2016, and S Reynolds and A Scherrer, [Ex-post analysis of the EU framework in the area of cross-border mergers and divisions – European Implementation Assessment](#), EPRS, European Parliament, December 2016.

¹⁶³ R Panizza, [Cross border transfer of company seats](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, 2017.

¹⁶⁴ Source: London Economics analysis of World Bank survey Doing Business (www.doingbusiness.org).

¹⁶⁵ <http://www.thelebrechtgroup.com>.

Table 6: Efficiency gains from promoting the cross-border transfer of company seats

Building blocks - Efficiency gains from promoting the cross-border transfer of company seats	Cost of non-Europe (€ million)
Minimum start-up costs	2
Merger costs	42
Total:	44

Other estimates of the Cost of Non-Europe

The final report of the High Level Group of Company law Experts on a modern regulatory framework for company law in Europe,¹⁶⁶ published back in 2002, as well as three public consultations carried out between 2003 and 2006¹⁶⁷ on the matter, all supported the need for action at EU level. Following up on these results, in 2007, the European Commission published an impact assessment¹⁶⁸ on a proposed directive on the cross-border transfer of registered offices.¹⁶⁹ Although the presentation of a directive had been envisaged in the 2008 Commission work programme, the Commission nevertheless concluded that there was no need for action at EU level.

However, following pressure from the European Parliament, in 2013, the Commission launched a more targeted public consultation on the transfer of companies' registered offices,¹⁷⁰ with 28 companies and 58 other organisations (both public and private) providing responses to questions on the costs currently faced by companies transferring their registered offices abroad and on the range of benefits that could be brought by EU action. To the question whether a company would consider transferring its registered office if a specific EU instrument were available, a quarter of the companies responded positively, whereas most had no clear vision. The overall majority of companies that responded positively also agreed that a specific instrument would reduce transfer costs. While the Commission has announced the recast of eight directives concerning company law, it has not put forward any proposal regarding the cross-border transfer of company seats to date.

Nevertheless, in June 2016, the Commission published a study on the law applicable to companies,¹⁷¹ which is aimed at assessing the practical hindrances to corporate mobility

¹⁶⁶ [Report of the High Level Group of Company law Experts on a modern regulatory framework for company law in Europe](#), Brussels, 4 November 2002.

¹⁶⁷ [Consultation on future priorities for the action plan on modernising company law and enhancing corporate governance in the European Union](#), 2006.

¹⁶⁸ [Impact assessment on the Directive on the cross-border transfer of registered office](#), European Commission, 12.12.2007.

¹⁶⁹ Ibid.

¹⁷⁰ European Commission's website on public consultation on the cross-border transfer of registered offices of companies: http://ec.europa.eu/internal_market/consultations/2013/seat-transfer/index_en.htm.

¹⁷¹ [Study on the law applicable to companies](#), European Commission, June 2016.

caused by the lack of harmonisation of the conflict of law rules, and deals, inter alia, with cross-border transfers. The study provides a thorough comparative analysis of the conflict of law rules applicable to companies in all the EU Member States. With a view to tackling the significant legal uncertainty, the study recommends the adoption at EU-level of common conflict of law rules in a new 'Rome V Regulation'; it also suggests the adoption of a directive on seat transfers providing harmonised rules and procedures for cross-border re-incorporation and for the protection of creditors and other stakeholders.¹⁷²

European Parliament position in this field

The European Parliament considers cross-border company migration to be one of the crucial elements in the completion of the single market. It has called repeatedly on the Commission to submit a proposal for a 14th Company Law Directive to facilitate the cross-border transfer within the European Union of companies' registered offices.

Back in 2007,¹⁷³ in its resolution on the European Private Company and the 14th Company Law Directive, the European Parliament stressed the need to adapt the EU regulatory framework for company law and corporate governance 'to take account of the growing trend for European companies to operate cross-border within the EU and of the continuing integration of European markets'.

In 2009¹⁷⁴ and 2012,¹⁷⁵ the Parliament adopted two resolutions calling for a legal framework enabling companies to transfer their seats without having to wind up, interrupt business or lose legal personality. It noted that, if established by a legal act – and not only by the jurisprudence of the European Court of Justice, the procedure for the cross-border transfer of a seat would be endowed with more legal certainty. Parliament therefore called on the Commission to submit a proposal for a directive on the cross-border transfer of company seats, following the detailed recommendations set out in the Annex I of its resolution of 2 February 2012.

More recently, on 13 June 2017,¹⁷⁶ the Parliament adopted an own-initiative report on cross border mergers and divisions, which reiterates the importance of establishing a framework to regulate comprehensively the mobility of undertakings at European level in order to simplify the procedures and requirements applicable to transfers, divisions and mergers and to prevent abuses and fictitious transfers for the purposes of social or fiscal dumping. The resolution recalls that the Parliament has called continuously for the

¹⁷² [Cross border transfer of company seats](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, June 2016.

¹⁷³ [European Parliament resolution of 25 October 2007 on the European Private Company and the Fourteenth Company Law Directive on the transfer of the company seat](#), 2007/2643(RSP).

¹⁷⁴ [European Parliament resolution of 10 March 2009 with recommendations to the Commission on the cross-border transfer of the registered office of a company](#), (2008/2196(INI)).

¹⁷⁵ [European Parliament resolution of 2 February 2012 with recommendations to the Commission on a 14th company law directive on the cross-border transfer of company seats](#), (2011/2046(INI)).

¹⁷⁶ [European Parliament resolution of 13 June 2017 on cross-border mergers and divisions](#), (2016/2065(INI)).

introduction of a European law on the cross-border transfer of the registered offices or head office of undertakings and that the majority of stakeholders were supportive of the Parliament's request.

- European Parliament resolution of 25 October 2007 on the European Private Company and the Fourteenth Company Law Directive on the transfer of the company seat
Rapporteur: Evelyn Regner (S&D), JURI Committee
Plenary vote: Show of hands.
- European Parliament resolution of 10 March 2009 with recommendations to the Commission on the cross-border transfer of the registered office of a company (2008/2196(INI))
Rapporteur: Klaus-Heiner Lehne (EPP), JURI Committee
Plenary vote: in favour: 608; against: 51; abstentions: 13
- European Parliament resolution of 2 February 2012 with recommendations to the Commission on a 14th company law directive on the cross-border transfer of company seats (2011/2046(INI))
Rapporteur: Evelyn Regner (S&D), JURI Committee
Plenary vote: Show of hands
- EP resolution of 13 June 2017 on cross-border mergers and divisions (2016/2065(INI))
Rapporteur: Enrico Gasbarra (S&D), JURI Committee
Plenary vote: in favour: 490; against 46; abstentions: 103

11. European mutual society

Potential gains still to be assessed

Key proposition

Mutual societies (mutuals) are enterprises that, along with cooperatives and associations, play a substantial role in the EU's social economy. There are two main types of mutual operating in the EU: social welfare mutuals, that is, mutual benefit societies active mainly in the healthcare services, and insurance mutuals.¹⁷⁷ The main defining features of mutual societies are, first, their main purpose, which is to meet the common needs of members, rather than making a profit or ensuring a return on capital,¹⁷⁸ and second, their participatory governance, which is based on principles of solidarity between members.

The European mutual and cooperative sector has €2.8 trillion in total assets and employs over 450 000 people.¹⁷⁹ Insurance mutuals have 409 million members/policy holders,¹⁸⁰ whilst health and social welfare mutuals provide assistance and cover for over 120 million people in Europe. In the EU Member States, the share of mutual insurers in the total insurance market increased from 23.8 % in 2007 to 32.1 % in 2014. Mutuals therefore play a significant role in the EU economy and society that cannot be understated.

A European Added Value Assessment undertaken for the European Parliament's Legal Affairs Committee (JURI) by the European Added Value Unit in 2013, provided a detailed analysis of the socio-economic added value of adopting a statute for European mutual societies at EU level.¹⁸¹ Based on scientific evidence and political support, on 14 March 2013, the European Parliament adopted a resolution on the statute for a European mutual society (the statute).¹⁸²

¹⁷⁷ For a detailed overview of the legal definitions and types of mutual societies in the EU see [The Role of Mutual Societies in the 21st century](#), Policy Department for Economic and Scientific Policy, European Parliament, 2011.

¹⁷⁸ For historical overview of the development of mutuals in Europe over the last 200 years please see [The social economy in the European Union](#), Study for the European Economic and Social Committee, 2005.

¹⁷⁹ [Market InSights 2014](#): Europe, International Cooperative and Mutual Insurance Federation and Association of Mutual Insurers and Insurance Cooperatives in Europe, June 2016.

¹⁸⁰ Ibid, Market InSights 2014

¹⁸¹ B Ballester, [A Statute for European Mutual Societies: European Added Value Assessment](#), European Added Value Unit, European Parliament, January 2013.

¹⁸² European Parliament resolution of 14 March 2013 on the [Statute for a European mutual society \(2012/2039\(INI\)\)](#). Rapporteur: Luigi Berlinguer (S&D), JURI Committee.

More detailed analysis

Numerous studies and expert groups have concluded that there is a great divergence between the regulatory regimes applicable to mutual societies in the EU. A clear and uniform regime for this sector of the economy is lacking, putting obstacles in the way of the recognition and functioning of those enterprises at EU level. A comprehensive study conducted at the request of the European Commission in 2012 concluded that 'mutual-type organisations are facing a number of obstacles, hampering them in their development and in their efforts to add value to the European economy and to society at large'.¹⁸³

Analysing the added value of a legal statute for European mutual societies from a qualitative point of view, the Parliament's European Added Value Assessment identified three broad areas of benefit that could be gained for citizens and businesses. First, at social level, the statute would bring visibility, promote social values and engage citizens in economic life. From an economic point of view, the statute would facilitate the economic growth of mutual societies and the development of the internal market, reduce regulatory duplications and foster economies of scale, promote and support economic sustainability and resilience of the sector, and help Member States to complement their social coverage. Finally, at regulatory/ legal level, an EU regulation would provide more operational certainty and coherence for the citizens and companies as well as for national legal systems. Therefore, the Assessment argued that, in addition to facilitating cross-border activity in the sector, the statute would provide a clear and uniform regime for the sector, promote competition, widen choice for consumers, and increase market diversification.

European Parliament position in this field

The European Parliament has been engaged on the issue of mutual societies since 1993.¹⁸⁴ In the period from 2006 to 2009 the Parliament adopted six reports,¹⁸⁵ including from the Constitutional Affairs,¹⁸⁶ Legal Affairs,¹⁸⁷ Employment and Social Affairs

¹⁸³ [Study on the situation and prospects of mutuals in Europe](#), carried out for the European Commission, 2012.

¹⁸⁴ Original proposal [OJ C 99, 21.4.1992](#). Amended proposal [OJ C 236, 31.8.1993](#). In 1993, in reply to the 1992 European Commission proposal, the Parliament suggested amendments and adopted an opinion on the proposal related to the Regulation on the Statute for a European Mutual Society (EMS) PE A3 – 1/93, Rapporteur: Marie-Claude Vayssade. The report was approved at the January 1993 part-session. See also the written question to the Commission No 433/94 submitted by Jean-Pierre Raffarin: Statutes of the European association, European cooperative society and European mutual society.

¹⁸⁵ For an overview and discussion see the list of parliamentary reports mentioning the need for a European statute for mutual societies, Association of Mutual Insurers and Insurance cooperatives in Europe.

¹⁸⁶ Report of the Constitutional Affairs Committee on the [Outcome of the screening of legislative proposals pending before the legislator](#), 2005/2214(INI).

¹⁸⁷ Report of the JURI Committee on [Recent developments and prospects in company law](#), 2006/2051(INI).

Committees¹⁸⁸ and Committee on Economic and Monetary Affairs,¹⁸⁹ putting forward arguments and mentioning the need for a European Statute for Mutual societies.

In 2009, the Parliament adopted a resolution on the social economy¹⁹⁰ where it asked the Commission inter alia to launch an impact assessment and submit a proposal for a European mutual society.¹⁹¹ The Parliament notably stressed that withdrawal of the 1992 proposal on mutual societies, which was not followed by any other Commission initiative, 'was a significant setback for the development of these forms of social economy within the European Union'. In response, the European Commission reiterated the argument it had made when withdrawing the proposal in 2005, referring to the lack of political interest and of consensus on the topic among Member States.¹⁹²

In 2010, a study was commissioned for Parliament on the role of mutual societies in the 21st century,¹⁹³ and in 2011, the European Commission launched an in-depth expert study with the aim of assessing the situation of mutuals in the European Union. The Commission study concluded that 'Despite the freedom of services and freedom of establishment, it is not evident that mutual-type organisations can really benefit from these freedoms. ... Working towards a more uniform, modernised and harmonised legal framework would be beneficial for mutual-type organisations willing to offer their services in other countries'.¹⁹⁴

In 2013, the Parliament adopted the legislative own-initiative resolution (referred to above) with recommendations to the Commission on the statute for a European mutual society.¹⁹⁵ The resolution included detailed recommendations in relation to the objectives and scope of a proposal and to the future governance of mutual societies. The Parliament considered it regrettable that the Commission, having withdrawn its proposal for a statute for a European mutual society in 2005, had not put forward any

¹⁸⁸ Report of the Employment and Social Affairs Committee on a [European Social Model for the future](#), 2005/2248(INI) and [Report Social Economy](#), 2008/2250(INI).

¹⁸⁹ Report of the ECON Committee Towards further consolidation in the financial services industry, 2006/2081(INI) and Report [Towards further consolidation in the financial services industry](#), 2007/2287(INI).

¹⁹⁰ European Parliament resolution of 19 February 2009 [on the social economy](#), 2008/2250(INI).

¹⁹¹ The Parliament pointed out that 'there is a need for the recognition of European statutes for associations, mutual societies and foundations to ensure that social economy enterprises benefit from equal treatment in internal market law'. It also suggested adopting measures targeted specifically at social economy players including measures on 'easy access to credit and tax relief, the development of microcredit, the establishment of European statutes for associations, foundations and mutual societies, as well as tailored EU funding and incentives to provide better support to social economy organisations'.

¹⁹² 'The Commission has no indications that there is a substantial change in the support of the Member States. However, it remains attentive to the difficulties encountered by mutual societies in their cross-border operations'. Reply by Commissioner Tajani of 21 October 2010 to written question [E-6894/2010](#).

¹⁹³ The Role of Mutual Societies in the 21st century, Policy Department for Economic and Scientific Policy, European Parliament, 2011.

¹⁹⁴ [Study on the current situation and prospects of mutuals in Europe](#), study for the European Commission, 2012.

¹⁹⁵ European Parliament resolution of 14 March 2013 with recommendations to the Commission [on the Statute for a European mutual society](#), 2012/2039(INL).

new proposals. The Parliament therefore believed that the Commission should submit, on the basis of Articles 352 and/or possibly 114 TFEU, new proposals in this field.

- European Parliament resolution of 14 March 2013 on the Statute for a European mutual society (2012/2039(INI))
Rapporteur: Luigi Berlinguer (S&D), JURI Committee
Plenary vote: Show of hands
- EP declaration of 10 March 2011 on establishing European statuses for mutual societies, associations and foundations.¹⁹⁶ Signed by 386 MEPs
- European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI))
Rapporteur: Patrizia Toia ((then) ALDE) – EMPL Committee
Plenary vote: Show of hands

In response to the Parliament's 2013 resolution, the Commission expressed its general support for the initiative and pointed out that future steps would depend on the results of the 2013 public consultation.¹⁹⁷ The results of this public consultation have been interpreted differently by the Barroso¹⁹⁸ and Juncker Commissions.¹⁹⁹

European Commission position in this field

In 1992, the European Commission submitted a proposal for a Council regulation on a statute for a European mutual society.²⁰⁰ After numerous exchanges with the European Parliament and standstill in the Council in 2003, the Commission launched a consultation on mutuals; however, in 2006, it removed the 1992 proposal from the Commission agenda.²⁰¹

¹⁹⁶ [OJ C 199 E, 7.7.2012](#), p. 187.

¹⁹⁷ [European Commission response](#). Following this 2013 formal reply from the Commission and no further action, 11 detailed written questions were submitted to the Commission by MEPs from 2013 to 2017.

¹⁹⁸ In response to written question E-012182/13, in January 2014 Commissioner Tajani commenting on the results of the public consultation stated: 'The main conclusions stemming from the consultation are that there is strong support amongst the majority of the respondents to promote a European Mutual Society (EMS) statute as a possible solution to the legal barriers that affects mutual societies' possibilities to engage in cross-borders activities'. Furthermore the reply mentioned that 'The Commission is currently preparing an impact assessment of a statute for a European mutual society as part of the preparation of a proposal for such a statute and to ensure a level playing field for all enterprises.'

¹⁹⁹ In January 2015, in response to written question E-010487-14 again questioning the Commission regarding future steps on the statute for mutual societies, Commissioner Bieńkowska, referring to the same 2013 public consultation and contrary to the 2014 Commission reply, stated: 'the Commission carried out a public consultation which indicated that the idea for a specific legal statute as a means to promote the activities of mutuals across borders, is not supported by all governments and stakeholders. The Commission is therefore rather hesitant to proceed further at present as there is no realistic possibility of the unanimous adoption needed'.

²⁰⁰ [OJ C 99, 21.4.1992](#).

²⁰¹ (COM(2005) 462 final). This removal triggered a series of written questions to the Commission from Members of European Parliament asking for additional clarifications, justifications and information on

After repeated requests from the European Parliament and following the public consultation, the Commission finally launched an impact assessment study in 2013. However, the results of the impact assessment on mutual societies were neither presented to the Parliament nor made public.²⁰² In October 2015, in reply to the written question E-007633-15, Commissioner Bieńkowska stated that, any impact assessment is an internal document and that there was no obligation to make it publicly available.²⁰³ Similarly, in 2016 Commissioner Bieńkowska stated that 'Based on the results of a consultation held in 2013, the Commission decided not to propose a European mutual statute, as there appeared to be insufficient support and no proven added value for such legislation at a European level. Since no initiative was taken by the Commission in this area, preparatory work and impact evaluations remain internal documents that have not been published'.²⁰⁴

The Commission's reply does not include any reference to the arguments specifically put forward in the Parliament's 2013 European Added Value Assessment, or in other studies, including the one commissioned by the Commission itself in 2012. Both studies argued that the internal market was not fully operational for mutuals and that the potential added value of this sector for the European social economy was being partly lost. Without access to data from the 2013 Commission impact assessment, it is difficult to both quantify the costs and identify the benefits of the statute for mutual societies. Therefore, further analysis would be necessary in order to quantify potential efficiency gains for EU companies and citizens effectively.

further steps intended by the Commission. The following written questions were submitted by MEPs between 2005 and 2013: P-4702/2005 [Postponement of the Statute for a European Mutual Society](#), E-0311/2006 [Withdrawal of draft regulation and directive on the European mutual society](#), E-0974/2006, [Statute for a European mutual society](#), P-6612/2008 [Mutual societies](#), E-5527/2009 [Draft statutes for a European association and a European mutual society](#), E-4981/2010 [European mutual society](#), E-6894/2010 [Statute for a European mutual society](#), E-004271/2013 [Statute for a European mutual society](#). The Commission replied consistently that it would consider development in the field, but that it saw no political consensus among Member States to take action in this field.

²⁰² This again triggered a series of detailed questions to the European Commission. Thus, in the 2015 written question E-001717-15 a group of MEPs representing five political groups specifically asked the Commission 'Can the Commission explain why the aforementioned impact assessment has not yet been published?' In reply to this written question, Commissioner Bieńkowska again repeated that 'the idea of a specific legal statute for a European mutual society is not supported by all governments and stakeholders [...] there is no realistic possibility for the unanimous adoption needed and therefore the Commission does not intend at this stage to initiate such a proposal. In this case there is no need for the Commission to publish the text of the impact assessment'. See also written questions E-007068-15 and E-007633-15.

²⁰³ 'In accordance with the Commission Guidelines on Impact Assessments, the opinions issued by the IAB are part of the documentation available to the College before deciding on any initiative and will be published once the College has taken a political decision. In this case, since no initiative was taken by the Commission in the area in question, both the draft Regulation and the accompanying impact assessment remained internal documents and neither of them is going to be published'.

²⁰⁴ Reply to the 2016 written question E-004660-16.

12. Water legislation

Potential efficiency gain: €25 billion per year

Key proposition

The effective use and management of water is an increasingly important part of an efficient and environmentally sustainable economy and society. Currently, each European citizen uses, on average, 100-200 litres of tap water a day. Households account for about 10 % of total water consumption in the whole of the EU. Only about 5 % of this is used for drinking and cooking²⁰⁵ and some 20 % of water in the EU is lost on account of inefficiency.

The Water Framework Directive (WFD),²⁰⁶ which entered into force in 2000, introduced innovative policy instruments and stringent goals to improve the quality and management of European waters. However, a Cost of Non-Europe Report undertaken for the Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) by the European Added Value Unit in 2014²⁰⁷ identified shortcomings in the existing water framework, which impede the achievement of the goals set in the WFD. The study found that the economic and social costs of a lack of action at European level amounted to some €25 billion a year. These costs are related notably to shortcomings in programming, re-use of waste water, eco-design and water metering, economic instruments and pharmaceutical residues.

More detailed analysis

By providing a framework for a range of water-related legislation, the WFD created a comprehensive body of regulation and guidance. The directive set long-term and ambitious objectives for managing and improving the quality and quantity of its entire aquatic environment and lays down requirements for integrated and transparent river-basin management.

As highlighted in the Cost of Non-Europe Report, the goals of the WFD could not be met, and more European action is necessary, for instance, to limit the impact on Europe's water quality of flooding and pharmaceuticals. To improve the management of the use of fresh water in general, there is also a need for European coordination to increase the use of water efficient equipment and water metering. European action in the field could indeed bring substantive benefits, albeit only after substantial investment.

²⁰⁵ European Environment Agency (EAA) data on household consumption.

²⁰⁶ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 [establishing a framework for Community action in the field of water policy](#).

²⁰⁷ T Zandstra, [The Cost of Non-Europe in Water Legislation](#), EPRS, European Parliament, May 2015.

The table below provides an overview of the areas where gains could be expected from action at European level.

Table 7: Potential gains from water legislation

Building blocks – potential efficiency gains from water legislation	Cost of non-Europe (€ billion)
Drawing up flood plans	15.2
Reducing pharmaceutical residues in urban waste water	9.2
Increasing use of water efficient equipment	1.2
Increasing application of water metering	0.2
Total:	25.8

European Parliament position in this field

In 2014, the European Parliament called on the European Commission to put forward legislative proposals in the area of water policy – and if appropriate a revision of the WFD – that would recognise universal access and the human right to water. In doing so, the Parliament gave its support to the primary objective of the 'Right2Water' European citizens' initiative (ECI)²⁰⁸ and criticised the Commission's response to the initiative,²⁰⁹ which it considered too 'vague' and 'insufficient'. In support of the citizens' initiative, it has also called on the Commission and the Member States to ensure a comprehensive water supply characterised by affordable prices, high quality and fair working conditions and subject to democratic controls. The Parliament has also supported actions such as rational use, recycling and reuse of water in order to promote a reduction of costs, the protection of the environment and the improvement of resource management. It has called on the Member States to strengthen investment in order to improve infrastructure. It has also underlined that the WFD, the Groundwater Directive,²¹⁰ the Drinking Water Directive,²¹¹ and the Urban Wastewater Directive need to be implemented fully and effectively. They also need to be better coordinated with other relevant EU environmental laws.

The Commission was invited to review the adequacy of current instruments of the Urban Wastewater Directive to deliver a high level of protection and improvement of the quality of the environment. Member States were reminded that they should take advantage of synergies between the instruments of the WFD and the Flood Risk Management Plans under the Floods Directive. In order to improve the implementation of the Framework Water Directive, the Parliament called for urgent completion of the

²⁰⁸ [European Citizens' Initiative Right2Water](#).

²⁰⁹ European Commission, [Communication on the European Citizens' Initiative 'Water and sanitation are a human right! Water is a public good, not a commodity!'](#), COM(2014) 177.

²¹⁰ Directive 2006/118/EC of the European Parliament and of the Council of 12 December 2006 [on the protection of groundwater against pollution and deterioration](#).

²¹¹ Council Directive 98/83/EC of 3 November 1998 [on the quality of water intended for human consumption](#).

river basin management plans, which will increase Member States' preparedness to floods.

Already back in 2012, the European Parliament had underlined that implementation of the WFD needed to be improved significantly in order to achieve 'good' status throughout European waters by October 2015, as required by the directive. The EU Environmental Implementation Review, published by the Commission in February 2017, shows that the EU water bodies did not achieve the goal of reaching 'good' status by 2015.²¹² In its 2012 resolution,²¹³ Parliament also called on the Commission to propose legislation that encourages the adoption of an EU policy on water shortages, droughts and adapting to climate change.

- European Parliament resolution of 3 July 2012 on the implementation of EU water legislation (2011/2297(INI))
Rapporteur: Richard Seeber (EPP), ENVI Committee
Plenary vote: Show of hands
- European Parliament resolution of 8 September 2015 on the follow-up to the European Citizens' Initiative Right2Water (2014/2239(INI))
Rapporteur: Lynn Boylan (GUE/NGL), ENVI Committee
Plenary vote: in favour: 363; against: 96; abstentions: 261

European Commission position in this field

In response to the Parliament resolution on the follow-up to the European citizens' initiative Right2Water, the European Commission confirmed that a review of the WFD was planned by 2019 at the latest.²¹⁴ Moreover, as a direct follow-up to the ECI, the European Commission had also committed to evaluating the Drinking Water Directive. Public consultations were carried out between June and September 2014. Further meetings and consultations with stakeholders had taken place in 2015. As a result, some technical annexes of the directive had been updated, in order to reinforce problem-oriented monitoring of small water supplies and reduce unnecessary water analysis.²¹⁵ The Commission also announced that it would present a review of the Drinking Water Directive as a whole, with the proposal expected at the end of 2017.

²¹² European Commission, [Communication on the EU Environmental Implementation Review: Common challenges and how to combine efforts to deliver better results](#), COM(2017) 63.

²¹³ European Parliament, [Implementation of EU water legislation, ahead of a necessary approach to European water challenges](#), 2011/2298 (INI).

²¹⁴ European Commission, [Follow-up to the European Parliament resolution on the follow up to the European citizens' initiative Right2Water, adopted by the Commission on 9 December 2015](#).

²¹⁵ [Commission Directive \(EU\) 2015/1787 of 6 October 2015 amending Annexes II and III to Council Directive 98/83/EC on the quality of water intended for human consumption](#).

After public consultation, the Commission announced in December 2015, when outlining the Circular Economy Package, that it would present a legislative proposal on minimum quality requirements for reused water in the EU. The proposal, expected in 2017, will address more efficient management of water and reduce pressures on the resource by reinforcing safe reuse of treated wastewater. These measures are generally expected to have positive impact on economic sectors that are particularly vulnerable to water scarcity and droughts. The policy objective would also be to provide market operators investing in water reuse with clarity, coherence and predictability by developing an EU-wide regulatory approach.

To address the problems of water scarcity, to achieve 'good' status of waters under the WFD, and with a view to investment in the treatment of effluent required by the Urban Waste Water Treatment Directive, the Commission, with Member States and stakeholders, has developed 'Guidelines on Integrating Water Reuse into Water Planning and Management in the context of the WFD' (published in July 2016).²¹⁶

²¹⁶ Common implementation strategy for the Water Framework Directive and the Floods Directive, [Guidelines on Integrating Water Reuse into Water Planning and Management in the context of the WFD](#), July 2016.

13. 'Cost of non-Schengen': Impact of re-introducing border controls

**Delays for individuals and businesses:
€100 billion over a period of 10 years**

**Border infrastructure and officers:
Up to €20 billion in one-off costs
+ €2 to €4 billion per year**

Key proposition

The Schengen Area is one of the major achievements of European integration, as it facilitates the free movement of persons, goods and services, bringing significant benefits to the European economy and citizens. Yet, since 2015, the unprecedented flows of refugees and migrants into the EU have exposed serious deficiencies in common European asylum, migration and external border control policies. These deficiencies, together with concerns relating to internal security, have led several Schengen states to reintroduce temporary internal border controls focused on certain border crossings, seeking to justify their action with reference to the provisions of the Schengen Borders Code.

The estimated cost of a complete reintroduction of border controls between the Schengen states for the single market (delays for individuals and businesses) is estimated at around 0.06 to 0.14 % of EU gross domestic product (GDP) or some €100 billion to €230 billion over 10 years. Costs in the area of justice and home affairs (infrastructure and officers) could range between €0.05 billion and €20 billion in one-off costs and €2 billion and €4 billion in annual operating costs.

More detailed analysis

The European Parliamentary Research Service (EPRS) has produced two reports on the cost of non-Schengen, addressing the impact on the single market and in the area of justice and home affairs.²¹⁷

As regards the single market, it is estimated that indefinite suspension of the whole Schengen Area would cost some €100 billion to €230 billion over 10 years. These costs would originate from time delay costs for commuters and tourists, time delay costs for

²¹⁷ [The Cost of Non-Schengen, Impact of border controls within the Single Market](#), EPRS, European Parliament, April 2016; W Van Ballegooij, [The Cost of Non-Schengen: Civil Liberties, Justice and Home Affairs aspects](#), EPRS, European Parliament, September 2016.

road freight and changes in expectations in capital markets, affecting bond yields and currencies in the Schengen states.

As for the impact in the area of justice and home affairs, the costs linked with the reintroduction of border controls could range between €0.05 billion and €20 billion in one-off costs and €2 billion and €4 billion in annual operating costs – the exact figure would depend on their scope and duration. As regards the offences investigated, the abolition of border controls in the light of Schengen has not led to higher crime rates, nor has the 2007 Schengen enlargement increased the perception of insecurity among the EU public. On the contrary, citizens' trust in each other and towards public institutions seems to have increased. It is important to note that the abolition of border controls has been accompanied by measures to facilitate cross-border police and judicial cooperation, for instance adding to the number of illicit drug seizures. The societal benefits of this cooperation could be undone by a return to permanent border controls between Schengen states.

Public trust in the EU seems to have been undermined, not by the existence of the Schengen Area, but rather by the failure of the European Union to act effectively to address the deficiencies exposed by the refugee crisis. More concerted action and cooperation at EU level is therefore necessary to return to a fully functioning Schengen Area. This includes a reform of the common European asylum system to foster solidarity and a fair sharing of responsibility between Member State authorities. Their work should furthermore be supported and coordinated through EU justice and home affairs agencies.

Other estimates of the 'cost of non-Schengen'

A number of other studies have evaluated the costs of non-Schengen. A summary of their cost estimates is presented in the table below:²¹⁸

²¹⁸ The methodology used to arrive at the cost estimates presented is detailed in [The Cost of Non-Schengen, Impact of border controls within the Single Market](#), EPRS, European Parliament, April 2016, Chapter 2, pp. 15-17.

Table 8: Different estimates of the cost of non-Schengen

Study	Cost estimate
Bruegel 2016	Commuting times: €3-4 bn a year.
France Stratégie 2016	Tourism – Scenario 1: €500 m a year; Scenario 2: €1 bn a year.
France Stratégie	Commuting time – Scenario 1: €250 m a year; Scenario 2: €500 m a year.
France Stratégie	Cross-border job opportunities – Scenario 1: €150 m. Scenario 2: €300 m.
France Stratégie	Imports and exports - Scenario 1: €62 m each for imports and exports; Scenario 2: €124 m each for imports and exports.
France Stratégie	Trade impacts – French GDP 0.5 % lower in 2025 compared with 2015, Schengen area as a whole 0.8 % (equivalent to over €100 bn).
Bertelsmann Stiftung 2016	Scenario 1: EU-24 (excluding Luxembourg, Malta, Cyprus and Croatia) would see a loss in annual growth of 0.04 percentage points, which would amount to total macroeconomic losses of €471 billion by 2025.
Bertelsmann Stiftung	Scenario 2: EU-24 would see a loss in annual growth of 0.12 percentage points, which would amount to total macroeconomic losses of €1 430 billion by 2025.
Morgan Stanley 2016	Bilateral trade flows could decline by 10 to 20 %. Overall loss of GDP growth: 0.2 %; 2 % reduction in gross operating surplus in manufacturing industry.
European Commission 2016 & 2017	Direct effects: €5-18 billion a year (0.05-0.13 % of GDP), of which the largest impact would be a €1.3-€5.2 billion increase in costs for cross-border workers. Long-term and Indirect effects: – reduction in the volume of Intra-EU trade leading to a negative impact on the cumulative GDP of around 0.2-0.5 % for the euro area by 2025 (€20-55 billion) -Labour shortages and increased unemployment in border regions

EP position in this field

In its resolution of 10 September 2015²¹⁹ on migration and refugees in Europe, the European Parliament reiterated its commitment to maintaining open borders within the Schengen area. However, it underlined the need to ensure effective management of

²¹⁹ European Parliament resolution of 10 September 2015 [on migration and refugees in Europe](#), 2015/2833(RSP).

external borders and stressed that the free movement of people within the Schengen area has been one of the biggest achievements of European integration.

In its resolution of 12 April 2016 on the situation in the Mediterranean and the need for a holistic EU approach to migration,²²⁰ the European Parliament stressed that the Schengen Area is one of the major achievements of European integration, and expressed concerns that some Member States had felt the need to close their borders or introduce temporary border controls, thus calling into question the proper functioning of the Schengen Area; and that the temporary reintroduction of border controls by several Member States is putting at risk the normal Schengen system of open EU internal borders and free movement of people, worsening conditions for refugees at the borders and creating problems for the functioning of the EU transport system.

- European Parliament, resolution of 10 September 2015 on migration and refugees in Europe (2015/2833(RSP))
Plenary vote: in favour: 432; against: 142; abstentions: 57
- European Parliament resolution of 12 April 2016 on the situation in the Mediterranean and the need for a holistic EU approach to migration (2015/2095(INI))
Co-Rapporteurs: Roberta Metsola (EPP) and Cécile Kashetu Kyenge (S&D) – LIBE Committee
Plenary vote: in favour: 459; against: 206; abstentions: 52

Commission and Council positions in this field

In its conclusions of 18 and 19 February 2016,²²¹ the European Council gave a clear mandate to restore, in a concerted manner, the normal functioning of the Schengen area without controls at internal borders. On 4 March 2016, the Commission submitted a communication entitled 'Back to Schengen – A Roadmap',²²² which includes concrete steps to bring order back into the management of the EU's external and internal borders. The communication envisaged steps for:

- securing the protection of the external borders, notably the adoption of the European Border and Coast Guard;
- immediate support for Greece; and

²²⁰ European Parliament resolution of 12 April 2016 [on the situation in the Mediterranean and the need for a holistic EU approach to migration](#), 2015/2095(INI).

²²¹ European Council, [Conclusions](#), 18-19 February 2016.

²²² European Commission, [Communication 'Back to Schengen – A Roadmap'](#), 4 March 2016, COM(2016) 120 final.

- a more coherent approach to the management of temporary limitations to free movement.

In a statement of 7 March 2016,²²³ the EU Heads of State or Government endorsed the Commission's roadmap. As of June 2017, the process of rolling out of the European Border and Coast Guard Agency was ongoing. However, further contributions from Member States were still needed to complete its resources. In addition, a high number of irregular migrants were still present in Greece and along the Western Balkans route. Furthermore, the EU-Turkey Statement had resulted in a considerable reduction in the arrival of migrants, but they continued to outpace the number of returns from Greece to Turkey. Therefore, the conditions allowing for a return to a normally functioning Schengen area were not yet fully fulfilled. In view of these circumstances, the Council allowed five Schengen States (Austria, Germany, Denmark, Sweden and Norway) to maintain internal border controls until November 2017.

²²³ [Statement of the EU Heads of State or Government](#), 7 March 2016.

EUROPEAN ENERGY POLICY

14. Integrated energy markets

Potential benefits: €250 billion per year

Key proposition

Despite the entry into force in 2011 of the Third Energy Package, considerable obstacles are still hindering real integration of European energy markets. These barriers, together with uncoordinated national policies and the absence of a common stance towards non-EU countries, are impeding progress towards an effective European energy policy. As a result, households and businesses are denied the benefits of increased choice and lower energy prices, with electricity prices in Europe 30 % higher than in the US, and gas prices more than twice as high.

A Cost of Non-Europe Report undertaken for the European Parliament's Committee on Industry, Research and Energy (ITRE) by the European Added Value Unit in 2013 indicated that a more economically and physically integrated energy market could result in potential gains for the European economy of at least €250 billion annually.²²⁴ This figure takes into account both the European Parliament's own assessment in four specific areas of the market and the savings linked to full implementation of EU's energy efficiency measures, as well as with other gains estimated in studies detailed below.

Against the overall backdrop of increased European dependence on energy imports, scarce energy resources, and the need to mitigate climate change, both the European Parliament²²⁵ and the European Council,²²⁶ have called repeatedly for more integration of the energy markets in Europe. In the meantime, they have even advocated further steps towards the creation of a genuine European Energy Union, aiming at affordable, secure and sustainable energy.

More detailed analysis

A more economically and physically integrated single market in energy could provide increased benefits in terms of price for consumers and businesses. For this to occur, a fully completed infrastructure connecting various energy markets is necessary, in combination with the supporting regulatory and political conditions needed to foster energy trade.

²²⁴ M Del Monte, [The Cost of Non-Europe in the Single Market for Energy](#), European Added Value Unit, European Parliament, September 2013.

²²⁵ European Parliament resolution of 15 January 2015 [on the situation in Ukraine](#), 2014/2965(RSP).

²²⁶ European Council, [Strategic Agenda for the Union in Times of Change](#), Conclusions of 26-27 June 2014.

The European Parliament's Cost of Non-Europe Report focussed on potential gains in the following four fields:

- *Regulated prices:* A 'tariff deficit'²²⁷ is accumulated for each kWh of electricity supplied at a regulated tariff. In countries like Spain or Poland, with approximately 15 million domestic consumers, with average annual electricity consumption of 3 000 kWh (80 % supplied at the regulated tariff), the total tariff deficit would be around €720 million per year. Eliminating regulated prices could lead to a potential gain for consumers of €9.5 billion per year for the Union as a whole.
 - *Development of hubs and exchanges:* To assess 'non-Europe' and the potential benefits of a 'physically integrated' situation, the report compared the costs of non-integrated generation portfolios in six Member States (Germany, France, Luxembourg, the Netherlands, Belgium and Austria) with a physically fully-integrated situation. This showed that, over the whole area, 16.5 GW less generation capacity was required, roughly 8.0 % less than would be required in separate portfolios. The costs thus avoided on an annual basis were estimated at €1.2 billion (capital costs) and €448 million (fixed operational costs). This indication of the cost of non-Europe for the six Member States would translate into more than €3.0 billion per year in the long term at EU level.
 - *Lack of market-coupling:* In a situation where two markets are already connected, physically as well as commercially, market-coupling increases the efficiency of capacity allocation. A case study looked at the border between France and Italy showing that efficiency loss between the two countries is estimated to be €78 million per year.
 - *Balancing market:* Transmission system operators (TSOs), whose area of responsibility is usually defined along national borders, generally manage their balancing operations separately. Working together would reduce the back-up capacity required and the amount of energy used. International grid control cooperation, involving six TSOs and with Germany at its centre, saves around €300 million per year.

²²⁷ When regulated end-user prices are fixed below the total retail cost, a tariff deficit occurs. In a country where the electricity retail market price is €0.20 per kWh for domestic consumers and the regulated tariff is set at €0.18 per kWh, the tariff deficit would be €0.02 per kWh.

Table 9: Potential benefits from integrated energy market and energy efficiency

Potential benefits from integrated energy market and energy efficiency	(€ billion per year)
Phasing out regulated energy prices	9.5
Development of hubs and exchanges	3
Full integration of the energy market by 2030 ²²⁸	12.5
Implementation of the coordinated renewable investment scenario ²²⁹	23.5
Use of smart grids for consumers' demand-response ²³⁰	4
Full implementation of EU's energy efficiency measures ²³¹	200
TOTAL	252.5

Other estimates of the cost of non-Europe

According to the European Commission, greater overall energy efficiency could cut the EU's energy bill by about €200 billion per year by 2020.²³² There is an extensive literature on the untapped potential of closer cooperation in energy policy in Europe. For the purposes of this report, an annual gain of €200 billion is estimated to accrue from energy efficiency measures, including the 2011 Energy Efficiency Plan and the Energy Efficiency Directive, which entered into force in December 2012, together with benefits from the areas mentioned above. The table below provides a summary of the estimates of the potential gains from closer cooperation, some calculating the possible long-term benefit at almost €500 billion.²³³

²²⁸ Lower range taken from the Booz & Co., [Benefits of an integrated European energy market](#), 2013, a study requested by the European Commission's Directorate for Energy. The study estimated that energy market integration benefits will be in the range of €12.5-€40 billion per year by 2030. The study also estimated that the net benefit of achieving generation adequacy in the internal electricity market would amount to up to €7.5 billion per year in the period 2015 to 2030. Furthermore, it was foreseen that EU-wide sharing of balancing reserves would generate annual net benefits of up to €0.5 billion.

²²⁹ Middle range taken from the Booz & Co. 2013 study, which estimated gains of €16 billion to €30 billion per year by 2030 in a true common market for renewable energy as envisaged by the 2009/28/EC renewable energy directive.

²³⁰ Booz & Co., [Benefits of an integrated European energy market](#), op.cit.

²³¹ European Commission, [Background on Energy in Europe](#), information prepared for the European Council, 4 February 2011; presentation by José Manuel Barroso, [Energy Priorities for Europe](#), to the European Council of 22 May 2013. The Ecofys study from 2012 – [Saving energy: bringing down Europe's energy prices](#) – also concluded that reaching the 20 % energy savings target by 2020 would mean net savings of over €200 billion per year.

²³² Presentation by José Manuel Barroso, [Energy Priorities for Europe](#), 2013, op.cit.; and Ecofys, 2012, op.cit.

²³³ The Fraunhofer Institute [Analysis of a European Reference Target System for 2030](#) in 2013 showed that the EU has a 41 % cost-effective end-use energy savings potential for 2030. Tapping this potential would reduce greenhouse gas emissions in 2030 by at least 49 % to 61 %, compared with 1990 levels, while also boosting competitiveness and lowering net energy costs for households and industry by 2030. According to the study, households and industry would receive net benefits of €240 billion annually by 2030 and of about €500 billion by 2050 in lower energy bills.

Table 10: Other estimated benefits of internal energy market integration and energy efficiency both for 2020 and 2030

Other estimated benefits of internal energy market integration and energy efficiency both for 2020 and 2030	(€ billion per year)
Gas and Electricity	
Full implementation of the third energy package in 2015 compared with 2012 ²³⁴	8.0 - 30
Addressing uncompetitive price differentials between Member States ²³⁵	15
Renewables	
Fossil fuel import savings owing to an increase in renewables to 238 Mtoe by 2020 ²³⁶	50
Total gross value added of the renewable energy sources (RES) sector in the EU in the 2030s ²³⁷	99 - 197
Energy system savings from efficiently achieving the 20 % renewable energy target by 2020 ²³⁸	8
Energy efficiency	
Fossil fuels imports savings owing to achievement of 30 % energy efficiency target by 2030 ²³⁹	69.6
Businesses and households energy savings owing to energy performance of Buildings Directive for 2021-2030 ²⁴⁰	24-36

European Parliament position in this field

Since the entry into force of the Third Energy Package in 2011, the European Parliament has been advocating its full implementation and effective transposition. It reiterated this demand in a resolution of January 2015, but at the same time called on the Commission to take a further step by working towards the creation of a European Energy Union.²⁴¹

In its December 2015 resolution on the Commission's Energy Union strategy,²⁴² the Parliament welcomed the new framework and underlined that a fully functioning, interconnected internal energy market was the backbone of the future Energy Union. It

²³⁴ European Commission, [Energy challenges and policy](#) – contribution to the European Council of 22 May 2013.

²³⁵ Ibid.

²³⁶ European Commission, [Energy Economic Developments in Europe](#), January 2014.

²³⁷ [The impact of renewable energy policy on economic growth and employment in the European Union](#), study commissioned by the European Commission, 2006.

²³⁸ European Commission, [Energy challenges and policy](#), op cit.

²³⁹ European Commission, [Impact Assessment of the proposal for a directive amending Directive 2012/27/EU on Energy Efficiency](#), SWD(2016)405, p.46. The Commission estimates this saving as cumulative in the 2021-30 period and it looked at three different scenarios: 30 % energy efficiency target (EU30), 27 % energy efficiency target (EU27) and an even more ambitious 40 % target. In this latter, the savings would reach €287.5 billion.

²⁴⁰ European Commission, [Executive summary of the impact assessment of a proposal for a directive amending Directive 2010/31/EU on the energy performance of buildings](#), SWD(2016)415.

²⁴¹ [European Parliament resolution of 15 January 2015 on the situation in Ukraine 2014/2965\(RSP\)](#).

²⁴² European Council, [Conclusions on the Energy Union of 19 March 2015](#).

called notably for the establishment of a pan-European electricity grid and gas network, with the capacity to transmit power and gas across the EU from multiple sources. The Parliament also advocated continuing efforts to increase Europe's security of energy supply and to strengthen the external dimension of the Energy Union, by granting a more powerful role to the Commission in negotiations relating to energy issues. Furthermore, it reiterated its position on the EU 2030 climate and energy goals, including the adoption of a target for renewables of at least 30 % and a target of 40 % for energy efficiency to be implemented by means of individual national targets.

The European Parliament gave a more detailed view on a series of crucial issues for the completion of the internal energy market, and notably underlined that:

- regulated prices should be phased out; the Energy Union should ensure that consumers have access to affordable, safe and sustainable energy prices;
- insufficient physical interconnectivity of European power markets should be addressed by adequate financing. In the 2030 perspective, the interconnection target should be set at 15 %, combined with ambitious and evidence-based complementary targets, agreed by the regions;
- electricity market design would require a combination of liquid short-term markets and long-term price signals that would make it more flexible and fit for a growing share of renewables. The Commission should tackle the issue of electricity storage by defining it and proposing a regulatory framework; the ACER should be given decision-making power to coordinate regional cooperation (especially regarding system security and adequacy). It also reiterated that support for mature renewables should be phased-out;
- consumers in the energy market should be empowered (individually or collectively) to produce, consume, store or trade their own renewable energy, to actively engage in the energy market through customer choice. Consumers should be protected from unfair practices, and provided with clear information. For this to happen, digital technologies should be further developed, from smart grids to mobile applications. Moreover, the causes of energy poverty should be addressed.

- EP resolution of 10 September 2013 on making the internal energy market work (2013/2005(INI))
Rapporteur: Jerzy Buzek (EPP), ITRE Committee
Plenary vote: Show of hands
- EP resolution of 5 February 2014 on a 2030 framework for climate and energy policies (2013/2135(INI))
Rapporteur: Anne Delvaux (EPP), ENVI and ITRE Committees
Plenary vote: in favour: 341; against: 263; abstentions: 26
- EP resolution of 15 December 2015 'Towards a European Energy Union' (2015/2113(INI))
Rapporteur: Marek Józef Gróbarczyk (ECR), ITRE Committee, Ivo Belet (EPP), ENVI Committee
Plenary vote: in favour: 403; against: 177; abstentions: 117
- EP resolution of 15 December 2015 on achieving the 10 % electricity interconnection target – Making Europe's electricity grid fit for 2020 (2015/2108(INI))
Rapporteur: Peter Eriksson (Greens/EFA), ITRE Committee
Plenary vote: in favour: 630; against: 45; abstentions: 20
- EP resolution of 26 May 2016 on delivering a new deal for energy consumers (2015/2323(INI))
Rapporteur: Theresa Griffin (S&D), ITRE Committee
Plenary vote: in favour: 577; against: 65; abstentions: 9
- EP resolution of 23 June 2016 on the implementation report on the Energy Efficiency Directive (2012/27/EU) (2015/2232(INI))
Rapporteur: Markus Pieper (EPP), ITRE Committee
Plenary vote: in favour: 253; against: 193; abstentions: 46
- EP resolution of 13 September 2016, Towards a New Energy Market Design (2015/2322(INI))
Rapporteur: Werner Langen (EPP), ITRE Committee
Plenary vote: in favour: 454; against: 188; abstentions: 61

European Council position in this field

Back in 2011, the European Council stressed the importance of a fully functioning, inter-connected and integrated internal energy market and set itself an objective of completing the energy market by the end of 2014. A core aim was to guarantee that, after 2015, no Member State was isolated from the European gas and electricity networks. Despite improvements, the inter-connection between EU Member States still remains a challenge today.

In March 2014, the European Council also stressed the need to address the issue of external energy dependency through a further diversification of supplies and routes, increased energy efficiency, smart grids, improving the opportunity for the integration

of renewable energy into networks, and increased production of domestic energy resources.

In its 'Strategic Agenda for the Union in Times of Change' of June 2014, the European Council set the objective of building a resilient Energy Union aiming at affordable, secure and sustainable energy.²⁴³ In October 2014, the EU Heads of State or Government gave guidance on the EU 2030 climate and energy framework.²⁴⁴ They notably underlined the need to mobilise efforts to achieve a fully functioning and connected internal energy market urgently, and for that purpose, to remove both physical and regulatory barriers.

Moreover, the European Council called for achievement of the interconnection of at least 10 % of installed electricity production in the Member States by 2020, whilst endorsing a 15 % target for 2030; it specified that both would be attained via implementation of projects of common interest.

At the same time, EU leaders set targets to reduce greenhouse gas (GHG) emissions by 40 % by 2030 (compared with 1990 levels). GHG emissions from the non-ETS sector will have to be reduced by 30 % and those from the ETS sector by 43 % (compared with the 2005 baseline level). An indicative target of a minimum 27 % improvement in energy efficiency by 2030 at EU-level was also set. It was agreed that it should be reviewed by 2020, keeping in mind a more ambitious target of 30 %. Regarding renewable energy, EU leaders set a new target of at least 27 % of energy consumption from renewable energy sources at EU level to be achieved by 2030.

In its conclusions of 19 March 2015,²⁴⁵ the European Council supported the European Commission's framework strategy for an Energy Union, and underlined the importance of all its dimensions. Some specific recommendations on legislative action were given: (i) to fully implement and enforce existing energy legislation; (ii) to reinforce the legislative framework for security of supply for electricity and gas; (iii) to reinforce transparency of international energy agreements; (iv) to develop more effective and flexible market design, integrating renewables; and (v) to review and develop legislation on emissions reduction, energy efficiency and renewables, in order to underpin the 2030 targets.

European Commission position in this field

On 25 February 2015, the European Commission adopted its strategy for a resilient Energy Union with a forward-looking climate change policy (Energy Union), a key point

²⁴³ European Council, [Strategic Agenda for the Union in Times of Change](#), Conclusions of 26-27 June 2014.

²⁴⁴ European Council, [Conclusions of 24 October 2014](#), EUCO 169/14.

²⁴⁵ European Council, [Conclusions on the Energy Union of 19 March 2015](#).

in the Commission President Jean-Claude Juncker's 10-point plan.²⁴⁶ The overall aim of the Energy Union is to integrate the 28 European energy markets into one, with energy flows becoming a 'fifth freedom' of the Union. The Energy Union communication sets out key actions to be taken in five dimensions: (i) energy security, (ii) the internal energy market, (iii) energy efficiency, (iv) decarbonisation and (v) research, innovation and competitiveness, which comprise both legislative and non-legislative measures.

Since 2015, the Commission has presented all the main legislative proposals aimed at implementing the Energy Union strategy:

- (i) proposal for a revision of the Emission Trading Scheme (ETS) directive for the 2020-2030 period;²⁴⁷
- (ii) proposals that will help reduce greenhouse gas emissions from non-ETS sectors (such as agriculture, transport, land use, land use change and forestry);²⁴⁸
- (iii) a package focused on energy security out of which a decision on intergovernmental agreements related to energy has been already adopted, and a regulation to safeguard the security of gas supply which has been adopted by the European Parliament in September 2017; and
- (iv) a 'Clean Energy for all Europeans' package of eight legislative proposals that in the 2030 perspective foresee an EU-level binding renewable target of at least 27 % and a 30 % binding energy efficiency reduction target.²⁴⁹

Regarding energy interconnection gaps hindering completion of the internal energy market, the Commission has announced that it will present a communication by the end of 2017 on progress towards completion of the list of the most vital elements of energy infrastructure (a list of projects of common Interest) and on the necessary measures to achieve the 15 % electricity interconnection target by 2030.²⁵⁰

²⁴⁶ European Commission, [Communication on A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy](#), COM(2015) 80.

²⁴⁷ European Commission, [Proposal for a directive to enhance cost-effective emission reductions and low-carbon investments](#), COM(2015) 337

²⁴⁸ European Commission, [Proposal for a Regulation on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement](#), COM(2016) 482; European Commission, [Proposal for a Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework](#), COM(2016) 479.

²⁴⁹ The clean energy package is composed of: two proposals on common rules for the internal market for electricity (one addressing new market design and second focusing on consumers' role in it), a proposal strengthening the role of Agency for the Cooperation of Energy Regulators, a proposal on risk-preparedness in the electricity sector in time of a supply crises, a proposal on the promotion of the use of energy from renewable sources, a proposal on energy efficiency and on energy performance of buildings, as well as a proposal on the governance of the Energy Union to coordinate all its components.

²⁵⁰ European Commission, [Second Report on the State of the Energy Union](#), COM(2017) 53, Annex 2.

Cost of Non-Europe Map



Total: € 1 751 billion

Digital single market
€415

e-Commerce
€204

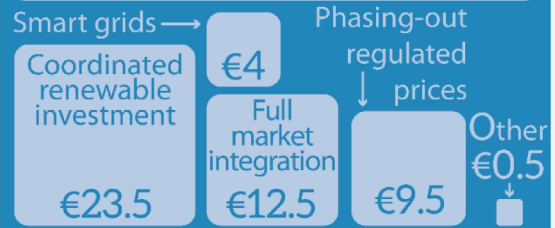
Sharing economy
€158

Cloud computing
€47

Others
€6

Integrated energy markets
€250

Energy efficiency
€200



Justice & home affairs
€78.5

Organised crime and corruption
€71

€7 Violence against women

- ← €0.3 Limitation periods for road accidents
- ← €0.098 Private international law codification
- ← €0.043 Improved European arrest warrant
- ← €0.011 Vulnerable adults
- ← €0.002 Cross-border adoptions

External relations: €69

Transatlantic trade deal (TTIP)
€68

€1 ← Development aid coordination

Common security and defence
€26

Values in € billion (per year)

FIGHTING TAX FRAUD AND TAX EVASION

15. Addressing corporate tax avoidance

Potential efficiency gain: €160 billion per year

Key proposition

Since the start of the financial crisis in 2008, aggressive tax planning and tax avoidance practices have been at the centre of the public debate and have undermined the confidence of the European electorate in tax systems across the Union. Aggressive tax planning and tax avoidance refers to the ostensibly legal practices of working within a tax code, but using often sophisticated business and accountancy practices to minimise a company's tax liability.

A study²⁵¹ commissioned by the European Added Value Unit for the European Parliament's Committee on Economic and Monetary Affairs (ECON) in 2016 estimated that tax revenue losses for the EU on account of aggressive corporate tax planning could amount to €160-190 billion per annum. These losses are linked to tax avoidance from corporate taxation (profit shifting), but also to special tax arrangements as well as inefficiencies in tax collection. The above study presents the methodology used and the country-by-country calculations on which these figures are based. It describes the tools commonly used in aggressive planning, and the impacts this has on tax revenue, concluding with an assessment of the inefficiencies generated by individual tax arrangements for large multinational companies in the European Union.

More detailed analysis

The study found that revenue losses for the EU on account of tax avoidance from corporate taxation could amount to around €50-70 billion per annum, this figure representing the sum lost to profit-shifting. This is a cautious estimate. When other tax regime issues, notably special tax arrangements or inefficiencies in collection, are included, it can be estimated that revenue losses to the EU owing to aggressive corporate tax planning could amount to around €160-190 billion per annum. The lower range has been taken for the purpose of the overall calculation.

²⁵¹ R Dover, B Ferrett, D Gravino, E Jones and S Merler, [Bringing transparency, coordination and convergence to corporate tax policies in the European Union](#), EPRS, European Parliament, September 2015.

Table 11: Potential benefits resulting from addressing corporate tax avoidance

Sum/per annum	To what the sum refers
€50-70 billion	Amount lost to profit-shifting
€160-190 billion	Amount lost to aggressive tax planning
€13.4 – 33.5 billion	Amount of corporation tax that could be recovered from cost-effective regulation

In order to assess the above-mentioned figures properly, it should be stressed that it is excessively expensive or technically difficult to collect the above amounts effectively and in full. Consequently, a certain percentage of these sums would inevitably remain uncollected. Similarly, the calculations do not include estimates for activities within the shadow economy (notably tax evasion) that, if factored in, would add substantially to these figures. If a complete solution to the problem of tax base erosion and profit-shifting in order to reduce taxes were available and could be implemented throughout the EU, it would have an estimated positive impact of 0.2 % of the total tax revenues of the Member States. The European Commission's annual macroeconomic database (AMECO) calculates that in 2011 the total tax revenues collected over the EU as a whole were €5.74 trillion. This means a comprehensive solution would generate an addition €11.5 billion in revenues.

Other estimates of the cost of non-Europe

On 10 May 2013, EurActiv, an online EU affairs media network, quoted the then European Council President, Herman Van Rompuy, as saying that 'every year around €1 trillion is lost in EU Member States because of tax evasion and tax avoidance'. A similar figure is presented on the European Commission's Taxation and Customs Union website.²⁵² These figures possibly reflect the findings of a report prepared by Murphy (2012),²⁵³ which suggests that, of the estimated loss of €1 trillion, €150 billion can be attributed to tax avoidance (the minimisation of tax liability *within* the legal code), which could be resolvable through cost-effective regulatory and enforcement measures, whilst the remaining loss of €850 billion is the result of tax evasion (the *illegal* non-payment or under-payment of tax).

Although there is substantial evidence that tax avoidance and evasion impose significant revenue losses, most economists agree that estimating those losses with any degree of precision is a challenge.²⁵⁴ Existing estimates based on a macro approach

²⁵² European Commission, Taxation and Customs Union [website](#).

²⁵³ R Murphy, 'Closing the European Tax Gap', a report for the Progressive Alliance of Socialists and Democrats in the European Parliament, 2012.

²⁵⁴ See, for example, C Fuest and N Riedel, 'Tax evasion, tax avoidance and tax expenditures in developing countries: a review of literature', a report prepared for the UK Department for International Development, Oxford: Oxford University Centre for Business Taxation, 2009; J Hines, 'How serious is the problem of base erosion and profit shifting?', *Canadian Tax Journal*, No 2, 2014, pp. 443-53; IMF,

(most of which are published by NGOs) attract considerable public attention, but are difficult to interpret because of the drawbacks associated with some of the measurement concepts.

Moreover, many of these published estimates include tax-relief (for capital investment, staff development and so on) under 'lost revenue'. This is a highly questionable practice, as these allowances are designed to spur economic growth and, therefore, increase receipts in the medium term. The inclusion of such allowances in these meta-figures also reduces the amount of revenue that Member States could be expected to collect with more effective regulation and collection. The calculations concerning what lost revenue can reasonably be recovered rely on settled methodologies of calculating loss, and on the understanding that only a proportion of lost revenues, not attributed to allowances, can affordably be collected.²⁵⁵

European Parliament position in this field

In November 2015, the European Parliament adopted a resolution on tax rulings and other measures similar in nature or effect,²⁵⁶ which contains 87 requests for action regarding corporate taxation. The resolution was the result of the work of the Parliament's Special Committee on Tax Rulings (TAXE 1 Committee) which had a mandate 'to examine practice in the application of EU state aid and taxation law in relation to tax rulings and other measures similar in nature or effect issued by Member States, if such practice appears to be the act of a Member State or the Commission'. In other words, the TAXE 1 Committee was tasked with scrutinising tax practices aimed at attracting non-resident firms or transactions at the expense of other tax jurisdictions in which those transactions should normally be taxed, and/or measures aimed at privileging only some companies, thus distorting competition, including tax rulings.

In December 2015, the European Parliament adopted a resolution, prepared by the Committee on Economic and Monetary Affairs (ECON), on 'bringing transparency, coordination and convergence to corporate tax policies in the Union',²⁵⁷ which builds on the work of the European Parliament's Special Committee on Tax Rulings (TAXE 1). The need for coordination and convergence derives from the fact that Member States have power to legislate on corporate taxation, which often has cross-border and global impacts.

'Spillovers in international corporate taxation', IMF policy paper, International Monetary Fund, May 2014; M. T Evers, I Meier, and C Spengel, '[Transparency in Financial Reporting: Is Country-by-Country Reporting suitable to combat international profit shifting?](#)', ZEW Discussion Paper, 2014.

²⁵⁵ An example of this – essentially based on the same sets of data – is the British government's figure for the corporation tax gap in 2012-13 of £3.9 billion, to be compared with Murphy's estimate of £12 billion.

²⁵⁶ European Parliament, [Resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect](#), 2015/2066 (INI).

²⁵⁷ European Parliament, [Resolution of 16 December 2015 with recommendations to the Commission on bringing transparency, coordination and convergence to corporate tax policies in the Union](#), 2015/2010(INL).

The resolution, which is based on Article 225 TFEU, formally asks for a number of legislative proposals to be presented by the Commission, whilst setting out 24 legislative recommendations to address issues relating to transparency, coordination and convergence.

In July 2016, continuing and deepening the work started by the European Parliament's Special Committee on Tax Rulings (TAXE 1), the Parliament adopted another resolution, based on the report prepared by its Special Committee on Tax Rulings (TAXE 2), on tax rulings and other measures similar in nature or effect.²⁵⁸

The 'Panama Papers' and 'Lux Leaks' revelations have shown the urgent need for the EU and its Member States to fight tax evasion, tax avoidance and aggressive tax planning, and to act for increased cooperation and transparency, in particular by ensuring that corporate taxes are paid where value is created, not only among Member States, but also globally. Offshore wealth is estimated at approximately US\$10 trillion.

- European Parliament resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect (2015/2066 (INI))
Rapporteurs: Elisa Ferreira (S&D), Michael Theurer (ALDE), TAXE 1 Committee
Plenary vote: in favour: 508, against: 108, abstentions: 85
- European Parliament resolution of 16 December 2015 with recommendations to the Commission on bringing transparency, coordination and convergence to corporate tax policies in the Union, (2015/2010(INL))
Rapporteurs: Anneliese Dodds (S&D), Ludek Niedermayer (EPP), ECON Committee
Plenary vote: in favour: 500, against: 122, abstentions: 81
- European Parliament resolution of 6 July 2016 on tax rulings and other measures similar in nature or effect, (2016/2038(INI))
Rapporteurs: Michael Theurer (ALDE), Jeppe Kofod (S&D), TAXE 2 Committee
Plenary vote: in favour: 516, against: 68, abstentions: 125

European Commission position in this field

The European Commission has proposed several legislative acts to improve the legislative framework in the area of corporate taxation.

²⁵⁸ European Parliament, [Resolution of 6 July 2016 on tax rulings and other measures similar in nature or effect](#), 2016/2038(INI).

16. Combating value added tax fraud

Potential efficiency gain: €9 billion per year

Key proposition

Revenues lost to the public finances on account of non-compliance or non-collection of value added tax (VAT) in the EU – the 'VAT gap': in nominal terms, in 2015, the VAT Gap in the EU-28 Member States amounted to €151.5 billion. Expressed as a percent of VAT Total Tax Liability, the VAT Gap share dropped to 12.8 %, down from 14.1 % in 2014.²⁵⁹

Given the extensive shortfall in VAT receipts, due in part to fraud, a benefit of at least €9 billion per year²⁶⁰ could be anticipated from action at EU level, in particular through the introduction of a standardised European invoice and/or an EU-coordinated or simplified cross-border taxation system. Such measures could both facilitate the fight against VAT fraud, which affects the Union's financial interests, and also result in smoother cross-border transactions and reduce costs for businesses and the public.

Decreasing the size of the EU's shadow economy, estimated at around 20 % of official gross domestic product (GDP),²⁶¹ would furthermore increase the efficiency of resource allocation in the European economy as a whole. However, this is very difficult to achieve without more effective EU-wide tax cooperation.

More detailed analysis

The value added tax (VAT) gap is the difference between expected VAT revenue and the money actually collected by national authorities. While non-compliance is certainly an important contributor to this revenue shortfall, the VAT gap is not due only to fraud. Unpaid VAT also results *inter alia* from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance.

According to a 2013 study for the Commission, a stronger and better-coordinated EU VAT returns policy could result in additional receipts of between €9 and €20 billion a year, depending on the level of harmonisation.²⁶² The proposed EU 'standard VAT return' would be mandatory for Member States, but optional for businesses registered in multiple Member States. The lower boundary value of €9 billion per year has been retained as a cautious estimate of the potential gains.

²⁵⁹ [VAT Gap Report](#), European Commission, September 2017.

²⁶⁰ PWC, Study on the [Feasibility and impact of a common EU standard VAT return](#), undertaken for the European Commission, February 2013 – lower range value used.

²⁶¹ This 20 % of GDP figure includes all illegal activities and tax losses, not just VAT losses.

²⁶² PWC, [Study on the Feasibility and impact of a common EU standard VAT return](#), undertaken for the European Commission, February 2013.

On 4 October 2017 the European Commission launched proposals to profoundly reform the VAT system. The Commission seeks agreement on four fundamental principles of a new definitive single EU VAT area:

- Tackling fraud: VAT will now be charged on cross-border trade between businesses.
- One Stop Shop: It will be simpler for companies that sell cross-border to deal with their VAT obligations thanks to a 'One Stop Shop'.
- Greater consistency: A move to the principle of 'destination' whereby the final amount of VAT is always paid to the Member State of the final consumer and charged at the rate of that Member State.
- Less red tape: Simplification of invoicing rules, allowing sellers to prepare invoices according to the rules of their own country even when trading across borders.

European Parliament position in this field

In its resolution on the single market strategy, of May 2016,²⁶³ the European Parliament welcomed the European Commission's determination to address the lack of tax coordination within the EU, in particular the difficulties faced by SMEs as a result of the complexity of differing national VAT regulations.

- European Parliament resolution of 13 October 2011 on the future of VAT (2011/2082(INI))
Rapporteur: David Casa (EPP), ECON Committee
Plenary vote: in favour: 521; against: 50; abstentions: 58
- European Parliament resolution of 21 May 2013 on Fight against Tax Fraud, Tax Evasion and Tax Havens (2013/2060(INI))
Rapporteur: Mojca Kleva Kekus (S&D), ECON Committee
Plenary vote: Show of hands
- European Parliament resolution of 2 April 2014 (consultation) on the proposal for a Council Directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
Rapporteur: Mojca Kleva Kekus (S&D), ECON Committee
Plenary vote: in favour: 513; against: 32; abstentions: 81
- European Parliament resolution of 26 May 2016 on the single market strategy, 2015/2354(INI)
Rapporteur: Lara Comi (EPP), IMCO Committee
Plenary vote: in favour: 423; against: 92; abstentions: 54
- European Parliament resolution of 24 November 2016 on towards a definitive VAT system and fighting VAT fraud (2016/2033(INI))
Rapporteur: Werner Langen (EPP), ECON Committee
Plenary vote: in favour: 459; against: 87; abstentions: 74

²⁶³ European Parliament, [Resolution of 26 May 2016 on the single market strategy](#), 2015/2354(INI)

In this resolution, the Parliament also extended its full support for the European Commission's action plan on the modernisation of the EU VAT system, presented in April 2016.²⁶⁴ The action plan is designed to initiate a political discussion in the Council as well as in the Parliament; it could lead – if the Commission is given a mandate by Council for this purpose in 2017 – to detailed legislative proposals aimed at combating tax losses.

More specifically, the Parliament requested that the Commission consider how the new rules concerning the place of supply for VAT on digital services could be amended, so as to accommodate the specific needs of small and micro-businesses. It also called on the Commission to assess the feasibility of further coordination and, in particular, to assess the possibility of a simplified VAT approach (for the same category of goods) in the e-commerce sector. Finally, the Parliament welcomed the Commission's intention to propose a definitive VAT system by 2017 that would be simple, fair, robust, efficient and less susceptible to fraud.²⁶⁵

European Council position in this field

In March 2013, the European Council stressed again the need for renewed efforts to improve the efficiency of tax collection and to tackle tax evasion, including through savings taxation agreements with third countries and rapid progress in tackling the problem of VAT fraud.

In March 2016, the European Council noted that the Commission intended to publish shortly a communication on an action plan on VAT. It welcomed the intention of the Commission to include proposals for increased flexibility for Member States with respect to reduced rates of VAT, which would provide Member States with the option of VAT zero rating for sanitary products.

In June 2016, the European Council stated that the fight against tax fraud, evasion and avoidance and against money laundering remained a priority, both within the EU and internationally. It further considered that the publication by the Commission of an action plan aimed at the creation of a modernised and fraud-proof single VAT area was also an important element of the overall approach.

²⁶⁴ European Commission, [Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT. Towards a single EU VAT area - Time to decide](#), COM(2016) 148 final.

²⁶⁵ European Parliament [resolution of 24 November 2016 on towards a definitive VAT system and fighting VAT fraud](#) (2016/2033(INI)).

RESILIENT ECONOMIC AND MONETARY UNION

17. A strong banking union to avert a new financial crisis

Potential savings: €100 billion per year

Key proposition

The stability and efficiency of financial institutions is a key prerequisite for sustainable growth. They are pivotal in ensuring the provision of liquidity needed for the smooth operation of the economy. Financial risk, if it materialises, can spread rapidly and reach systemic levels, thus causing uncertainty and disrupting economic activity – ultimately destroying wealth and with serious implications for the lives of millions of people across the EU and beyond.

The costs at the euro-area level of a medium-sized financial shock (-10 % losses in bank assets compared with 2007-2009) have been estimated to amount to a cumulative loss of €1 trillion in gross domestic product (GDP) (about -9.4 % of GDP), job losses of 1.9 million and an increase of €51 billion in government debt. Assuming that such a shock occurs every 10 years on average, the annualised costs would potentially amount to around €100 billion in output loss and 0.19 million job losses per annum. The costs would be much higher in the absence of the resolution pillar of banking union, which is not scheduled to be fully in place until 2023.

Actions at EU level could significantly reduce the likelihood of financial shocks materialising and thus of their impact on the real economy. Completing the Banking Union is supposed to reduce risks and is comprised of a Single Supervisory Mechanism (SSM), a Single Resolution Mechanism (SRM), a common Deposit Guarantee Scheme (EDIS), and an ESM Direct Recapitalisation Instrument (DRI).

More detailed analysis

The European Added Value Unit has assessed the cost of a future financial shock from two different angles – the first Cost of Non-Europe Report uses macro-economic analysis to assess the cost of a financial or sovereign debt crisis.²⁶⁶ This report estimated the one-off cost of not having a fully-fledged banking union at European level to amount to

²⁶⁶ M-C Frunza, [The Cost-of-Non-Europe of an incomplete EMU to prevent future crises](#), for the European Added Value Unit, EPRS, European Parliament, December 2014.

€222 million, in the case of a new sovereign debt crisis, or €195 billion, in the case of a new financial crisis.

Table 12: Estimates of the cost of non-Europe under various shock scenarios

Cost of non-Europe (banking union)	Cumulated effect	Annual effect
Potential GDP loss (€ billion)	1 000 (-9.4 % of GDP)	100
Potential job losses (million unemployed)	1.914 (-1.19 % of total workforce)	0.19
Potential increase in government debt (€ billion)	51.4 (+0.5 % of total debt)	5.14

The second Cost of Non-Europe Report²⁶⁷ aimed to assess the potential costs entailed by different shocks under various scenarios regarding the implementation of the resolution pillar of banking union.²⁶⁸ It showed that the current regulatory framework was not resilient enough to withstand a shock of a size comparable to that of 2007-09 for banking union, with bailouts still needed at the European taxpayer's expense.

Other estimates of the cost of non-Europe

The cumulative GDP loss from the recent financial, economic and sovereign debt crisis was very substantial indeed – estimated to be at least €2.12 trillion within the EU²⁶⁹ – over the period from 2008 to 2012. In 2013, government intervention in the context of the financial crisis increased the government deficit in the euro area by €28.61 billion (0.29 % of GDP) and in the EU-28 by €29.65 billion (0.22 % of GDP).²⁷⁰ The effective measures put in place at all levels to avert or attenuate the recurrence of any such crisis should thus bring considerable welfare gains in the future. According to the ECB, over the 2008-2014 period accumulated gross financial sector assistance amounted to 8 % of euro-area GDP, of which 3.3 % has been recovered.²⁷¹

The potential annual net benefits related to selected financial reforms, namely higher capital requirements under the Capital Requirements Directive (CRD IV) and the bail-in and resolution fund provisions of the Bank Recovery and Resolution Directive (BRRD), based on simulations by the European Commission, are estimated to deliver

²⁶⁷ G Giraud and T Kockerols, [Making the European Banking Union macro-economically resilient: Cost of Non-Europe Report](#), 2015.

²⁶⁸ S de Finance and R Nieminen, [Testing the resilience of the Banking Union](#), section 5.2, EPRS, European Parliament, 2015, and the Commission's [webpage](#) on the single resolution mechanism.

²⁶⁹ Eurostat, [Statistical impact on government deficit and Statistical impact on government debt](#) (2013): this study shows an aggregate cost of government intervention of 16.3 % of EU-28 GDP.

²⁷⁰ Eurostat supplementary table for the financial crisis, [Background note \(2014\)](#), p.3.

²⁷¹ European Central Bank, [The fiscal impact of financial sector support during the crisis](#), ECB Economic Bulletin, Issue 6/2015.

macroeconomic benefits of around 0.6-1.1 % of EU GDP per year (or about €75-140 billion per year, based on 2013 EU GDP).²⁷²

European Parliament position in this field

The European Parliament has called for measures to address, in a Community framework and with genuine accountability, the resolution of failing banks, guaranteeing a common 'rule book', as well as a common set of intervention tools and triggers, whilst limiting taxpayers' involvement to a minimum, through the creation of harmonised, self-financed, industry resolution funds. The Parliament has favoured a cross-border framework for insurance guarantee schemes across Member States. It has also addressed the issue of remuneration policies in the financial sector.

Much has already been achieved. A common resolution mechanism for dealing with bank failures, namely the single resolution mechanism (SRM), has been set up. In practice, the central authority of the SRM, the Single Resolution Board (SRB), prepares and oversees the resolution of failing banks, in close cooperation with the national resolution authorities. It is responsible for a common safety net, namely the Single Resolution Fund (SRF). The EU Bank Recovery and Resolution Directive was adopted in 2014 and became effective on 1 January 2015. It provides authorities with more comprehensive and effective arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

European Commission position in this field

On 23 November 2016, the Commission published a package of reforms to further strengthen the resilience of the EU's banks. The measures proposed are part of the Commission's ongoing work to reduce risk in the banking sector, as set out in the communication from November 2015 'Towards the Completion of the Banking Union'.²⁷³ The proposals amend the following pieces of legislation: The Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), which were adopted in 2013 and which set out prudential requirements for credit institutions (banks) and investment firms and rules on governance and supervision; and the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR), which were adopted in 2014 and which spell out the rules on the recovery and resolution of failing institutions and establish the Single Resolution Mechanism.

The European Commission has continued to propose several legislative acts, in order to improve the legislative framework in the area of banking union. Further information regarding the on-going work as well as the adopted proposals can be found on the

²⁷² European Commission, [Economic Review of the Financial Regulation Agenda, SWD\(2014\) 158](#), May 2014.

²⁷³ European Commission, [Communication 'Towards the completion of the Banking Union'](#), COM(2015) 587 final.

European Parliament's [Legislative Train Schedule – Deeper and fairer economic and monetary union](#).

European Council position in this field

The European Council is committed to completing the Economic and Monetary Union in line with the Five Presidents' Report (2015).

On 9 March 2017, the European Council reiterated the need to complete the Banking Union (SRM, EDIS) in terms of reducing and sharing risks in the financial sector, in the appropriate order, as set out in the Council conclusions of 17 June 2016. It recalled the importance of international cooperation on the design of common prudential and supervisory standards for financial services.

18. Better coordination of fiscal policies

Potential efficiency gain: €7 billion per year

Key proposition

Despite progress in strengthening the banking union and increasing the coordination of fiscal policies through the European semester, the institutional structure for economic and monetary union (EMU) remains incomplete. Unless national fiscal policies are better coordinated, there can be significant negative 'spill-over' effects among the Member States within the euro area, and more widely across the European Union.

Research commissioned by the European Added Value Unit²⁷⁴ in 2014 sought to assess the costs associated with the absence of strong fiscal coordination should a new economic and financial crisis occur. The study estimated the one-off cost of not having reinforced fiscal coordination to be some €85 billion per annum, in the case of a new sovereign debt crisis, or €58 billion per annum, in the case of a new financial crisis. Although both scenarios are non-continuous²⁷⁵ by nature, a mid-range value of €72 billion has been retained for this paper. Following the recent history of financial or banking crises, which have affected the European economy once a decade on average, the study calculated that the annual cost of not coordinating fiscal policies would be broadly equivalent to dividing this anticipated one-off loss by ten; the cost would thus amount to some €7 billion, on an annualised basis.

More detailed analysis

The study assessed the potential impact and costs that would result from insufficient fiscal coordination in the euro area were a new crisis to occur. Here, the cost of non-Europe is defined as the difference between the underlying systemic costs stemming from a weak and inefficient EMU and the costs in the event of a crisis in a strong and efficient EMU. This assumes, inter alia, that euro-area states maintain strong and efficient fiscal coordination, and a low correlation between credit cycles and increases in the public debt-to-GDP ratio. The research concludes that more efficient fiscal coordination would substantially reduce the contraction in credit flows to the real economy, should a new financial or sovereign crisis occur.

²⁷⁴ M-C Frunza, [The Cost of Non-Europe of an incomplete EMU to prevent future crises](#), for the European Added Value Unit, EPRS, European Parliament, December 2014.

²⁷⁵ The non-continuous estimates for the potential benefits (banking union, improved fiscal coordination and common deposit guarantee scheme) are calculations of one-off losses that can be avoided in a future crisis scenario in a particular year, by putting appropriate arrangements in place now.

Table 13: Deeper EMU and banking union: estimate of the cost of non-Europe

	Sovereign crisis scenario	Financial crisis scenario
Improved coordination of fiscal policies	€85 billion	€58 billion

The study concluded that further efforts were needed to strengthen EMU and help ensure the stability of the euro area for the future.

Other estimates of the cost of non-Europe

In a staff discussion note, published in 2013, the International Monetary Fund (IMF) explored the role that deeper fiscal integration can play in correcting structural weaknesses in the EMU system, reducing the incidence and severity of future crises and lending long-term credibility to the crisis measures undertaken.²⁷⁶ Although country-level adjustment and support via the European Stability Mechanism (ESM), the European System of Financial Supervision (ESFS) and the Outright Monetary Transactions (OMTs) backstop, together with progress towards banking union, are important achievements, a clearer ex-ante approach to fiscal discipline would be very important to further strengthen EMU and help ensure the stability of the euro area for the future.

The European semester plays an important role in strengthening the coordination of fiscal policies. Consequently, the early publication of the country reports streamlines and strengthens the European Semester in line with the Five Presidents' Report of 2015. This allows a more effective dialogue and coordination on European priorities, including euro-area challenges, at the start of the European Semester cycle.

European Parliament position in this field

The European Parliament believes that an integrated fiscal framework is an essential part of a genuine EMU – based on a functioning 'six-pack' and 'two-pack', a fiscal compact under the Community method, a European budget funded by own resources, a gradual rollover of bad debts in a redemption fund, and measures to fight tax evasion, accompanied by better practices in taxation.

²⁷⁶ International Monetary Fund, [Toward a Fiscal Union for the Euro Area](#), 2013.

- European Parliament resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, European Commission, European Central Bank and Eurogroup 'Towards a genuine Economic and Monetary Union' (2012/2151(INI))
Rapporteur: Marianne Thyssen, (EPP), ECON Committee
Plenary vote: in favour: 482; against: 160; abstentions: 35
- European Parliament resolution of 24 June 2015 on the review of the economic governance framework: stocktaking and challenges (2014/2145(INI))
Rapporteur: Pervenche Berès, (S&D), ECON Committee
Plenary vote: in favour: 317; against: 254; abstentions: 9
- European Parliament resolution of 17 December 2015 on completing Europe's Economic and Monetary Union (2015/2936(RSP))
Plenary vote: show of hands

The 'Two-Pack' Regulation entered into force in 2013, providing the Commission with the possibility of requiring a revision of a draft national budget in line with European-level commitments. The Parliament considers that the implementation of the provisions of the six-pack and the two-pack is important, whilst stressing that existing Treaties and instruments would allow some of the necessary additional steps to be taken towards completing EMU. In a genuine EMU, better ex-ante coordination of economic and fiscal policies (through an improved European Semester process) should also be the rule. The recently published Commission report on a new social pillar at European level²⁷⁷ is also an important element in a new integrated economic framework and a step towards future crisis prevention.

European Council position in this field

In June 2012, the European Council stressed that 'there are areas where the Member States sharing a single currency, and others willing to join the effort, want to go further in their efforts to coordinate and integrate their financial, fiscal and economic policies within the European Union framework, fully respecting the integrity of the single market and of the European Union as a whole.' In October 2012, the European Council called for further mechanisms, including an appropriate fiscal capacity, to be explored for the euro area, in the context of an integrated budgetary framework.

The European Council also recalled several times that Member States should further coordinate ex ante major economic policy reforms in the context of the European Semester (in line with Article 11 of the Treaty on Stability, Coordination and

²⁷⁷ European Commission, [Communication from the on Establishing a European Pillar of Social Rights](#), 26 April 2017, COM(2017) 250 final.

Governance). In its 'Strategic Agenda for the Union in Times of Change'²⁷⁸ from June 2014, the European Council called for stronger euro-area governance and strengthened economic policy coordination, convergence and solidarity.

In June 2016, the European Council²⁷⁹ took stock of the progress achieved in the work towards completing EMU, including the roadmap to complete the banking union, and called for work to be taken forward. It endorsed the Council's recommendation on national productivity boards (September 2016).

²⁷⁸ European Council, [Strategic Agenda for the Union in Times of Change](#), 26-27 June 2014.

²⁷⁹ European Council, [Conclusions](#), 28 June 2016.

19. Common deposit guarantee scheme

Potential efficiency gain: €5 billion per year

Key proposition

A common European single deposit guarantee scheme (DGS), which would support national deposit guarantee schemes, would aim to strengthen the banking union and guarantee citizens' deposits (up to €100 000) at EU level, thus reinforcing financial stability and further reducing the link between banks and their sovereigns.

While national DGSs are already in place and provide protection of €100 000, they are not backed by a common European scheme. The Five Presidents' Report of 2015 proposes to establish, in the longer term, a European Deposit Insurance Scheme (EDIS), as the third pillar of the banking union alongside bank supervision, which has been entrusted to the single supervisory mechanism (SSM), and bank resolution, which has been entrusted to the single resolution mechanism (SRM).

Research commissioned by the European Parliament's European Added Value Unit estimates the potential one-off cost of not having established a common DGS at €64 billion (0.49 % of gross domestic product (GDP)), in the event of a new financial crisis or, in the event of a sovereign debt crisis, a potential cost of €32 billion (0.25 % of GDP).²⁸⁰ Although both scenarios are non-continuous by nature, a mid-range value of €48 billion has been retained for this assessment. As in the case of the banking union, and following the recent historical trend of financial or banking crises that affect the European economy occurring at roughly decade-long intervals, it has been calculated that the annual cost of not having a common deposit guarantee system is broadly equivalent to dividing the anticipated one-off loss by 10, and so represents a cost of some €5 billion, on an annualised basis.

More detailed analysis

The scenarios that a common deposit guarantee scheme is intended to avoid are of the kind that occurred when, for example, deposits in Greece contracted by 36 % between September 2009 and June 2012, or when, in Cyprus, deposits decreased by 32 % between May 2012 and May 2014. A common DGS would break the vicious circle between banks and sovereigns. In the event of a sovereign being under market pressure, maintaining confidence and diversifying risks across the banking sector would be crucial to prevent capital flight and deposit outflows.²⁸¹

²⁸⁰ [The Cost of Non-Europe of an incomplete EMU to prevent future crises](#), EPRS, European Parliament, December 2014, p.4.

²⁸¹ Goyal *et al.*, [A Banking Union for the Euro Area](#), IMF Staff Discussion Note, February 2013.

The research undertaken by the European Added Value Unit has sought to assess the cost of not having a single DGS, should a new crisis occur. On the basis of an econometric model underpinned by the financial and economic assumptions outlined in the report, the cost of non-Europe is estimated in terms of the difference between the underlying systemic costs stemming from a crisis of a weak and inefficient EMU and those of a strong and efficient EMU, including inter alia a common deposit guarantee scheme.

In case of a new financial crisis, the cost generated by not having a unified system at EU level is estimated at €64 billion per annum (or 0.49 % of GDP), whilst a single DGS would ultimately prevent a deposit flight of €49 billion.

Table 14: Deeper EMU and banking union: estimate of the cost of non-Europe

	Sovereign crisis scenario	Financial crisis scenario
Common deposit guarantee scheme	€32 billion	€64 billion

European Parliament position in this field

The European Parliament has stressed several times that the euro area has been in a unique situation, with participating Member States sharing a single currency, but without a common budgetary policy or common bond market.

As part of a series of measures to try to prevent future crises in the financial system, the European Commission presented a proposal for an update of the existing Deposit Guarantee Schemes Directive (DGSD), which was adopted by the Parliament in April 2014, with a guarantee for deposits of up to €100 000. DGSD is a key element of the single rulebook for a functioning Banking Union; it aims to safeguard financial stability by preventing capital flight and deposit outflows.

In November 2015, the Commission made a proposal for the establishment of a European Deposit Insurance Scheme (EDIS), in line with the Five Presidents' Report. The Commission's proposal entails a three-step approach. The first stage of 're-insurance', to last until 2020, consists of the newly created EDIS providing national deposit insurance schemes with funds in the event that these run short. During the second stage of 'co-insurance', the national and European schemes would be co-financed. In the third and last stage of 'full insurance', to be operational as of 2024, EDIS would completely replace the national schemes and would be the sole insurance scheme for deposits in euro-area banks.

The Parliament welcomed the Commission's intention to create a reinsurance mechanism at EU level, set out in its 2015 banking union annual report, but it also required further measures to achieve a substantial reduction of risks in the European

banking system. It highlighted the 'commitment of the Commission to further reduce risks and ensure a level playing field in the banking union'.

On 4 November 2016, the Parliament's rapporteur, Esther de Lange (EPP), presented her draft report (ECON Committee). Whilst the Commission proposal supports the introduction of an EDIS (risk sharing) and implementing measures to strengthen the banking sector (risk reduction), the ECON draft report takes a more cautious and conditional approach, changing both the substance (only two stages of implementation) and the timeline (2024 earliest) of the Commission proposal.

- European Parliament, legislative resolution of 15 April 2014 on the Council position at first reading with a view to the adoption of a directive on Deposit Guarantee Schemes (recast) (2010/0207(COD))
Rapporteur: Peter Simon, (S&D), ECON Committee
Plenary vote: declared adopted (adoption without vote at second reading)
- European Parliament, Committee on Economic and Monetary Affairs – [Working document on European Deposit Insurance Scheme \(EDIS\)](#), 2015/0270(COD)
- European Parliament, Committee on Economic and Monetary Affairs [draft report of 4 November 2016 on the proposal for a regulation of the European Parliament and of the Council amending Regulation \(EU\) 806/2014 in order to establish a European Deposit Insurance Scheme](#), 2015/0270(COD)

European Council and Commission positions in this field

In December 2013, the European Council welcomed the agreement reached by EU legislators on the Deposit Guarantee Scheme Directive (Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on a deposit guarantee scheme (OJ L 173, 12.06.2014, p.149), proposed by the Commission on 12 July 2010 (COM(2010) 368).

In December 2015, the European Council considered that work should advance rapidly as regards the banking union, to enhance financial stability in the euro area. The legal, economic and political aspects of the more long-term measures also needed to be further explored. The European Council indicated that it would come back to those measures at the latest by the end of 2017.

In June 2016, the European Council took stock of the progress achieved in the work towards completing EMU, including the roadmap to complete the banking union, and called for work to be taken forward.

Finally, in December 2016, the European Council underlined the need to complete the banking union, in terms of reducing and sharing risks in the financial sector, in the appropriate order, as set out in the Council conclusions of 17 June 2016 on a roadmap to this effect. In that context, the European Council called on the Council to examine the various Commission proposals rapidly (November 2016 – the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD); the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR)), with a view to increasing resilience in the financial sector.

On 11 October 2017, the Commission published a communication in which it considered possible ideas in an attempt to address the diverging views and concerns that emerged during the negotiations on its 2015 proposal regarding the European Deposit Insurance Scheme (EDIS). The Commission now considers that the EDIS could be introduced more gradually compared to its original 2015 proposal.

20. Common unemployment insurance scheme for the euro area

Potential efficiency gain: €17 billion per year

Key proposition

Considering the incompleteness of the institutional architecture of Economic and Monetary Union (EMU), a common European unemployment insurance scheme (CUIS) has been put forward as one potential response to EMU's lack of stabilisation instruments. First mentioned in the 2012 four Presidents' Report, 'Towards a genuine EMU',²⁸² an insurance system of this kind, set up at Union level, would have the advantage of improving the absorption of country-specific shocks. The European Commission's reflection paper on the deepening of EMU²⁸³ also mentions the re-insurance system as a possible additional supranational macro-economic stabilisation tool.

A Cost of Non-Europe Report, undertaken by the European Added Value Unit for the European Parliament's Employment and Social Affairs Committee (EMPL) in 2014, on the potential benefits of a common unemployment insurance scheme (CUIS) during the economic and financial crisis, suggests that such a scheme would have attenuated the GDP loss in the worst affected euro-area Member States by €71 billion over four years, equivalent to approximately €17 billion in any one year.²⁸⁴

More detailed analysis

The creation of a common unemployment insurance (or reinsurance) scheme (CUIS) for the euro area could act as an automatic stabiliser during any future serious economic downturns. Unemployment benefits are counter-cyclical and very responsive to shocks; their multiplier effect is estimated to be high (even if estimations are variable across economic literature).

A number of benefits can indeed be expected from such a scheme, once certain conditions are met, such as the fact that the scheme would only fund short-term unemployment, and be limited in time, to avoid permanent financial transfers to certain Member States. Under these conditions, a scheme would, inter alia:

²⁸² [Towards a genuine economic and monetary union](#), Four Presidents' Report, 2012.

²⁸³ [Reflection paper on the deepening of the economic and monetary union](#), European Commission, 2017.

²⁸⁴ M Del Monte and T Zandstra, [Common unemployment insurance scheme for the euro area: Cost of Non-Europe](#), EPRS, European Parliament, September 2014.

- limit severe economic crisis, through its stabilising effect on disposable income and hence private consumption and aggregate demand;
- ensure a well-targeted stimulus, because the insurance scheme would intervene in areas where unemployment rates were higher;
- cushion individual disposable income, and therefore serve an insurance function, which would have a direct positive welfare effect for risk-averse agents;
- reduce the pressure for using social policies as a variable of fiscal adjustment in the case of asymmetric shocks (avoid the 'race to the bottom' in welfare provision in periods of crisis).

The EPRS Cost of Non-Europe Report presents a range of estimates for the stabilisation effects of an EU unemployment scheme for national episodes of major distress sufficient to trigger assistance from a central fund. The stabilisation would only be for major shocks. The stabilisation effects are measured by combining the net inflow coming from the unemployment insurance scheme with a multiplier, on the basis that public expenditure generates an input to growth higher than the expenditure itself.²⁸⁵

For the development of the calculations, the six countries that suffered most during the recent recession – Estonia, Greece, Ireland, Latvia, Lithuania and Spain – were examined. It was found that the GDP loss could have been reduced by €71 billion over the five-year period. For instance, in the Spanish case, the net inflow, multiplied by the fiscal multipliers, generates an additional output equal to between €13 and 19 billion every year, starting from 2009.

Concerning the funding of the central scheme, two main options were considered. The first variant would be a scheme where the necessary revenue would be generated through a dedicated tax on consumption or labour. In the second variant, revenue would be collected via a contribution from national governments not directly linked to a specific tax. The EPRS assessment also looked at the fiscal side of the central scheme and again analysed different options – namely, a system that would be balanced annually, a system balanced over the economic cycle, or a flexible system with no fiscal rule.

²⁸⁵ This multiplier varies with the type of expenditure, as well as according to the characteristics of the economy. Within the context of EPRS's own assessment, a multiplier of 1.5 was considered as conservative estimation, which represents a cautious approach close to those used in the case studies analysed. By comparison, estimates to be found in the US economic literature on this subject vary between US\$0.7 and 3.0 for every dollar spent on unemployment insurance.

Other estimates of the cost of non-Europe

In 2008, Zandi²⁸⁶ calculated that in the United States, a one dollar increase in unemployment benefits could generate an estimated US\$1.64 in near-term GDP. In 2010, Vroman²⁸⁷ considered this impact to be larger, estimating that every dollar spent on unemployment insurance would increase economic activity by US\$2. Monacelli *et al*²⁸⁸ confirmed that 'in response to an increase in government spending normalized to 1 % of GDP, ... an output multiplier well above one, in the range of 1.2 to 1.5 (at one-year and two-year horizon respectively) could be expected'.

A study published in 2012 by Dullien²⁸⁹ suggested that a common insurance scheme would have reduced economic fluctuations in some euro-area countries. For instance, in Spain, the fourth largest economy in the zone, such a fund could have mitigated the downturn by almost 25%.²⁹⁰ If so, the cost of the crisis in Spain would have been reduced by approximately €11 billion. Stabilisation of at least 10 % would also have occurred in Ireland and Greece, potentially resulting in a reduction of the cost of the crisis there of €1.6 and 2.3 billion respectively. These savings total €15 billion.

In 2014, a Bertelsmann Stiftung study argued that, while the positive impact of an unemployment scheme will differ widely between countries, for serious down-turns, the stabilisation impact of a euro-area unemployment insurance scheme would have been sizeable in a relatively large number of countries.²⁹¹ Similarly, a research paper by the University of Namur²⁹² argues that the financial crisis has demonstrated that the euro area needed new stabilisation and adjustment mechanisms and, that an unemployment insurance scheme at EU level would offer a valuable avenue for more stability in Member States.

A policy brief by the think-tank Bruegel²⁹³ also discusses the pros and cons associated with a European unemployment insurance system. It argues that the introduction of this system could help EU economies to cope with an adverse shock, while recognising the political and technical challenges it faces. A 2016 study from the French Council of Economic Analysis recommends moving towards a European unemployment (re)insurance scheme for large shocks. This European system would be based on

²⁸⁶ M M Zandi, [Assessing the Macroeconomic impact of Fiscal Stimulus](#), 2008

²⁸⁷ W Vroman, [The Role of Unemployment Insurance as an Automatic Stabilizer during a Recession](#), The Urban Institute, Impact International, July 2010

²⁸⁸ Monacelli et al, [Unemployment fiscal multipliers](#), Journal of Monetary Economics, 18 May 2010

²⁸⁹ S Dullien and F Fichtner, 'A common unemployment insurance system for the euro area', *DIW Economic Bulletin*, Vol. 1, 2013.

²⁹⁰ Data source: www.tradingeconomics.com. On average, GDP growth in Spain in 2009 was -3.7 %, reaching a negative low of -4.4 % in June 2009.

²⁹¹ S Dullien, [A European Unemployment Benefit Scheme, How to provide for more stability in the Euro Zone](#), Bertelsmann Stiftung, 2014.

²⁹² A de Crombrughe, [European unemployment benefit expenditure solidarity](#), University of Namur, Department of Economics, February 2014.

²⁹³ G Claeys, Z Darvas and G Wolff, [Benefits and drawbacks of European Unemployment Insurance](#), paper prepared for the ECOFIN meeting in September 2014.

automatic stabilisers and involve conditionality when activated. All participating countries would have to comply with labour-market harmonisation criteria, which, in turn, would contribute to improved functioning of EMU and be incentivised by the (re)insurance scheme.²⁹⁴ Such insurance could be implemented as an extension of the European Stability Mechanism (ESM), in which case its establishment would not require a Treaty change.

Finally, a 2017 synthesis report on the 'Feasibility and Added Value of a European Unemployment Benefit Scheme' (EUBS), initiated by the European Parliament and commissioned by the European Commission (DG for Employment and Social Affairs), was published by the Centre for European Policy Studies (CEPS).²⁹⁵ The report found that there were many channels through which a EUBS could provide added value. An EUBS would be beneficial as an automatic stabilisation mechanism for EMU (complementing existing instruments), even though the macroeconomic stabilisation impact of the EUBS might be limited (depending on the characteristics of the scheme finally implemented).

Moreover, besides the strict stabilisation impact, the EUBS could have a number of other advantages. It would address unemployment and most likely boost labour mobility by making EUBS benefits portable. Moreover, as an EUBS would require convergence of labour market policies and institutional capacity, it could also help to improve labour market policies and enhance the protection of the unemployed in those Member States where it is insufficient and where people face a high risk of falling into poverty when they lose their job. An EUBS could therefore strengthen the social dimension of EMU and support social cohesion, while at the same time ensuring that moral hazard is addressed.

The CEPS report presents an in-depth outline of how an EUBS could be designed. Applying the modelling both for the past (backward-looking analysis) and for various hypothetical futures (forward-looking analysis), it examined 18 variants that can be grouped in two different forms:

- 1) a genuine EUBS, which would Europeanise existing national unemployment benefit schemes and distribute benefits directly to any eligible unemployed individuals; such a system would function continuously and require a higher degree of harmonisation, with the coverage and generosity of the scheme being the main determinants of the efficiency. The main added value of an EUBS compared to national systems is that the latter cannot benefit from cross-country smoothing of shocks and may face financial and institutional constraints; and,

²⁹⁴ A Bénassy-Quéré, X Ragot and G Wolff, [Which Fiscal Union for the Euro Area](#), French Council of Economic Analysis, February 2016.

²⁹⁵ M Beblavý and K Lenaerts, [Feasibility and Added Value of a European Unemployment Benefits Scheme](#), Centre for European Policy Studies, 2017.

- 2) EUBS variants, functioning through transfers operating from the supranational fund to the Member States; this type of EUBS would 're-insure' the existing national systems, thus offering Member States more flexibility. The main challenge would in this case be the setting of the trigger threshold. The study also finds that moral hazard would be inevitable in any multi-tiered unemployment insurance such as the latter category.

As regards the cost of such a system, the forward-looking analysis estimates the costs (under four shock scenarios) for a genuine EUBS to amount to between 0.6 and 0.8 % of the GDP of participating countries per year, with an estimated stabilisation effect of 20 %.

European Parliament position in this field

The European Parliament considers that ensuring unemployment compensation during a down-turn has significant macro-economic stabilisation potential, as demonstrated by experience in the EU and the US. A second important benefit is that this type of expenditure goes where it is most needed: to support the consumption capacity of households whose labour income has suddenly reduced, mitigating the otherwise inevitable fall in demand among households. It gives the economies affected greater fiscal space to implement structural reforms and invest where it is needed for long-term sustainable recover. The Parliament has called for concrete steps in terms of building a genuine social and employment pillar as part of EMU, in particular by ensuring that the flexibility of the labour market is balanced by adequate levels of social protection.

Most recently, in its resolution of February 2017 on the budgetary capacity for the euro area, the Parliament expresses the view that an EMU-wide basic unemployment benefit scheme would directly participate in stabilising household income. Under such a system, a certain share of contributions to unemployment insurance would be paid to a European fund, which would provide basic unemployment insurance for the short-term unemployed. Thereby, a direct link between the European institutions and the citizens could be established. Furthermore, the scheme could enhance the macro-economic convergence of the euro area and accelerate the integration of the labour market, thus in turn incentivising labour and wage mobility. Along the lines of the above-mentioned CEPS study, the resolution also underlines that the implementation of an EU-wide unemployment scheme would require a high degree of policy harmonisation of labour market rules.

- European Parliament resolution of 23 October 2013 on the European Semester for economic policy coordination: Implementation of 2013 priorities (2013/2134(INI))
Rapporteur: Elisa Ferreira (S&D), ECON Committee
Plenary vote: in favour: 476; against: 96; abstentions: 25
- European Parliament resolution of 4 February 2014 on the European Semester for economic policy coordination: Employment and social aspects in the Annual Growth Survey 2014 (2013/2158(INI))
Rapporteur: Sergio Gutierrez Prieto (S&D), EMPL Committee
Plenary vote: in favour: 545; against: 120; abstentions: 10
- European Parliament resolution on the European Semester for economic policy coordination: Annual Growth Survey 2015, ECON/8/01999, 2014/2221(INI)
Rapporteur: Rosati Dariusz (EPP), ECON Committee
Plenary vote: in favour: 437; against: 249; abstentions: 11
- European Parliament resolution of 16 February 2017 on the budgetary capacity for the euro area (2015/2344(INI))
Rapporteurs: Reimer Böge (EPP), Pervenche Berès (S&D), ECON committee
Plenary vote: in favour: 304; against: 255; abstentions: 68

European Council and Commission positions in this field

The Four Presidents' Report of December 2012, entitled 'Towards a genuine Economic and Monetary Union' - which was submitted by the Presidents of the European Council, European Commission, European Central Bank and Eurogroup - called for an insurance system that would help Member States deal with some macroeconomic shocks without generating permanent net transfers.

In December 2012, the European Council agreed on a roadmap for the completion of EMU, in which the social dimension is included in the form of mutually-agreed contractual arrangements and associated solidarity mechanisms. Moreover, in June 2013, it recalled that the social dimension should be strengthened, notably by using appropriate employment and social indicators within the European Semester, and pointed out the need to ensure better coordination of employment and social policies, while fully respecting national competences.

In line with the priorities of the Slovak Presidency of the Council, discussions were held at the informal Ecofin meeting of 9 September 2016 about common macroeconomic stabilisation instruments. The Presidency note referred to a European unemployment insurance scheme as part of longer-term measures with a view to establishing a fiscal capacity for the EMU.

The European Commission's communication on the European pillar of social rights,²⁹⁶ presented in April 2017, does not refer to the European unemployment benefit scheme, but mentions among the 20 key principles (No 13) the right to unemployment benefit.²⁹⁷ The Commission claims that the Treaties in their current form do not provide a legal basis for tabling a legislative proposal for establishing a European unemployment scheme or other similar macroeconomic stabilisation systems, and that the EU does not have any competence in this specific matter.

²⁹⁶ European Commission communication, [Establishing a Pillar of Social Rights](#), COM(2017) 250, April 2017.

²⁹⁷ European Commission staff working document accompanying the communication, [Establishing a Pillar of Social Rights](#), SWD(2017) 201, April 2017.

FUNCTIONING AREA OF JUSTICE AND HOME AFFAIRS

21. Fighting organised crime and corruption

Cost of non-Europe: at least €71 billion per year

Key proposition

A Cost of Non-Europe Report undertaken by the European Added Value Unit for the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) in 2016²⁹⁸ suggests that the cost of corruption to the European economy involves a loss to gross domestic product (GDP) of between €218 and 282 billion annually. Illicit markets have been estimated to represent a value of around €110 billion. Organised crime and corruption also entail significant social and political costs. Corruption is associated with more unequal societies, higher levels of organised crime, weaker rule of law, reduced voter turnout in national parliamentary elections and lower trust in the EU institutions.

Combating organised crime and corruption is a shared competence of the EU and its Member States. A more effective fight against organised crime and corruption could be achieved by better transposition and enforcement of international and EU norms, bridging outstanding legislative gaps and improving the policymaking process and operational cooperation between authorities. Based on a number of quantifiable building blocks, the cost of non-Europe in the field of organised crime and corruption amounts to at least €71 billion annually.

Organised crime groups attempt to regulate and control the production and distribution of a given commodity or service unlawfully. In so doing, their aim is to bend the rules in their favour by corrupting officials. Corruption undermines the rule of law, which in turn provides more opportunities for organised criminals to expand their control over the legal economy and political life, or even to take over governance tasks in regions and communities. Organised crime and corruption are in a mutually-reinforcing relationship and thus need to be tackled together.

More detailed analysis

The Cost of Non-Europe Report referred to above highlights that the lack of ratification, transposition, implementation and enforcement of international and EU norms poses one of the main barriers in the European fight against organised crime and corruption. This situation could be addressed by establishing a comprehensive evaluation system

²⁹⁸ W van Ballegooij and T Zandstra, [The Cost of Non-Europe in the area of Organised Crime and Corruption](#), DG EPRS, European Parliament, March 2016.

and by improving the various existing monitoring mechanisms, the inclusion of the EU institutions in the EU Anti-Corruption Report and EU accession to the Group of States against Corruption (GRECO).

A number of gaps in the current legal framework can also be identified, such as the lack of a proper EU definition of organised crime, the absence of an EU directive addressing corruption in the public sector, the lack of an EU-wide system of whistle-blower protection and the fact that there is no consolidated framework for police and judicial cooperation. This could be remedied by (further) approximation of procedures, definitions of and sanctions.

Corruption within EU institutions and fraud affecting the EU budget are investigated by the European Anti-Fraud Office (OLAF). However, OLAF relies on Member States to initiate prosecutions regarding the use of EU funds and its referrals lead to very low conviction rates. In some instances, Member States have little interest in taking cases forward. An effective and truly independent European Public Prosecutor's Office (EPPO) could address these shortcomings.

EU criminal policy preparation is still very much in the hands of the Member States' representatives, which raises issues in terms of prioritisation, effectiveness, proportionality and accountability. The enhanced role of the European Parliament and national parliaments should translate into practical and effective involvement in the development of EU criminal policy. Scientific monitoring of threat assessments could also be improved further through the establishment of a permanent group of academic experts on criminal law and policing in Europe. In addition, EU criminal policy needs to establish a clear link with crime prevention, economic, social, employment and education policies.

Furthermore, efforts need to be stepped up to make sure that crime does not pay by properly implementing and further improving EU measures and operational cooperation on the tracing, freezing and confiscation of criminal proceeds. Finally, there is an urgent need to improve the efficiency and quality of justice and for the establishment of a European professional culture of cooperation.

Other estimates of cost of non-Europe

The European Commission has estimated that corruption costs the European economy €120 billion per year.²⁹⁹ However, the Commission only included lost tax revenue and investments in its estimations, not counting further indirect cost components. Estimating the cost of organised crime is particularly difficult, notably on account of the absence of data collected independently from the serious crimes committed. A study conducted for the European Parliament in 2013, came up with figures for specific

²⁹⁹ [Report from the Commission to the Council and the European Parliament - EU anti-corruption report](#), COM (2014) 38, p. 3, footnote 3.

crimes.³⁰⁰ More recently in a study conducted for the European Commission, it has been estimated that the size of illicit markets in the EU represents approximately 1 % of EU GDP, representing a value of around €110 billion.³⁰¹ Alternatively, the impact of serious crimes can be measured in terms of their 'social harm', leading to an emphasis on the fight against white collar and environmental crimes.³⁰²

European Parliament position in this field

The European Parliament has emphasised the importance of the fight against fraud, corruption and money laundering, which should be a political priority for the EU institutions.³⁰³ It has called for the correct implementation of existing EU measures in the fight against organised crime and corruption and EU accession to GRECO. Furthermore, the European Parliament has stressed the need for further approximation of definitions and also of sanctions, in particular regarding organised crime, environmental crime, corruption, witness protection, the protection of whistle-blowers and the rights of suspects. The Parliament has also emphasised the importance of more effective police and judicial cooperation. The European Parliament supports the establishment of a European public prosecutor's office that is efficient and independent from national governments and the EU. It has called for the strengthening of mutual recognition of freezing and confiscation orders as well as for further EU measures on the tracing, freezing and confiscation of proceeds of crime, and the management of frozen and confiscated property. Finally, the European Parliament wishes to ensure that the financing and support of terrorism by means of organised crime is made punishable.

- European Parliament resolution of 2 April 2014 on the mid-term review of the Stockholm Programme (2013/2024(INI))
Co-rapporteurs: Luigi Berlinguer (S&D), JURI Committee / Carlo Casini (EPP), AFCD Committee / Juan Fernando López Aguilar (S&D), LIBE Committee
Plenary vote: in favour: 367; against: 85; abstentions: 29
- European Parliament resolution of 25 October 2016 on the fight against corruption and follow-up of the CRIM resolution (2015/2110(INI)) ,
Rapporteur: Laura Ferrara (EFDD), LIBE Committee
Plenary vote: in favour: 545; against: 91; abstentions: 61

³⁰⁰ [The economic, financial and social impacts of organised crime in the European Union](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, September 2013.

³⁰¹ Savona and Ricciardi, From illegal markets to legitimate businesses: the portfolio of organised crime in Final Report of Project OCP – Organised Crime Portfolio, 2015.

³⁰² [International organised crime in the European Union](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, November 2011.

³⁰³ European Parliament, [Resolution of 2 April 2014 on the mid-term review of the Stockholm Programme \(2013/2024\(INI\)\)](#).

European Council and Commission positions in this field

Fighting corruption has become a key element in the European Semester process of economic governance, where a number of the country reports now include specific analyses of corruption risks and associated challenges. The Commission is currently assessing the need for further steps on whistle-blower protection at EU level.³⁰⁴

In the aftermath of recent terrorist attacks and the Panama Papers leaks, the Commission has decided to take urgent action and proposed to amend the Anti-Money Laundering Directive.³⁰⁵ This proposed amending directive aims at increasing the traceability of funds and preventing terrorists from moving these funds or other assets, and to strengthen the transparency requirements of companies and trusts/ legal arrangements.³⁰⁶

In March 2017, the European Council agreed to allow a group of 17 Member States to set up a European Public Prosecutor's Office.³⁰⁷ Subsequently, on 8 June 2017, the Council agreed on a general approach on the regulation on the creation of an EPPO, with 20 Member States participating in the enhanced cooperation³⁰⁸. On 21 December 2016, the Commission adopted a legislative proposal to strengthen the mutual recognition of confiscation and freezing orders.³⁰⁹ In its response to the European Parliament resolution³¹⁰ the Commission pointed to its existing activities aimed at monitoring the implementation of EU measures and underlined its prerogative to initiate infringement procedures where necessary.

The Commission confirmed that accession to GRECO remains one of the priorities for EU cooperation with the Council of Europe. In its implementation report on the framework decision on the fight against organised crime, the Commission repeated its position that the framework decision does not achieve the necessary minimum degree of approximation. Further work on its implementation will determine whether a review is necessary and opportune.³¹¹

³⁰⁴ European Commission, [Public consultation on whistle-blower protection](#), closed in May 2017.

³⁰⁵ See [Justice and fundamental rights](#), Legislative Train Schedule, European Parliament.

³⁰⁶ See European Parliament, [Fight against corruption and follow-up of the CRIM committee resolution](#), 2015/2110(INI).

³⁰⁷ [Conclusions by the President of the European Council](#), March 9, 2017.

³⁰⁸ Outcome of the Council meeting, Justice and Home Affairs Council, 08-09/06/2017.

³⁰⁹ [Proposal for a regulation of the European Parliament and of the Council on the mutual recognition of freezing and confiscation orders](#), COM(2016) 819.

³¹⁰ Follow-up to the European Parliament resolution of 25 October 2016 on the fight against corruption and follow-up of the CRIM resolution.

³¹¹ [Report from the Commission to the European Parliament and the Council based on Article 10 of Council Framework Decision 2008/841/JHA of 24 October 2008 on the fight against organised crime](#), COM(2016) 448, pp. 10-11.

22. Combating violence against women

Cost of Non-Europe: €7 billion per year

Key proposition

Between a quarter³¹² and one third³¹³ of all women in Europe have experienced physical or sexual acts of violence at least once during their adult lives. Violence against women violates human rights and is a form of gender-based discrimination. It constitutes a major obstacle to gender equality.

Despite undeniable progress, the current legal EU framework for combating violence against women presents significant weaknesses: the national legislative provisions of the 28 EU Member States offer women unequal protection against violence, whilst the measures adopted at EU level display considerable gaps, notably in terms of prevention, definitions, sanctions and the protection and compensation of victims.³¹⁴

This approach being judged incomplete, the European Parliament decided to prepare a legislative own-initiative report, which was accompanied by a European Added Value Assessment produced by the European Added Value Unit for the Committee on Women's Rights and Gender Equality (FEMM).³¹⁵ In its 2014 resolution, the Parliament asked the European Commission to submit a proposal for a legal act establishing measures to promote and support Member States' action to prevent violence against women and girls. It reiterated this request in a resolution in 2017.³¹⁶ According to the European Added Value Assessment, the annual cost to the EU of gender-based violence against women, in terms of reliance on public services, loss of productivity, pain and suffering, may be estimated at €226 billion in 2011 (i.e. 1.8 % of EU gross domestic product (GDP)). The report considers that a directive on combating violence against women could reduce violence by up to 10 %, thus reducing the direct economic costs by €7 billion per year.

³¹² [Explanatory Report to the Council of Europe Convention on preventing and combating violence against women](#), para. 2.

³¹³ [Violence against women: an EU-wide survey](#). Main results report, Fundamental Rights Agency, 2014.

³¹⁴ M Prpic and R Shreeves, [Violence against women in the EU – State of play](#), EPRS, European Parliament, November 2016.

³¹⁵ M Nogaj, [European Added Value Assessment – Combatting violence against women](#), EPRS, European Parliament, November 2013.

³¹⁶ European Parliament, [Resolution of 14 March 2017 on equality between women and men in the European Union in 2014-2015](#), 2016/2249 (INI).

More detailed analysis

The European Added Value Assessment identifies the impacts of violence against women, and their cost. The findings are based on an extrapolation to the EU-28 of figures published by the UK Department for Trade and Industry.³¹⁷

The study puts the cost of violence against women for the EU-28 at approximately €226 billion annually, i.e. 1.8 % of EU GDP. This figure comprises three main types of cost:

- services: the legal system (criminal and civil), health services (physical and mental) and specialised services (costs attributed to the state and public), estimated at €45 billion a year;
- lost economic output: the effect of injuries on working time and of diminished productivity through reduced concentration at work (costs attributed to business and economy), estimated at €24 billion a year; and
- the pain and suffering of the victims: calculated following a methodology used in other domains and based on the estimates of the public's willingness to pay to avoid harm and injuries (costs attributed to the victims) estimated at €157 billion a year.

The study concludes that there is EU legal competence to adopt EU legislation on some forms of violence against women. It refers to four directives: on rape, on female genital mutilation, on domestic violence, and, as an alternative, a more general directive on violence against women. EU legislation on violence against women would generate added value, as it would be both more specific and more coherent than the current EU legal framework. It would complement international norms and allow for their enforcement within the EU.

It is difficult to assess what would be the impact of an improved EU policy framework. If it were to reduce violence by 10 %, the direct economic costs alone could be reduced by €7 billion per year.

Other estimates of the cost of non-Europe

There are no other estimates of the costs linked to the lack of EU action and cooperation in combating violence against women. According to a 2009 Commission-funded report, domestic violence alone costs the EU a total of €16 billion a year. The cost of preventing this violence in Europe amounts to tens of millions of euros every year.³¹⁸ Reliable and comparable data on the scale of the phenomenon is however still lacking at national and European level. The most comprehensive survey on violence against women at EU level was published by the EU agency for Fundamental Rights in 2014. It was based on interviews with 42 000 women in all 28 EU Member States and on their experiences of

³¹⁷ S Walby, *The Cost of Domestic Violence*, DTI, 2004.

³¹⁸ [Estimated cost of domestic violence in Europe](#), summary of scientific report, Psytel, June 2009.

physical and sexual violence, sexual harassment and stalking over the past year and since the age of 15.³¹⁹ EIGE, the European Institute for Gender Equality, has been working on a pilot project to improve the collection and harmonisation of administrative data on violence against women across the EU.³²⁰

European Parliament position in this field

In its resolution of 25 February 2014, the European Parliament requested that the European Commission submit, by the end of 2014, a proposal for a legal act based on Article 84 of the Treaty on the Functioning of the European Union (TFEU), establishing measures to promote and support Member States' action to prevent violence against women and girls.

In addition, Parliament proposed a combination of other measures, including:

- the establishment of a coherent system for collecting statistics on gender-based violence in Member States;
- addition of gender-based violence to the particularly serious crimes listed in Article 83(1) TFEU, allowing for the approximation of definitions and sanctions; and
- the adoption of an EU-wide strategy and action plan to combat violence against women.

On 14 March 2017, Parliament adopted a resolution³²¹ once again urging the Commission to present a comprehensive European strategy for preventing and combating gender-based violence as soon as possible, including a binding legislative act; and to set up a European monitoring centre on gender violence.

In its 2014 resolution, the Parliament also called for EU accession to the Council of Europe Convention on preventing and combating violence against women, the 'Istanbul Convention'. This accession procedure is currently ongoing, although the Council has not yet formally requested the Parliament's consent.³²² In September 2017, the Parliament, by an overwhelming majority, adopted a resolution calling for the conclusion of the Convention by the European Union.³²³

³¹⁹ [Violence against women: an EU-wide survey](#). Main results report, Fundamental Rights Agency, 2014.

³²⁰ European Institute for Gender Equality, [Data Collection on Violence Against Women](#).

³²¹ European Parliament, [Resolution of 14 March 2017 on equality between women and men in the European Union in 2014-2015](#), (2016/2249 (INI)).

³²² [Istanbul Convention](#); Ü Jürviste and R Shreeve, [The Istanbul Convention: A tool to tackle violence against women and girls](#), EPRS, European Parliament, November 2017.

³²³ European Parliament [resolution of 12 September 2017](#) on the proposal for a Council decision on the conclusion, by the European Union, of the Council of Europe Convention on preventing and combating violence against women and domestic violence; [2016/0062\(NLE\)](#).

- European Parliament resolution of 25 February 2014 with recommendations to the Commission on combating Violence Against Women (2013/2004(INL))
Rapporteur: Antonyia Parvanova, (ALDE), FEMM Committee
Plenary vote: in favour: 551; against: 90; abstentions: 27
- European Parliament resolution of 14 March 2017 on equality between women and men in the European Union in 2014-2015, 2016/2249 (INI)
Rapporteur: Ernest Urtasun, (Greens/EFA), FEMM Committee
Plenary vote: in favour: 369; against: 188; abstentions: 133

European Council and Commission positions in this field

In its 2010-2015 strategy for gender equality, the European Commission stressed that gender-based violence was one of the key problems to address in order to achieve genuine gender equality, and listed the adoption of an EU-wide strategy to combat violence against women as a priority action. The Council also supported this proposal in its conclusions of 8 March 2010 and 6 December 2012.

However, the Commission was unwilling to propose a specific legal instrument, considering the protection of victims of gender violence to be already effectively covered by other legal measures adopted at EU level, notably the Victims' Rights Directive (Directive 2012/29/EU), the Directive on the European Protection Order complemented by Regulation 606/2013 applicable in civil matters, and the Directive on Trafficking in Human Beings (Directive 2011/36/EU).³²⁴

The 2016 Juncker Commission work programme did not include any reference to fighting violence against women. However, in November 2016, the Commission launched a year of focused action to combat violence against women.

On 11 May 2017, the Council of the European Union approved the signature of the Istanbul Convention on behalf of the European Union. All Member States have signed this convention, but only 14 (BE, DK, ES, FR, IT, MT, NL, AT, PL, PT, RO, SI, FI, SE) had ratified it by October 2017. Having the EU join the Convention as well will ensure complementarity between the national and EU level and will consolidate the capacity for the EU to play a more effective role in international fora such as the Council of Europe Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO).

³²⁴ [Follow up to the European Parliament resolution with recommendations to the Commission on combating violence against women](#), adopted by the Commission on 28 May 2014, SP(2014)447.

23. Improving the operation of the European Arrest Warrant

Costs of efficiency and protection gap: €43 million per year

Key proposition

The Framework Decision on the European Arrest Warrant (FD EAW), adopted in 2002, is generally recognised as a successful instrument. It has simplified extradition procedures, ensuring that suspected and convicted criminals and terrorists are brought swiftly to justice, even if they flee to another Member State.

However, the lack of specific safeguards in the FD EAW have also resulted in its disproportionate use by certain judicial authorities: for instance, making demands to surrender a person for the execution of a judgment concerning a very minor criminal offence. In many such cases, justice could have been served without demanding the detention and surrender of the person. The lack of specific safeguards in the FD EAW has also led to uncertainty regarding the role of judicial authorities in the executing Member States in ensuring the protection of the fundamental rights and freedoms of wanted persons.

To address these efficiency and protection gaps, in a 2014 resolution based on a legislative initiative report, the European Parliament called on the Commission to propose a revision of the FD EAW. The accompanying European Added Value Assessment, prepared by the European Added Value Unit for the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE), estimated that the enforcement costs of non-executed European arrest warrants totalled approximately €215 million for the period between 2005 and 2009, amounting to approximately €43 million per year. The socio-economic and fundamental impacts on individuals should be taken into account as well. The measures called for by the European Parliament were expected to lead to cost savings for the Member States and more mutual trust between judicial authorities based on respect for fundamental rights.

More detailed analysis

The European Added Value Assessment concluded that the gaps in protection of individuals under the existing European arrest warrant regime did not only undermine the credibility of the surrender procedure, but were also costly for the individuals concerned, for their families, and for the taxpayer in general.

Between 2005 and 2009, almost 75 % of incoming EAWs (43 059) were not executed, in some cases on account of the fact that they were issued disproportionately. Assuming

the generation of a minimum unit cost of €5 000 per non-executed EAW, the costs of these inefficiencies were estimated at approximately €215 million for the EU as a whole, meaning approximately €43 million per year. This rough estimate did not include the economic costs to individuals, which have to be calculated taking into consideration a number of elements such as lost working days, legal costs, immaterial damage, etc.

In addition to the burden in terms of administrative and economic costs generated by a disproportionate use of the EAW, the main point is, however, the significant impact such unnecessary procedures have on the freedom of the individuals concerned, who are often kept in detention until the final decision on the execution (or not) of an EAW has finally been made.

The gaps identified could be overcome, mainly through the introduction of a proportionality test and a fundamental rights exception in the FD EAW, or a horizontal mutual recognition instrument. The added value of the measures may be expressed both in quantitative terms (cost savings for the Member States) and qualitative terms (more coherence of the legal system, legal certainty for judicial authorities and wanted persons, and mutual trust between judicial authorities based on respect for fundamental rights).

Other estimates of cost of non-Europe

There are no other comprehensive estimates of the costs linked to not reforming the FD EAW at EU level. In 2013, however, the UK government estimated³²⁵ that the unit cost of executing an incoming EAW to the United Kingdom was approximately £20 000. This included costs to the police, the Crown Prosecution Service, court and legal aid costs, and detention before extradition. If this were the case, then the estimated cost of implementing the 999 incoming EAWs in 2011 was just under £20 million. In addition, there would have been the costs of the 5 761 EAWs that did not lead to surrender but would nevertheless have incurred expense to the justice system. Although these data cannot be straightforwardly extended to the EU-28, they provide a sample of the average unit cost in a Member State. Obviously depending on the length and complexity of the procedure, the burden on the administration and the costs will vary.

The costs of (pre-trial) detention are closely linked to the practical implementation of the European Arrest Warrant. Owing to the perceived flight-risk, non-resident suspects are often kept in detention, while residents benefit from alternative measures. Preventing the disproportionate use of the EAW would also reduce pre-trial detention. The impact assessment accompanying the Commission proposal for a directive on legal

³²⁵ House of Commons, [Home Affairs Committee Report](#), 2013.

aid for suspected and accused persons in criminal proceedings, since adopted,³²⁶ estimated that a month of pre-trial detention cost approximately €3 000.³²⁷

European Parliament position in this field

In its 2014 resolution based on the legislative initiative report, the European Parliament called on the European Commission to propose:

- a proportionality check when issuing a mutual recognition decision, based on all the relevant factors and circumstances, such as the seriousness of the offence, whether the case is trial-ready, the impact on the rights of the requested person, including the protection of private and family life, the cost implications and the availability of an appropriate, less intrusive, alternative measure;
- a standardised consultation procedure whereby the competent authorities in the issuing and executing Member State can exchange information regarding the execution of judicial decisions such as on the assessment of proportionality, with specific regard to the EAW; and
- a mandatory refusal where there are substantial grounds to believe that the execution of the measure would be incompatible with the executing Member State's obligation in accordance with Article 6 of the TEU as well as the Charter of Fundamental Rights of the European Union, notably Article 52(1) with reference to the principle of proportionality.

Interpretation of the FD EAW by the Court of Justice of the European Union,³²⁸ complementary mutual recognition instruments such as the European Investigation Order,³²⁹ procedural rights legislation,³³⁰ and soft law measures and training of judicial authorities could also lead to a reduction in the disproportionate use of the EAW and fundamental rights violations.³³¹ Legislative intervention, however, remains the Parliament's preferred option.³³²

³²⁶ Directive (EU) 2016/1919 of the European Parliament and of the Council of 26 October 2016 [on legal aid for suspects and accused persons in criminal proceedings and for requested persons in European arrest warrant proceedings](#), OJ L 297/1 of 4.11.2016.

³²⁷ [Impact assessment accompanying the proposal for a directive of the European Parliament and of the Council on provisional legal aid for suspects or accused persons deprived](#), SWD(2013)476 final.

³²⁸ Notably in joined Cases C-404/15 and C-659/15 PPU.

³²⁹ Directive 2014/41/EU of the European Parliament and of the Council of 3 April 2014 [regarding the European Investigation Order in criminal matters](#), OJ L 130/1 of 1.5.2014, OJ L 130, 1.5.2014, pp. 1–36.

³³⁰ Adopted in accordance with the Roadmap for strengthening procedural rights of suspected or accused persons in criminal proceedings, O C 295 of 4.12.2009 p. 1.

³³¹ For the latest quantitative information, see the website of the [European Judicial Network](#).

³³² European Parliament resolution of 13 December 2016 [on the situation of fundamental rights in the European Union in 2015](#), 2016/2009(INI), para 43: 'Reiterates the recommendations to the Commission on the review of the European Arrest Warrant, notably as regards the introduction of a proportionality test and a fundamental rights exception'.

- European Parliament resolution of 27 February 2014 with recommendations to the Commission on the review of the European Arrest Warrant
Rapporteur: Sarah Ludford (ALDE), LIBE Committee
Plenary vote: in favour: 495; against: 51; abstentions: 11

The Commission and Council positions in this field

The European Commission's response³³³ to the European Parliament's legislative initiative argued that proposing legislative change would be premature in the light of the increased enforcement powers of the Commission since December 2014. It also referred to the development of other mutual recognition instruments 'that both complement the European arrest warrant system and in some instances provide useful and less intrusive alternatives to the European arrest warrant, as well as to the ongoing work to further improve the overall context by ensuring respect for fundamental rights by providing common minimum standards of procedural rights for suspects and accused persons across the European Union'.

The Council of the European Union has conducted mutual evaluations on the practical application of the European arrest warrant. Based on these evaluations, the Council adopted a revised 'Handbook on how to issue a European arrest warrant' in 2010. This handbook includes recommendations to issuing judicial authorities aimed at preventing disproportionate use of the EAW.³³⁴ It is currently being revised by the European Commission.

³³³ European Commission, [Response to the European Parliament resolution of 27 February 2014](#), 22 July 2014, SP(2014) 447.

³³⁴ Council doc. 17195/1/10 of 17.12.2010.

24. Unifying limitation periods for road traffic accidents

Potential efficiency gain: €300 million per year

Key proposition

Rules on limitation periods in cases of cross-border road traffic accidents differ widely across EU Member States. This is true not only in terms of the length of the limitation period, ranging from three to 30 years, but also with regard to the beginning of a period, the procedural requirements for stopping the running of a limitation period, and the application to minors and disabled people. There are various legal instruments at international and European levels to deal with cross-border road traffic accidents, notably the Convention on the Law Applicable to Traffic Accidents. However, these instruments do not relate to the specific legal problems that arise within the context of differing limitation periods across EU Member States. Therefore, the legal uncertainty arising from differing rules on limitation periods can lead to situations where victims of cross-border traffic accidents might be prevented from gaining proper access to justice, lose their right to compensation, and have to bear additional costs.

A European Added Value Assessment prepared by the European Added Value Unit to support a legislative own-initiative report by the European Parliament's Committee on Legal Affairs (JURI), estimated that costs linked to the absence of harmonised limitation periods within the EU amount to approximately €300 million a year.³³⁵ It should be noted that this amount only includes costs linked to increased recourse to lawyers' legal advice and expert evidence on foreign rules when foreign limitation rules have to be applied in cases of cross-border traffic accidents.

The European Added Value Assessment report suggests that action at EU level, on the basis of Article 81(2) of the Treaty on the Functioning of the European Union (TFEU), aimed at approximating rules applicable to limitation periods with respect to personal injury and damage to property in cross-border road traffic accidents, would greatly contribute to reducing legal uncertainty for European citizens.

More detailed analysis

According to data from the European Commission,³³⁶ the number of cross-border road traffic accidents in the EU can be assumed to be 775 000 per year. Of these, about

³³⁵ C Salm, [Limitation periods for road traffic accidents](#), European Added Value Assessment, EPRS, European Parliament, July 2016.

³³⁶ [Compensation of victims of cross-border road traffic accidents in the EU: comparison of national practices, analysis of problems and evaluation of options for improving the position of cross-border victims](#), Demolin, Brulard, Barthelemy – Hoche for the Directorate for Internal Market and Services, European Commission, 2009.

248 000 cases require additional lawyer's advice related to limitation period rules. The average additional cost of a lawyer's legal advice may reach €600 per claim. Thus, costs for additional lawyer's advice amount to an approximate overall additional cost of €148 million per year. The number of cases where expert evidence on foreign limitation period rules is required is about 511 500. The average cost of foreign expert evidence on limitation period rules is around €300 per claim. This amounts to an overall additional cost of €153 – 450 million per year.

Currently, international law and the European legal instruments applicable with respect to cross-border road traffic accidents include the Convention on the Law Applicable to Traffic Accidents (also referred to as Hague Convention), EU Regulation No 1215/2012 on jurisdiction and enforcement in civil and commercial matters (Brussels I Recast), the EU Rome II Regulation No 864/2007 on the law applicable to non-contractual obligations (Rome I), and the EU Motor Insurance Directive (MID) 2009/203/EC.

Crucially, victims of cross-border road traffic accidents may face obstacles in accessing justice owing to unfamiliar and varying rules on limitation periods that cause costs beyond costs for additional lawyer's advice and foreign expert evidence. These obstacles could generate costs in the form of additional court fees and the cost of translating documents. Therefore, it can be assumed that the real costs linked to the absence of harmonised limitation periods in EU legislation is indeed beyond €300 million per year.

Table 15: Cost of non-harmonised limitation periods for road traffic accidents

Building blocks - Cost of non-harmonised limitation periods	Cost of non-Europe (€ million per year)
Required additional lawyer's advice	148
Required foreign expert advice	153 – 450
Total:	Approximately 300 million

Other estimates of the cost of non-Europe

A 2007 study commissioned by the European Parliament's Directorate-General for Internal Policies, assessed EU Member States' differing damage awards in cases of cross-border road traffic accidents.³³⁷ The study demonstrates that although most EU countries allow for full compensation of past, actual, and future losses, including both pecuniary and non-pecuniary damages, in practice the level of damages awarded vary significantly from one EU country to another. For example, the upper limit on compensation differs considerably among the EU Member States. In France, it is unlimited, while it reaches €9.6 million in Denmark, €600 000 in Poland and €127 823 in

³³⁷ [Compensation of Victims of Cross-Border Road Traffic Accidents in the EU: Assessment of selected options](#), Policy Department for Citizens' Rights and Constitutional Affairs,, European Parliament, March 2007.

Estonia. Consequently, differing damage awards might lead to unsatisfactory compensation of victims of cross-border road traffic accidents.

European Parliament position in this field

In February 2007, the European Parliament adopted a resolution outlining that divergent limitation periods could give rise to undesirable consequences for the victims of accidents in cross-border litigation. In addition, the resolution included recommendations to the European Commission on limitation periods in cross-border road traffic disputes involving personal injuries and fatal accidents. However, the Commission did not prepare a specific proposal on how to tackle the legal obstacles and related costs that victims of cross-border road traffic accidents face as a result of varying rules for limitation periods.

In order to fill this legislative gap, the Committee on Legal Affairs (JURI) of the European Parliament decided in April 2015 to draw-up a new legislative own-initiative report. In the resulting resolution Parliament calls on the Commission to submit a legislative proposal on limitation periods with respect to personal injury and damage to property in cross-border road traffic accidents, on the basis Article 81(2) TFEU.

The resolution also underlines that action is needed to address the existing legal uncertainty and complexity linked with the existence of two parallel instruments governing the law applicable in traffic accidents, depending on the country where the claim is brought: the Hague Convention and the Rome II Regulation, combined with the choice of forum possibilities under the recast Brussels I Regulation.

- European Parliament, resolution of 1 February 2007 on limitation periods in cross-border disputes involving personal injuries and fatal accidents, 2006/2014 (INI)
Rapporteur: Diana Wallis (ALDE), JURI Committee
Plenary vote: Show of hands
- European Parliament, resolution of 4 July 2017 with recommendations to the Commission on limitation periods for traffic accidents, 2015/2087 (INL)
Rapporteur: Pavel Svoboda (EPP), JURI Committee
Plenary vote: In favour: 558; against: 69; abstentions: 73

25. EU codification of private international law

Potential efficiency gain: €98 million per year

Key proposition

Private international law (PIL) covers all areas of law concerning relationships between private individuals in the cross-border context. The areas of law falling under private law include, for example, property law, law of obligations, succession law, family law and company law. Being of an international nature, PIL addresses three types of issue. First, *jurisdiction*, namely which national court has a competence to settle the case. Second, *applicable law*, namely, what specific law applies to the dispute and finally, the *recognition and enforcement of judgements*, namely under what conditions would a decision or judgment coming from a foreign jurisdiction be recognised and enforced in another Member State.

While the development of EU rules for the cross-border private disputes is welcome, it also brings complexity.³³⁸ Some EU adopted rules have a broad substantive scope (all civil and commercial matters), but are limited to only specific elements of PIL, such as the Brussels I Regulation, which applies to jurisdiction and recognition and enforcement.³³⁹ Other EU rules, apply to narrow areas of law, such as maintenance³⁴⁰ or succession,³⁴¹ but cover the entire spectrum of issues under PIL, including jurisdiction, applicable law and recognition and enforcement of judgements. Therefore, the current EU legal framework resembles a mosaic composed of fragmented pieces covering several fields of private law in a cross-border context. The mosaic is, however, neither complete nor coherent.³⁴²

The gaps in the current system have triggered a debate on the need for the EU-level codification of PIL, and in 2014, the European Parliament called for the adoption of a

³³⁸ At European Union level, more than 10 legislative acts deal with issues of private international law and the number is increasing. For an overview see R Maňko, [EU competence in private law: The Treaty framework for a European private law and challenges for coherence](#), DG EPRS, European Parliament, 2015.

³³⁹ Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 [on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters](#), OJ L 351, 20.12.2012.

³⁴⁰ Council Regulation (EC) No 4/2009 of 18 December 2008 [on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations](#), OJ L 7, 10.1.2009.

³⁴¹ Regulation (EU) No 650/2012 of the European Parliament and of the Council of 4 July 2012 [on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance and enforcement of authentic instruments in matters of succession and on the creation of a European Certificate of Succession](#), OJ L 201, 27.7.2012.

³⁴² See [Current gaps and future perspectives in European private international law: towards a code on private international law?](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, 2012.

European Code of Private International law.³⁴³ The Cost of Non-Europe Report on the European code of private international law estimated that the codification of PIL could result in savings of at least €98 million per year.³⁴⁴

More detailed analysis

In its 2014 resolution, the European Parliament pointed to the need to complement and consolidate existing PIL legislation and called specifically for the adoption of a European Code of Private International Law. The research undertaken by the European Added Value Unit for the European Parliament's Legal Affairs Committee (JURI) covered 13 areas of private law (see table below), corresponding to identified gaps or missing links in the areas of private law that relate directly to citizens' day-to-day lives. In some areas, there is no European PIL in place on the matter at all, whilst in some other instances there is an absence of coverage of the applicable law, or the jurisdiction, or the recognition of judgements.

In quantifying the cost of the current situation, the Cost of Non-Europe Report considered the following categories of impact on the public and society:

- costs to the operation and conduct of business;
- administrative costs;
- legal costs;
- social (emotional) costs incurred by individuals and households for the inconvenience, and potential loss of well-being and stress caused. For the sake of simplicity, the emotional costs have been assumed to be twice those of any legal costs incurred by the relevant gap in PIL;
- wider economic costs, driven primarily by the uncertainty and inconvenience described above arising from business, legal and administrative costs that create a barrier to the movement of people, goods and services in the internal market.³⁴⁵

The Cost of Non-Europe report calculated the costs by first estimating the volume of economic activity per sector based on the data available; second, by assuming a small percentage of problematic cases (those in which legal assistance is required);³⁴⁶ and finally by calculating the cost per problematic case for each of the missing links identified. The benefits of the possible European codification of PIL have thus been

³⁴³ European Parliament resolution of 2 April 2014 on the [mid-term review of the Stockholm Programme \(2013/2024\(INI\)\)](#).

³⁴⁴ B Ballester, [European Code on Private International Law: Cost of Non-Europe Report](#), European Added Value Unit, European Parliament, June 2013.

³⁴⁵ The wider economic costs are based on the Commission's own estimates of the benefit of the single market achieved by 2008 in € billion. Assuming that similar rates of benefit can be generated from the single market (2012-20), and on the basis that PIL may have a marginal 1 % impact on the achievement of this benefit, it was possible to estimate the monetary value of this potential.

³⁴⁶ In reality, however, such cases might be more numerous.

expressed in terms of costs relating to the incoherence or incompleteness of European PIL. The results are summarised in the table below.

Table 16: Missing links in private international law at European level

Building blocks – Missing links in private international law at European level	Cost of non-Europe (€ million per year)
Legal capacity	7.5
Incapacity ³⁴⁷	16.8
Names and forenames	2.0
Recognition of de facto unions	8.7
Recognition of same-sex marriages	4.2
Parent-child relationships	19.3
Adoption decisions ³⁴⁸	1.6
Maintenance of de facto unions	13.1
Gifts and trusts	5.6
Movable and immovable property	5.6
Agency/ power of attorney/ rules on representation through an agent	14
Privacy	1.0
Corporations ³⁴⁹	38.3
Total:	137.7

The aggregated cost of non-Europe in the area PIL is calculated at around €138 million a year for European citizens, including around €40 million per year in emotional costs. The emotional costs are not retained for the purpose of this paper. As a result, the total cost of gaps in PIL is considered to be at least €98 million per year.

European Parliament and European Commission positions in this field

As previously mentioned, in 2014, the European Parliament called for the adoption of a European Code of Private International Law. The European Commission, whilst

³⁴⁷ For further analysis of the European Parliament position and initiative in the area of protection of vulnerable adults, see the section of this study (below) on the protection of vulnerable adults, page 139.

³⁴⁸ For further analysis of the European Parliament recent position and initiative in the area of recognition of child adoption decision, see the section (below) on cross-border recognition of adoptions, page 142.

³⁴⁹ For further analysis of the European Parliament position and initiative in the area of company law, see the sections above on the law on cross-border transfer of company seats and European mutual societies in this study, page 65 and page 70 respectively.

generally supporting the idea, has not yet followed up with a proposal for such a code. The Commission has rather continued with a sector-specific approach, with the revision and recast of major PIL EU instruments³⁵⁰ and adoption of new legislative instruments. This is for instance the case for property matters of married international couples and registered partnerships.³⁵¹

- European Parliament resolution of 2 April 2014 on the mid-term review of the Stockholm Programme (2013/2024(INI))
Co-Rapporteurs: Luigi Berlinguer (S&D), JURI Committee / Carlo Casini (EPP), AFCO Committee / Juan Fernando López Aguilar (S&D), LIBE Committee
Plenary vote: in favour: 367; against: 85; abstentions: 29
- European Parliament resolution of 8 October 2013 on improving private international law: jurisdiction rules applicable to employment (2013/2023(INI))
Rapporteur: Evelyn Regner (S&D Group), JURI Committee
Plenary vote: Show of hands
- European Parliament resolution of 23 November 2010 on Civil, commercial, family and private international law aspects of the action plan implementing the Stockholm Programme (2010/2080(INI))
Rapporteur: Luigi Berlinguer (S&D Group), JURI Committee
Plenary vote: Show of hands

³⁵⁰ See for example, [Regulation \(EU\) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings](#), OJ L 141, 5.6.2015.

³⁵¹ [Council Decision \(EU\) 2016/954 of 9 June 2016](#) authorising enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions on the property regimes of international couples, covering both matters of matrimonial property regimes and the property consequences of registered partnerships, OJ L 159, 16.6.2016; [Council Regulation \(EU\) 2016/1103 of 24 June 2016](#) implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of matrimonial property regimes, OJ L 183, 8.7.2016; [Council Regulation \(EU\) 2016/1104 of 24 June 2016](#) implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of matrimonial property regimes, OJ L 183, 8.7.2016; and [Council Regulation \(EU\) 2016/1103 of 24 June 2016](#) implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of matrimonial property regimes, OJ L 183, 8.7.2016.

26. Protection of vulnerable adults

Potential efficiency gain: €11 million per year

Key proposition

Demographic and lifestyle changes, medical developments and a greater interest in human rights have made the issue of protecting vulnerable adults more and more significant at international level. Vulnerable adults are people who lack the capacity to defend their own interests and are therefore in particular need of a reliable legal framework. There are a number of legal instruments in the realm of private international law (PIL) and at the European level that are currently applicable with respect to cross-border aspects of the protection of vulnerable adults, notably the Hague Convention of 13 January 2000 on the International Protection of Adults and a series of regulations adopted by the EU in the field of civil matters. Nevertheless, these international and European legal instruments do not create a uniform legal framework allowing for proper protection of vulnerable adults in cross-border situations within Europe.

A 2013 Cost-of Non-Europe Report on a proposed European Code on Private International Law, drawn up by the European Parliament's European Added Value Unit for the Parliament's Committee on Legal Affairs (JURI), estimated that costs linked to legal uncertainty in cross-border situations amounted to €11 million per year for vulnerable adults.³⁵² This sum comprises mainly legal fees arising in cross-border transactions but contains also emotional costs.

Research conducted in 2016 by the European Added Value Unit for the JURI Committee on the protection of vulnerable adults in cross-border legal cases, to underpin a Parliament legislative own-initiative report, found that enacting a small number of legislative measures at EU level could greatly contribute to reducing legal and emotional costs, thus generating added value.³⁵³

More detailed analysis

Currently, the international law and European legal instruments applicable with respect to cross-border aspects of the protection of vulnerable adults notably include the:

- the Hague Convention of 13 January 2000 on the International Protection of Adults (referred to as the Hague Convention);

³⁵² B Ballester, [European Code on Private International Law: Cost of Non-Europe](#) Report, European Added Value Unit, European Parliament, June 2013.

³⁵³ C. Salm, [Protection of Vulnerable Adults: European Added Value Assessment](#), EPRS, European Parliament, September 2016.

- EU Regulation No 593/2008 on the law applicable to contractual obligations (Rome 1 Regulation);
- EU Regulation No 1215/2012 on jurisdiction and enforcement in civil and commercial matters (Brussels I Recast);
- EU Regulation No 606/2013 on jurisdiction on mutual recognition of protection measures in civil matters (Protection Regulation); and
- EU Regulation No 650/2013 on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance of authentic instruments in matters of succession and on the creation of a European Certificate of Succession.

The European Added Value Assessment suggests that the costs linked to legal uncertainty for vulnerable adults in a cross-border situations could be addressed through a series of legislative measures to be enacted at EU level. Based on Article 81 of the Treaty on the Functioning of the European Union (TFEU), these legislative measures could include:

- enhancing cooperation and communication among the authorities of EU Member States;
- abolishing the *exequatur* requirement for measures of protection taken in EU Member States;
- creating a European certificate of powers granted for the protection of an adult;
- enabling the adult to choose the EU Member State whose courts should be deemed to possess jurisdiction to take measures directed at his or her protection;
- providing for the continuing jurisdiction of the courts of the EU Member State of former habitual residence.

The European Added Value Assessment also argues that simplifying the existing international and European legal frameworks and their instruments, would make them more transparent. EU legal action would meanwhile contribute to reducing legal and emotional costs, thus generating added value.

European Parliament position in this field

Back in December 2008, the European Parliament adopted a resolution highlighting the need for legislative action at European level to promote recognition and enforcement of legal and administrative cross-border cases involving vulnerable adults. The Parliament's legislative own-initiative resolution on the protection of vulnerable adults (2015/2085(INL)), adopted in plenary on 1 June 2017, continues the work in this field. It calls on the Commission to submit a proposal pursuant to Article 81(2) TFEU for a regulation designed to improve cooperation among the Member States and the automatic recognition and enforcement of decisions on the protection of vulnerable adults. The new regulation would notably:

- ensure that the sharing between Member States of information concerning the protection status of vulnerable adults, and access to files and registers containing details of protection measures and mandates in anticipation of incapacity, is organised in a manner entirely consistent with the protection of the personal data of the adult concerned;
- introduce single EU forms designed to foster the provision of information about administrative and judicial decisions in respect of vulnerable adults and the circulation, recognition and enforcement of decisions concerning them;
- grant any person who is given responsibility for protecting the person or the property of a vulnerable adult the right to obtain within a reasonable period a certificate specifying his or her status and the powers which have been conferred on him or her;
- foster the enforcement in other Member States of protection measures taken by the authorities of a Member State, without a declaration establishing the enforceability of these measures being required.

Moreover, the Parliament's resolution calls on those EU Member States that have not yet signed or ratified the Hague Convention, to do so as quickly as possible.³⁵⁴ Experts in the field agree that both the ratification of the Hague Convention by all EU Member States and additional legislative measures by the EU would help to create legal certainty and reduce costs for vulnerable adults in a cross-border situation.

- European Parliament, resolution of 18 December 2008 on cross-border implications of the legal protection of adults, 2008/2123 (INI)
Rapporteur: Antonio López-Istúriz White (EPP), JURI Committee
Plenary vote: in favour: 493; against: 6; abstentions: 23
- European Parliament, resolution of 1 June 2017 with recommendations to the Commission on the protection of vulnerable adults, 2015/2085 (INL)
Rapporteur: Joëlle Bergeron (EFDD), JURI Committee
Plenary vote : in favour: 539; against: 23; abstentions: 72

³⁵⁴ Currently only seven EU Member States are contracting states to the Convention: Austria, Czech Republic, Estonia, Finland, France, Germany, and United Kingdom (with respect to Scotland only).

27. Cross-border recognition of adoptions

Potential efficiency gain: €1.65 million per year

Key proposition

The number of ‘international’ couples and families is increasing all the time.³⁵⁵ As legislation currently stands in the EU, there is no legal protection or guarantee that domestic adoptions lawfully carried out in one EU Member State will be recognised in another. Thus, there is no guarantee – either for the child, or the adopter – that the status of adoption and the legal consequences thereof will be recognised if the family exercises its right to free movement within the EU. This situation is highly problematic and generates economic, social and legal costs for adopters as well as for public administrations, and most importantly, puts the best interest of the child at stake.

A 2016 European Added Value Assessment on cross-border adoptions,³⁵⁶ drafted to support a legislative own-initiative report of the European Parliament,³⁵⁷ has estimated that the cost resulting from the absence of EU rules on recognition of adoption decisions amounts to approximately €1.65 million a year. Based on the analysis of costs and benefits of the existing legal gap in relation to the automatic recognition of adoptions in EU Member States, the study recommends the adoption at EU-level of a legally binding instrument to provide automatic mutual recognition of domestic adoption decisions made in an EU Member State. This policy option has the potential to reduce administrative and legal costs, to help protect the welfare of adopted children and of their adoptive parents, and to contribute to social cohesion and mutual trust among EU Member States.

More detailed analysis

The cross-border recognition of adoptions is regulated at the level of the United Nations by the Hague Convention of 29 May 1993 on Protection of Children and Cooperation in Respect of Inter-country Adoption. Whilst the Convention as a core principle provides for automatic recognition of Convention adoptions, its scope of application is limited. It covers only situations where the adopters and the adopted child are resident in two different states. Adoption cases where the adopters and the adopted child are resident in one Member State are not covered by the 1993 Hague Convention and are subject to national law. National adoptions laws vary greatly between EU Member States.

³⁵⁶ T. Evas, [Cross-border recognition of adoptions](#), European Added Value Assessment, EPRS, European Parliament, November 2016.

³⁵⁷ European Parliament resolution of 2 February 2017 on [cross-border aspects of adoptions](#), 2015/2086(INL).

The 1993 Hague Convention was an important step towards coordination and simplification of cross-border adoptions, and is generally considered a very successful international instrument. Nevertheless, it does not provide rules on applicable law, nor common definitions related to adoption. The enforcement and complaint mechanisms available to citizens are limited to international law instruments that are often lengthy and inter alia require the intermediation of state authorities. At EU level, there is currently no legal instrument governing the recognition of an adoption order made in another Member State. Each Member State has its own rules on the recognition of foreign adoptions. The current situation is an obstacle to increasingly mobile EU citizens.

As a result of the diverging rules governing the recognition of foreign domestic adoption orders in the EU Member States, families with adopted children may face significant practical uncertainties and difficulties. In this context, the European Added Value Assessment identified three main reasons why the EU should take action on the cross-border recognition of adoption orders. First, convincing economic benefits would stem from adopting legislation at EU level, notably a reduction in administrative and legal costs both for the public and public administrations. Second, there would be social and fundamental rights benefits, in particular better protection of the interest of the child, and of the fundamental rights of the adopters, as well as reduced uncertainty, emotional distress and possible health costs. Third, rules on automatic recognition of adoptions completed in one Member State in another EU Member State would advance the practical achievement of EU citizenship rights and the further development of the European area of justice

It is estimated, on the basis of Eurostat population statistics and the 2009 UN data on adoptions, that there are 668 981 adopted children under 15 years of age residing in the EU. In the EU, an average of 3.2 % of citizens exercise their right to free movement.³⁵⁸ This amounts to approximately 21 000 adopted children living cross-border, for whom recognition could potentially be an issue. The number of problematic cases is difficult to estimate. Taking a very cautious estimate of 1 %, the number of problematic cases might be in the range of 200 to 250 cases per year. Considering the average legal and emotional costs per Member State, the total estimate of costs related to the litigation of problematic situations emerging from cross-border movement is €1.65 million per year. This estimate includes only costs related to the litigation related to the recognition of adoptions. It does not include costs of problematic situations that do not end up in litigation. For example, it also does not include the costs of administrative procedures, legal counselling and translation costs, as well as travel and loss of productivity related to the additional administrative proceedings that are necessary when recognition of a domestic adoption is not automatic. Those costs may be further multiplied if adopters or adoptees move within the EU to more than one country.

³⁵⁸ Eurostat: [Population on 1 January by age group, sex and citizenship](#) and [Population on 1 January by age group, sex and country of birth](#).

Table 17: Estimated costs relating to the lack of EU legislation on the automatic recognition of adoption decisions per annum³⁵⁹

Total number of adoptions & proportion of dispute cases	
Total adoptions of children under the age of 15 ³⁶⁰	668 981
Proportion living cross-border ³⁶¹	3.2 %
Estimated number encountering difficulties	1 %
Proportion reaching court/ legal proceeding	50 %

Legal cost of resolving disputes over recognition and/ or legal uncertainty per annum	
Cost per case (€)	€5 000
<i>Sub-total</i>	<i>€0.54 million</i>
Emotional costs	
Cost per case	€10 000
<i>Sub-total</i>	<i>€1.1 million</i>
Cost of Non-Europe (CoNE)	€1.65 million

The gaps and barriers to recognition by Member States of adoptions conducted in another Member State directly impact on the daily lives of the people concerned and entail severe consequences and important costs for both national administrations and EU citizens. It can be argued that the current legislative gap creates a situation where the best interests of adopted children (who are the most vulnerable children in society) is not adequately protected in the EU. The lack of domestic legal recognition of adoptions may harm children's rights, including their right to family life, non-discrimination, inheritance rights and the right to nationality.

Other estimates of the cost of non-Europe

A study commissioned by the European Commission in 2009 on problems encountered by European citizens involved in adoption procedures³⁶² did not provide detailed data on the topic, for example on the actual number of recognitions of adoption orders across the European Union, let alone the costs of current legislative gaps. The Commission has stated that the availability of data is problematic and the policy area falls within the competence of Member States.

³⁵⁹ B Ballester, [European Code on Private International Law: Cost of Non-Europe Report](#), European Added Value Unit, European Parliament, 2013.

³⁶⁰ Based on UN data on the number of the births resulting in adoption per annum in each Member State applied to the total EU population aged under 15 years, Eurostat (2012).

³⁶¹ Eurostat (2010): number of people born in EU Member States other than the one they reside in.

³⁶² Y Brulard and L Dumont, [Comparative study relating to procedures for adoption among the Member States of the European Union, practical difficulties encountered in this field by European citizens within the context of the European Pillar of Justice and civil matters and means of solving these problems and of protecting children's rights](#), JLS/2007/C4/017-30-CE-0157325/00-64, Brussels, 2009.

European Parliament position in this field

The European Parliament has long been concerned by the issue of adoption. During the 1994-97 legislative term, it adopted an own initiative report (1995/2106(INI)) on improving adoption law.³⁶³ In 2008-2009 two large-scale studies related to adoption were commissioned by the European Parliament and the European Commission. This preparatory work resulted in the Parliament's 2011 resolution (P7_TA(2011)0013) on international adoption in the European Union, which has yet to be followed by a legislative initiative from the Commission.

EU citizens are directly affected by various problems related to adoption issues in the EU Member States. The European Parliament's Committee on Petitions receives a constant flow of complaints from EU citizens related to adoption issues.³⁶⁴ In this context, while recognising the importance and achievements of the Hague Convention of 29 May 1993, the Committee on Legal Affairs of the European Parliament considers that there is a need for a European instrument covering recognition by an EU Member State of an adoption having taken place in another EU Member State. In February 2015, the European Parliament's Committee on Legal Affairs decided to draw-up a new legislative own-initiative report on the cross-border recognition of adoptions (2015/2086(INL)). On 2 February 2017 the Parliament adopted a resolution on cross-border aspects of adoptions which called on the Commission to submit a legislative proposal on the cross-border recognition of adoption orders to the Parliament by 31 July 2017, on the basis of Articles 67 and 81 of the Treaty on the Functioning of the European Union. The Parliament proposes to introduce automatic recognition of domestic adoption orders and to establish a European Certificate of Adoption, whilst facilitating judicial cooperation among Member States. The Parliament also suggests a number of procedural and administrative safeguards for the right of the child, as well as for the respective rights of the adoptive and biological parents.

³⁶³ European Parliament's resolution on improving the adoption law, 1995/2016 (INI).

³⁶⁴ See for example, [petition No 1420/2013](#) by E.M.R.G. on adoption within the EU.

- European Parliament resolution of 12 December 1996 on improving the law and cooperation between the Member States on the adoption of minors, (1995/2106 (INI))
Rapporteur: Carlo Casini (EPP), JURI Committee
Voting: Simple majority
- European Parliament resolution of 19 January 2011 on international adoption in the European Union, 2010/2960(RSP)
(joint resolution tabled by the EPP, ECR, S&D, GUE/NGL, and ALDE)
- European Parliament resolution of 2 February 2017 with recommendations to the Commission on cross-border aspects of adoptions, (2015/2086(INL))
Rapporteur: Tadeusz Zwiefka (EPP), JURI Committee
Voting: in favour: 533; against: 41; abstentions: 72

28. Liability rules related to autonomous vehicles

Potential efficiency gain: to be assessed

Key proposition

In 2016, the EU-28 accounted for 21 % of global passenger car production,³⁶⁵ with 12.6 million people employed in the automotive industry.³⁶⁶ The growing shift towards connected and autonomous vehicles (AVs) will have a major impact on this sector and potentially bring substantial economic and social benefits. The think tank Policy Network forecasts that by the year 2050 autonomous vehicles could potentially contribute €17 trillion (cumulatively) to the European economy, and that as of 2020 (the year AVs are expected to be introduced), add 0.15 % to Europe's annual rate of economic growth.³⁶⁷

In the light of rapid developments in the area of robotics and artificial intelligence, the European Parliament Committee's on Legal Affairs (JURI) set up a working group in 2015 on legal questions related to the development of robotics.³⁶⁸

A European Added Value Assessment (EAVA)³⁶⁹ drafted by the Parliament's European Added Value Unit (currently in preparation) to underpin a European Parliament legislative initiative report on civil law rules on robotics,³⁷⁰ is likely to conclude that revision of the current legislative EU framework is necessary, notably as regards the regulation of civil liability and insurance.³⁷¹ The quantitative assessment of the added value, at this stage of technological development, is difficult and inconclusive.³⁷² However, the qualitative analysis provides evidence that appropriate action at the EU level will (i) promote legal certainty; (ii) reduce transaction costs for car manufacturers

³⁶⁵ [International Organization of Motor Vehicle Manufacturers, see also European Automobile Manufacturers Association.](#)

³⁶⁶ See footnote above; also information provided by the [European Commission](#).

³⁶⁷ F Ranft et al, [Freeing the Road: Shaping the future for autonomous vehicles](#), Policy Network, London, 2016.

³⁶⁸ The aim set out in the working group mission statement was 'to reflect on legal issues and especially to pave the way to the drafting of civil law rules in connection with robotics and artificial intelligence'.

³⁶⁹ European Added Value Assessment on a common EU approach to liability and insurance related to connected and autonomous vehicles, 2017 (forthcoming).

³⁷⁰ [2015/2103\(INL\)](#), Rapporteur: Mady Delvaux (S&D).

³⁷¹ See for example the results of the public consultation on robotics undertaken for the European Parliament's JURI committee.

³⁷² 2017 European added value assessment (forthcoming), Annex I, RAND Europe, Socio-Economic Analysis. The difficulty in quantifying the economic impacts of the gaps in the liability rules are due in part to the lack of data (as AVS is still an emerging technology) and the absence of a definite vision, for example, on the part of the consumer regarding how AVS will be used and operate on the European roads. It is however, premature to conclude that the economic impact of the lack of up-to the date EU legislation on the liability and insurance of AVS, in the mid-term when AVS actually enter the market, will be insignificant.

and public administrations related to the differences in the national liability rules and systems for determination and calculation of damages; and (iii) ensure effective consumer protection.³⁷³

More detailed analysis

The motor vehicle and road transport sector is a heavily regulated area of the EU economy.³⁷⁴ The two main legislative acts³⁷⁵ regulating the appropriation of risks in relation to the use of motor vehicles are the Motor Insurance Directive³⁷⁶ and the Product Liability Directive (PLD).³⁷⁷ However, the current regulatory framework (at international, EU and national levels) seems inadequate, given the current state of innovation and digitalisation in the automotive industry.³⁷⁸

The lack of coordination among several jurisdictions on the adoption of regulatory rules enabling the testing, licensing and operation of autonomous technologies and vehicles could ultimately lead to unnecessary barriers to the development and deployment of new technological solutions.³⁷⁹ To ensure that the EU is at the forefront of technological developments in the industry, and to avoid unnecessary obstacles from diverse regulatory approaches in various Member States, a review of legislation and action at EU level appears necessary.³⁸⁰

³⁷³ European Added Value Assessment on a common EU approach to liability and insurance related to connected and autonomous vehicles, 2017 (forthcoming); for details, see Annex II, E Englhard and R de Bruin, Common EU approach to liability: Legal analysis.

³⁷⁴ There are a large number of EU regulatory acts in the wide spectrum of policy areas related to the motor vehicles including civil law (i.e. liability, insurance, data protection, licensing, type approval); public law (i.e. traffic regulations and safety) and norms and standards (i.e. consumer protection, technical and environmental standards). For a regulatory overview of the main legislation at international and EU, level see S Pillath, [Automated vehicles in the EU](#), DG EPRS, European Parliament, January 2016.

³⁷⁵ The current system is based on a highly harmonised EU framework on liability of a producer of a defective product and a very limited EU framework (only establishing third-party liability insurance cover) on civil liability for victims of road traffic accidents. When it comes to the substantive rules related to road traffic accidents, national rules on liability and the calculation of damages for victims apply.

³⁷⁶ Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to [insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability](#).

³⁷⁷ For a review of application in the Member States, see the [Fourth report on the application of Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products amended by Directive 1999/34/EC of the European Parliament and of the Council of 10 May 1999](#).

³⁷⁸ As a result, a number of EU Member States are taking unilateral action to introduce a new or amended regulations at national level regarding connected and autonomous vehicles.

³⁷⁹ OECD, *Automated and Autonomous Driving, Regulation under Uncertainty*, 2015, p.6. Similarly, the UK Department for Transport finds it necessary to 'provide additional clarity and certainty in legislation, to provide sound basis upon which to allocate criminal and civil liability'. UK Department for Transport, *The Pathway to Driverless Cars, Summary Report and Action plan*, 2015, p. 10.

³⁸⁰ The spectrum of necessary regulatory review is broad and includes not only issues already covered by the EU legislation (i.e. civil and contract law, insurance, consumer protection, safety, technical and environmental standards of motor vehicles), but also related fields, such as telecommunications, cybersecurity, privacy and data protection.

Based on the review of current EU legislation on civil liability, the European Added Value Assessment AVA on a common EU approach to the liability and insurance related to connected and autonomous vehicles argues that the application of the current EU legal framework for AVs would require:

- adjustments to the Product Liability Directive, so as to ensure a high level of consumer protection, and notably clarification of the term 'defectiveness', a risk-sharing system for scientifically unknown risks, and a procedure for determining legal standards on safety levels;
- revision of the current traffic liability laws at national level, in particular the legal implications for national systems with 'fault based' liability and possible steps for a common EU traffic liability system; and
- revision of existing rules on hacking and privacy issues, including policy adjustments to ensure access to accident and driving data to enable accurate and timely liability judgements, in areas such as setting of data standards, and sharing and storage, as well as in terms of data privacy and protection.

Other estimates of the cost of non-Europe

There are no studies specifically focusing on the cost of non-Europe related to AVs or liability issues. However, a 2017 study by Strategy Analytics³⁸¹ assessing the global economic potential of AVs concluded that 'Autonomous driving technology will enable a new 'Passenger Economy' worth US\$7 trillion – more than the projected 2017 GDPs of Japan and Brazil combined'.

An analysis published by the World Economic Forum in 2016,³⁸² estimates that there is '\$0.67 trillion of value at stake for automotive players and a further \$3.1 trillion of societal benefits as a result of digital transformation until 2025'.

European Parliament position in this field

In February 2017, the European Parliament adopted a resolution calling on the European Commission to submit a proposal for a directive on civil law rules on robotics on the basis of Article 114 of the Treaty on the Functioning of the European Union (TFEU). More specifically, as regards liability issues, the Commission is urged to submit a legislative proposal, accompanied by non-legislative instruments, to address legal issues relating to the development and use of robotics and artificial intelligence, including AVs. The Parliament's resolution underlined that, against the backdrop of the

³⁸¹ Strategy Analytics, [Accelerating the Future: The Economic Impact of the Emerging Passenger Economy, 2017.](#)

³⁸² World Economic Forum: [Reinventing the wheel: digital transformations in the automotive industry](#), 2016.

forthcoming roll-out of autonomous vehicles on EU roads, the automotive sector is in urgent need of efficient EU and global rules.

Parliament's secretariat also launched a public consultation on the civil law rules on robotics, which, among other topics, covered issues of liability of autonomous vehicles.³⁸³ The results of the consultation are designed to feed into a forthcoming Cost of Non-Europe Report (2018) requested by the Committee on Legal Affairs.

- European Parliament resolution of 16 February 2017 on Civil Law Rules on Robotics (2015/2103 (INL))
Rapporteur: Mady Delvaux (S&D), JURI Committee
Plenary vote: in favour: 451; against: 138; abstentions: 20

European Commission position in this field

In 2014, the European Commission set up a Cooperative Intelligent Transport Systems (C-ITS) deployment platform,³⁸⁴ which in 2016 published a report providing a first comprehensive overview of the technological and legal issues relating to the deployment of connected and autonomous vehicles in the EU.³⁸⁵ The report concludes that as long as a driver remains in control of a vehicle, no changes regarding liability are necessary.³⁸⁶ In 2015, the European Commission has also set up the multi-stakeholder GEAR 2030 High Level Group on the Automotive Industry.³⁸⁷

The European Commission's 2015 Digital Single Market Strategy,³⁸⁸ its 2016 communication on Digitising the European Industry,³⁸⁹ and its 2017 Communication on Building a European Data Economy,³⁹⁰ all address, in a more general context, the liability issues related to new technologies, the Internet of Things and autonomous systems.

In January 2017, the Commission launched two public consultations broadly related to the issues of liability in the context of new technological developments: a consultation on building a European data economy³⁹¹ and a consultation on the evaluation of the PLD Directive.³⁹² The Commission is now in the process of assessing the need for

³⁸³ The [public consultation](#) was open from February to June 2017.

³⁸⁴ [Cooperative Intelligent Transport Systems deployment platform](#).

³⁸⁵ C-ITS Platform, [Final report](#), January 2016.

³⁸⁶ *ibid.*

³⁸⁷ [Decision C\(2015\) 6943 of 19 October 2015](#).

³⁸⁸ European Commission, Communication [A Digital Single Market Strategy for Europe](#), 2015; see also the mid-term review of the Digital Single Market Strategy, May 2017, COM(2017) 228.

³⁸⁹ European Commission, Communication [Digitising European Industry Reaping the full benefits of a Digital Single Market](#), April 2016.

³⁹⁰ European Commission, Communication, [Building a European data economy](#), January 2017.

³⁹¹ European Commission, [Public Consultation on Building the European Data Economy](#), 2017.

³⁹² European Commission, [Public Consultation on the evaluation of Directive 85/374/EEC on the liability for defective products](#), 2017.

possible legislative action concerning civil liability rules, as well as the scope of that action. The position and further actions of the Commission will be based on the results of the two above-mentioned assessments.³⁹³

³⁹³ European Commission response SP(2017)310 to the European Parliament [resolution of 16 February 2017 on civil law rules on robotics](#) (2015/2103 (INL)).

29. Framework for democracy, rule of law and fundamental rights

Potential gains still to be assessed

Key proposition

In recent years, attention has been drawn to the gap between the proclamation of the rights and values listed in Article 2 of the Treaty on European Union and actual compliance by EU institutions and Member States with those rights and values. The root causes of lack of compliance are to be found in certain weaknesses in the existing EU legal and policy framework on democracy, the rule of law and fundamental rights. These weaknesses result in significant economic, social and political costs.

A European Added Value Assessment carried out by the European Added Value Unit in 2016 for the Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) has evaluated the potential impacts of an EU pact on democracy, the rule of law and fundamental rights. The study notably highlighted gaps in monitoring of democracy, rule of law and fundamental rights (DRF) compliance and enforcement, and showed that those gaps could not be filled by Member States acting alone.³⁹⁴ Thus, the study suggested establishing a monitoring mechanism aimed at protecting the EU's 'constitutional core', i.e. the values it shares with the Member States, which could be set up and operate at relatively low cost.

More detailed analysis

In order to improve compliance with EU principles, the European Parliament has called in a resolution³⁹⁵ for the conclusion of an EU pact for democracy, the rule of law and fundamental rights (DRF), in the form of an inter-institutional agreement (IIA) based on Article 295 of the Treaty on the Functioning of the European Union. This IIA should lay down arrangements for:

- (i) the development of an annual European report on the state of democracy, the rule of law and fundamental rights in the Member States, with country-specific recommendations assessing compliance with DRF; and
- (ii) a policy cycle for DRF, involving EU institutions and national parliaments, with country-specific recommendations aimed at monitoring and enforcing Member State compliance, including a DRF policy cycle within the institutions of the Union.

³⁹⁴ W Van Ballegooij and T Evas, [An EU mechanism on democracy, the rule of law and fundamental rights: Interim European Added Value Assessment accompanying the Parliament's Legislative Initiative Report](#), EPRS, European Parliament, April 2016.

³⁹⁵ European Parliament, [Establishment of an EU mechanism on democracy, the rule of law and fundamental rights](#), 2015/2254(INL).

A monitoring mechanism aimed at protecting the EU's 'constitutional core', i.e. the values it shares with the Member States, could be established at relatively low cost. Moreover, if the right synergies were found with international organisations, such a system would bring about significant additional benefits, notably by fostering mutual trust and recognition, attracting more investment, and providing higher welfare standards.

The added value of action at EU level is that the responsibility for DRF monitoring and evaluation exercises can then be clearly allocated, whilst coordination is ensured. The proposed procedure would also guarantee the proportionality of EU intervention, since it would not be unduly burdensome or costly to Member States in terms of data collection and reporting requests. The development of a European fundamental rights information system (EFRIS) by the Fundamental Rights Agency, based on existing sources of information and evaluations of instruments already in place in this field, could help to achieve this aim. The European DRF report should combine dialogue, monitoring, benchmarking and evaluation exercises with various actors and methods. The Parliament's recommendations therefore offer sufficient flexibility to recognise the different ways Member States have found to uphold DRF.

The EU can only claim legitimacy to enforce the observance of the rights and values listed in Article 2 externally if it observes those standards itself internally. To address this point, a comprehensive legislative policy cycle is required, in which the effects of planned EU legislation on fundamental rights are forecast and evaluated.

As regards the pact's costs and benefits, it should be pointed out that societies in which democracy, the rule of law and fundamental rights are upheld tend to attract more investment and to benefit from higher welfare standards. Conversely, in societies where this is not the case, a negative impact on the economy is noticeable. Control of corruption, institutional checks on government, protection of property rights, and mitigation of violence correlate closely with economic performance. Lower DRF standards also have a negative impact on mutual trust between Member States, which is based on a presumption of fundamental rights standards being enforced by an independent judiciary.

The Parliament's resolution stresses that any financial implications of the proposals for the budget of the Union should be covered by existing budgetary allocations. The operational costs of the DRF European report (no economies of scale) can be estimated at €4 million per year, based on the experience of the Council of Europe's Venice Commission. The cooperation envisaged with the Council of Europe and other bodies would, however, enable some important economies of scale to be achieved. Further synergies could be achieved by the fact that the DRF European report is meant to replace the cooperation and verification mechanism (CVM) for Bulgaria and Romania.

Building the Council's rule of law dialogue into a debate on the European DRF report would require a more detailed and in depth discussion, involving more time and human resources devoted to meetings in Brussels and commenting on the developments in other Member States. A comprehensive legislative policy cycle would be likely to result in more (in-depth) ex-ante and ex-post evaluations, consultations and related costs. There would also be a better chance of preventing EU measures and actions from violating fundamental rights and undermining the credibility of the EU to act internally and externally, and avoiding the potential costs of compensating victims and repairing legislation.

Other estimates of cost of non-Europe

A Cost of Non-Europe Report on organised crime and corruption drawn up by the European Parliament's European Added Value Unit has meanwhile estimated that corruption alone cost the European economy between €218 and 282 billion annually.³⁹⁶

EP position in this field

The EU pact on democracy, the rule of law and fundamental rights proposed by the European Parliament entails the establishment of a comprehensive Union mechanism for democracy, the rule of law and fundamental rights, integrating, aligning and complementing existing mechanisms. The two core elements of this mechanism were described above:

- an annual European report on the state of democracy, the rule of law and fundamental rights in the Member States; and
- an EU policy cycle for democracy, the rule of law and fundamental rights, involving EU institutions and national parliaments, including a DRF policy cycle within the institutions of the Union.

According to the Parliament's resolution, the costs related to the provision of a secretariat for the DRF expert panel would be borne by the Commission. A new inter-parliamentary dialogue fostered by the Parliament is also envisaged in the resolution.

³⁹⁶ W Van Ballegooij and T Zandstra, [The Cost of Non-Europe in the area of Organised Crime and Corruption: Annex I – Organised Crime](#), EPRS, European Parliament March 2016; W Van Ballegooij and T Zandstra, [The Cost of Non-Europe in the area of Organised Crime and Corruption: Annex II - Corruption](#), EPRS, European Parliament March 2016; W Van Ballegooij and T Zandstra, [The Cost of Non-Europe in the area of Organised Crime and Corruption: Annex II - Overall assessment of organised crime and corruption](#), EPRS, European Parliament, March 2016.

- European Parliament resolution of 25 October 2016 with recommendations to the Commission on the establishment of an EU mechanism on democracy, the rule of law and fundamental rights (2015/2254(INL))
Rapporteur: Sophie in't Veld (ALDE), LIBE Committee
EP plenary vote: in favour: 405; against: 171; abstentions: 39

Commission and Council positions in this field

The European Commission and the Council of the European Union have devised certain mechanisms to strengthen the rule of law in the EU. In 2014, the Commission issued a communication on 'A new EU framework to strengthen the rule of law'.³⁹⁷ The communication comprises an 'early warning tool', leading to a 'structured dialogue' with the Member State concerned, aimed at addressing emerging threats to the rule of law before they escalate. The framework has only been activated once, with regard to Polish legislation affecting the powers and composition of the constitutional tribunal and the management of state TV and radio broadcasters.³⁹⁸

In conclusions adopted on 16 December 2014, the Council of the EU and the Member States meeting within the Council committed themselves to establishing an annual dialogue among all Member States within the (General Affairs) Council to promote and safeguard the rule of law in the framework of the Treaties. Two such dialogues were held in November 2015 and May 2016. During an exchange of views held by ministers at the General Affairs Council on 15 November 2016, most of the Member States underlined the importance of ensuring the continuation and strengthening of the dialogue by having more frequent debates, which should be more results-oriented and better structured. The rule of law dialogue should be re-evaluated by the end of 2019, when Member States should be more ready to consider the possibility of turning the dialogue into an annual peer-review exercise.³⁹⁹

In its response to the European Parliament's resolution of 25 October 2016, the Commission supported the Parliament's idea of setting up an inter-parliamentary dialogue between the Parliament and national parliaments on democracy, the rule of law and fundamental rights. It also reiterated its commitment to accession of the Union to the European Convention on Human Rights.

However, the Commission expressed serious doubts about the need for and the feasibility of, an annual report and policy cycle on democracy, the rule of law and

³⁹⁷ For more details, see E.-M. Poptcheva, [Understanding the EU Rule of Law mechanisms](#), EPRS, European Parliament, July 2016.

³⁹⁸ The latest information in this area may be found on the [European Commission's rule of law website](#).

³⁹⁹ [Summary of the evaluation of the rule of law dialogue among all Member States within the Council](#), Council doc. 13562/16 of 17 November 2016.

fundamental rights, prepared by a committee of 'experts', and about the need for, and feasibility and added value of, an inter-institutional agreement on this matter. According to the Commission, some elements of the proposed approach for instance, the central role attributed to an independent expert panel in the proposed pact also raised serious questions of legality, institutional legitimacy and accountability. Moreover, the Commission pointed to practical and political concerns, which may render it difficult to find common ground on this between all the institutions concerned.

30. Common minimum standards on civil procedure

Potential efficiency gain: up to €773 million per year

Key proposition

The number of people and economic operators involved in cross-border transactions is ever increasing. In the event of problems related to civil law for example concerning non-payment for goods or services in the cross-border context and individual or a company might need to go to court in a Member State. Bringing a case to a court in a Member State other than one's own can be very challenging.

In general, rules on civil procedure cover three broad sets of principles: (i) rules related to judicial organisation; (ii) procedure before courts; and (iii) jurisdiction. The differences in procedural rules among the Member States create additional difficulties and costs for the parties involved and can be a source of mistrust among judiciaries when it comes to recognising or enforcing foreign judgments. In this context, as part of the EU move towards an area of freedom, security and justice, the European Parliament recently initiated a legislative own-initiative report on common minimum standards of civil procedure.⁴⁰⁰

The European Added Value Assessment (EAVA) currently in preparation by the Parliament's European Added Value Unit for the Parliament's Committee on Legal Affairs (JURI), to underpin this legislative own-initiative report, has estimated that introducing EU common minimum standards of civil procedure could reduce annual costs for citizens and businesses by as much as €258 to €773 million per annum.⁴⁰¹ The divergence in potential cost reduction estimates depends on the policy options and extent of harmonisation of procedural rules pursued.

More detailed analysis

Procedural rules have traditionally been in the competence of the Member States. However, a growing body of EU substantive law has procedural elements, for example in the area of consumer and data-protection law.⁴⁰² Moreover, an increasing number of EU regulations focus specifically on cross-border procedures, with the aim of simplifying

⁴⁰⁰ European Parliament resolution of 4 July 2017 [on Common minimum standards of civil procedures](#), 2015/2084(INL).

⁴⁰¹ T Evas, Common minimum standards on civil procedure: EPRS, European Parliament, (forthcoming), drafted to support a legislative own-initiative report of the European Parliament 2015/2084(INL).

⁴⁰² The substantial body of EU rules in the area of consumer and data protection law apply to purely domestic situations and do not require cross-border elements. However, national courts applying and interpreting EU substantive law, for example, apply national procedural rules.

the procedural burden on companies and the public.⁴⁰³ Nevertheless, current EU procedural rules do not form a coherent and complete body, because they do not apply to all civil law disputes and they are limited to specific types of procedure. This fragmentation of EU procedural law is drawing growing criticism in both policy and academic levels, based on the evidence that divergent, incoherent rules are an impediment to the practical realisation of EU citizenship, free movement rights and protection of fundamental rights, as well as an obstacle to further development of the European area of justice based on mutual recognition and mutual trust.⁴⁰⁴ Furthermore, the incoherence of the body of procedural rules leads to tensions between EU and national law, as well as to inconsistencies within EU law itself.

The main costs related to the fragmented EU rules on civil procedure can be grouped in five broad categories, as outlined in Table 18 below.

Table 18 – Main categories of costs relating to the lack of EU legislation on common minimum standards of civil procedure⁴⁰⁵

Categories of cost relating to the lack of EU common minimum standards of civil procedure
Costs to the operation and conduct of business: costly insurance coverage; the need for advice on civil litigation systems of other Member States
Administrative and legal costs of negotiating different procedural systems; different procedural standards and rules
Social costs , including emotional costs of dealing with different procedural systems, uncertainty and insecurity
Reduced mobility of citizens and business: wider costs are born by society, notably through hindrances to the free movement of persons and goods, and hindrances to cross-border business and cross-border consumption
Incoherence costs: wider costs for the EU legal system include lack of uniformity in application of EU law, lack of legal certainty and predictability in outcomes, and lack of general impression of a just system.

The 2017 European Added Value Assessment has estimated that, by introducing minimal coherence in the current system through the compilation and consolidation of the current EU law instruments related to civil procedure, the total costs related to civil litigation in the EU could be reduced by €258 million per year.⁴⁰⁶ The more ambitious initiative that would introduce a binding EU law instrument, containing minimum standards of civil procedure applicable to all stages of civil procedure, could potentially reduce the costs up to €773 million per year. A middle way that would focus first on the

⁴⁰³ Examples include the European small claims procedure designed to simplify cross border claims of small value and the European Payment Order for simplifying cross-border debt recovery.

⁴⁰⁴ M Tulibacka, 'Europeanization of Civil Procedures: In Search of Coherent Approach', *Common Market Law Review*, Vol. 46(5), 2009.

⁴⁰⁵ B Ballester, [European Code on Private International Law: Cost of Non-Europe Report](#), European Added Value Unit, European Parliament, June 2013.

⁴⁰⁶ T. Evas, *Common minimum standards on civil procedure: European Added Value Assessment*, EPRS, European Parliament, (forthcoming).

comprehensive review of the current system and then fill gaps in the specific aspects or stages of civil procedure could potentially reduce costs up to €515 million per year.

European Parliament position in this field

In February 2015, the European Parliament's Committee on Legal Affairs (JURI) decided to draw-up a legislative own-initiative report on common minimum standards of civil procedure. A resolution was adopted in plenary on 4 July 2017.⁴⁰⁷ It includes as an annex to the motion for a resolution: 'Recommendations for a Directive of the European Parliament and the Council on Common Minimum Standards of Civil Procedure in the EU'. The proposed draft directive provides a very detailed and comprehensive set of rules and principles related to the common minimum standards of civil procedure, divided into four broad sections:

- section one covers *rules and principles related to fair and effective outcomes* and includes provisions on effective judicial protection, principles applicable to oral hearings and provisions on provisional and protective measures;
- section two, *efficiency of proceedings*, includes provisions on procedural efficiency, reasoned decisions, general principles for direction of proceedings, evidence taking and court experts;
- section three, *access to court and justice*, includes provisions on settlement of disputes, litigation costs, the 'loser pays' principle, legal aid and funding;
- section four, *fairness of proceedings*, covers issues such as service of documents, the right to a lawyer in civil proceedings, access to information, obligations of the parties and their representatives, public proceedings as well as provisions relating to judicial independence, and impartiality and training.

According to Article 1 of the draft directive, 'The objective of this Directive is to approximate procedural systems so as to ensure full respect of the right to a fair trial as recognised in Article 47 of the Charter, by laying down minimum standards concerning the commencement, conduct and conclusion of civil proceedings before Member States' courts or tribunals'. The scope of the proposed directive most closely resembles option two in the European Added Value Assessment that suggests adoption of a binding EU law instrument containing minimum standards of civil procedure applicable to all stages of civil procedure. This option could potentially reduce the costs of civil procedure in the EU by up to €773 million per year.

⁴⁰⁷ [European Parliament resolution of 4 July 2017 with recommendations to the Commission on common minimum standards of civil procedure in the European Union](#), (2015/2084(INL)).

- European Parliament resolution on common minimum standards of civil procedure (2015/2084(INL))
Rapporteur Emil Radev (EPP), JURI Committee
Plenary vote: in favour: 545; against: 79; abstentions: 71

31. EU law on administrative procedure

Potential gains still to be assessed

Key proposition

Administrative law sets out the legal framework for the relationship between public authorities and companies or citizens. European Union (EU) law on administrative procedure concerns procedural rules relating to the relationship between the EU administration and private individuals and companies. Concretely, procedural rules cover issues such as the rights of citizens or businesses to be notified of all procedural steps and decisions that may affect them, as well as a duty on behalf of authorities to state the reasons for an administrative decision.

At EU level, administrative procedural rules are enshrined in EU primary law, notably in the Charter of Fundamental Rights,⁴⁰⁸ in EU secondary law, with legislation in areas such as access to documents defining certain procedural rights,⁴⁰⁹ and in EU legislation specific to sectors such as state aid⁴¹⁰ or food safety.⁴¹¹ The current EU legal framework is fragmented and sector-specific rules provide divergent standards regarding time limits in particular.⁴¹² In this context, the European Parliament and the European Ombudsman, as well as many in the academic community,⁴¹³ have repeatedly called for the adoption of some form of EU law on administrative procedure.

At the request of the European Parliament's Legal Affairs Committee (JURI) and in support of the Committee's legislative initiative, the Parliament's European Added Value Unit prepared a European Added Value Assessment in 2012 on an EU law on administrative procedures.⁴¹⁴

⁴⁰⁸ [Article 41 'Right to good administration' Charter of Fundamental Rights of the European Union](#), OJ 2012/C 326/02.

⁴⁰⁹ [Regulation \(EC\) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents](#), OJ L 145, 31.5.2001.

⁴¹⁰ [Council Regulation \(EU\) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union](#), OJ L 248, 24.9.2015.

⁴¹¹ [Regulation \(EC\) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety](#), OJ L 31, 1.2.2002.

⁴¹² For an overview of the current framework and criticism see P Leino-Sandberg, 'Enforcing citizens' rights to good administration: Time for Action' in M Nogaj, [Law of Administrative Procedure of the European Union: European Added Value Assessment](#), European Added Value Unit, European Parliament, November 2012.

⁴¹³ See e.g. the ReNEUAL project; see also J Ziller, Aspects Relating to Added Value for Citizens and Economic Operators in M Nogaj, op. cit.

⁴¹⁴ M Nogaj op. cit.

More detailed analysis

According to the detailed analysis provided in the European Added Value Assessment, a single, general EU law on administrative procedure would contribute to a more efficient EU administration and potentially bring about cost savings. Clear and consistent standards for the interaction of the EU institutions with the general public would cut red tape and save time and money for citizens, while also reducing the volume of litigation, improving resource efficiency, and helping rationalise information technology systems and e-Government services. Overall, the potential savings are significant, but difficult to monetise.

European Parliament position in this field

In 2013, the European Parliament called on the European Commission to submit, on the basis of Article 298 of the Treaty on the Functioning of the European Union (TFEU), a proposal for a regulation on a European law on administrative procedure. The aim of the regulation would be to guarantee the right to good administration – that is open, efficient and independent – within the Union's institutions, bodies, offices and agencies. It would codify the fundamental principles of good administration and regulate the procedure to be followed by the Union's administration when handling individual cases to which a natural or legal person is a party, as well as other situations where an individual has direct or personal contact with the Union's administration. The regulation would include a universal set of principles and lay down a procedure applicable as a *de minimis* rule where no *lex specialis* exists.⁴¹⁵

As a follow up to the 2013 resolution, in June 2016, the Parliament adopted a resolution for an open, efficient and independent European Union administration.⁴¹⁶ It underlined the lack of legislative follow up by the European Commission to its 2013 resolution and asked the Commission to come forward with a legislative proposal to be included in its work programme for 2017. In its 2016 resolution, the Parliament includes a detailed proposal for a regulation as an annex for the Commission to consider.

⁴¹⁵ The *de minimis* rule means that standards should be not lower than stipulated in EU legislation, i.e. the EU legislation sets a minimum universally applicable threshold; *lex specialis* means more specific legislation, i.e. legislation applicable to a special sector or a special administrative procedure.

⁴¹⁶ EP Resolution of 9 June 2016 on [an open, efficient and independent European Union administration](#), 2016/2610(RSP).

- European Parliament resolution of 9 June 2016 on an Open, Efficient and Independent European Union Administration, 2016/2610(RSP)
Rapporteur: Heidi Hautala (Greens/EFA), JURI Committee.
Plenary vote: show of hands
- European Parliament resolution of 15 January 2013 with recommendations to the Commission on a Law of Administrative Procedure of the European Union (2012/2024(INI)).
Rapporteur: Luigi Berlinguer (S&D), JURI Committee
Plenary vote: in favour: 572; against: 16; abstentions: 12

European Commission position in this field

The European Commission has repeatedly stressed the importance of the right to good administration within the European Union. However, it has yet to follow this up with a legislative proposal.⁴¹⁷ In a broader context, increasing the effectiveness of EU public administration is one of the aims of the Commission's eGovernment action plan 2016-2020, albeit with a focus on the technical side of communication between citizens and the EU.⁴¹⁸

⁴¹⁷ The European Commission's response to the 2016 resolution indicates that it does not intend to follow up on the European Parliament's call and come up with a proposal on a law on EU administrative procedure. See [Follow up to the European Parliament resolution for an open, efficient and independent European Union administration, adopted by the Commission on 4 October 2016](#).

⁴¹⁸ See the Commission's [European eGovernment action plan 2016-2020](#).

TRADE AND EXTERNAL RELATIONS

32. Transatlantic trade deal

Potential efficiency gain: €68 billion per year

Key proposition

Significant potential gains for the European economy could be generated from the successful conclusion of a successful transatlantic trade deal - such as the Transatlantic Trade and Investment Partnership (TTIP) agreement on which negotiations were launched in 2013 under the Barroso Commission and Obama Administration - between the European Union and the United States. Based on a CEPR study in 2013,⁴¹⁹ the European Commission has estimated that the EU economy could potentially be boosted by somewhere between €68 and €119 billion annually, depending on the degree of market liberalisation envisaged, following the successful conclusion of a such transatlantic trade agreement on acceptable terms.

As the European Parliament has emphasised 'the EU and the US are key strategic partners'. 'Beyond the trade aspects, a successful conclusion of the TTIP is of high political importance ... and should reinvigorate the transatlantic partnership as a whole'. Fifteen rounds of EU-US negotiations took place between 2013 and 2016, but the new US Administration has yet to make clear how it sees the process developing.

More detailed analysis

According to the CEPR study referred to above, potential gains from a TTIP would stem from the reduction of tariffs, elimination of non-tariff barriers (NTBs) to trade in goods and services, and from the opening up of public procurement. Direct and indirect spill-over effects - the improvement of trade possibilities for third countries with the EU and the US, either automatically or as a result of the adoption of EU and US regulatory standards - could also bring significant gains.

This study reviewed the importance of the bilateral EU-US economic relationship and provided computable general equilibrium (CGE)-based estimates for the economy-wide impact of reducing both tariff and non-tariff barriers (NTBs).

The CEPR study estimated that, under a comprehensive agreement, EU gross domestic product (GDP) could increase by between €60 and 120 billion a year, and US GDP by

⁴¹⁹ J Francois, M Manchin, H Norberg, O Pindyuk and P Tomberger, [Reducing Transatlantic barriers to trade and investment: an economic assessment](#), Centre for Economic Policy Research (CEPR) for the European Commission, 2013.

between €49.5 and 94.9 billion a year, depending on how ambitious the liberalisation of trade and investment turned out to be. EU exports of goods and services to the US could rise by 28 %, equivalent to an additional €187 billion. Overall, total exports would increase by 6.0 % in the EU and 8.0 % in the US. This study was analysed by the Parliament in a detailed appraisal of the Commission's impact assessment.⁴²⁰

Table 19: Potential efficiency gains from a successful Transatlantic trade deal

Building blocks - Potential efficiency gains from a successful Transatlantic trade deal	Cost of non-Europe (€ billion per year)	
	EU	US
Tariff liberalisation of 98 %	25.4	9.8
NTB reductions in goods of 10 %	29.2	25.5
NTB reductions in services of 10 %	3.5	6.9
Direct spill-over effects	8.0	7.4
Indirect spill-over effects	2.2	- 0.07
Total:	68.2	49.5

Source: CEPR. Note: The NTB totals include an expected gain of €6.1 billion (EU) and US\$3.3 billion (US) in respect of a public procurement opening of 25 %.

Other estimates of the cost of non-Europe

An earlier 2009 Ecorys study estimated that the removal of half of the NTBs caused by regulatory divergence could increase EU GDP by 0.7 % by 2018, compared with the baseline scenario of 'no action'.⁴²¹ This would represent an annual potential gain of €122 billion. The Ecorys survey served as a basis not only for the 2013 CEPR study, but also for a group of related studies, focussed on individual EU Member States – namely, for Austria (FIW, 2013),⁴²² Sweden (Kommers-kollegium, 2013),⁴²³ the Netherlands⁴²⁴ and the United Kingdom (CEPR, 2013).⁴²⁵ Ireland commissioned a study from Copenhagen Economics, published in June 2014, which predicted a GDP increase of 1.1 % and a 2.7 % increase in exports.⁴²⁶ All studies indicate positive national income effects for both

⁴²⁰ [EU-US Transatlantic Trade and Investment Partnership](#), CEPS for DG EPRS, European Parliament, April 2014.

⁴²¹ [Non-tariff measures in EU-US trade and investment – an economic analysis](#), ECORYS Nederland for the European Commission, 2009.

⁴²² J. Francois and O Pindyuk, [Modelling the Effects of Free Trade Agreements between the EU and Canada, USA and Moldova/Georgia/Armenia on the Austrian Economy: Model Simulations for Trade Policy Analysis](#), FIW-Research Reports 2012/13, No 3, January 2013.

⁴²³ Kommerskollegium, [Potential Effects from an EU-US Free Trade Agreement – Sweden in Focus](#), Report, 2013.

⁴²⁴ [Study on 'EU-US High Level Working Group' – Final Report](#), Ecorys report to the Dutch Ministry of Economic Affairs, Agriculture and Innovation, October 2012.

⁴²⁵ CEPR, [Estimating the Economic Impact on the UK of a Transatlantic Trade and Investment Partnership \(TTIP\) Agreement between the European Union and the United States](#), Final Project Report, 2013.

⁴²⁶ Copenhagen Economics, [An economic study on the impact of the EU-US Trade Agreement on Ireland, 2014](#) – an unpublished report foreshadowed in a government press release.

parties to the agreement and confirm that most of the likely gains would be attributable to the lowering of NTBs for goods.

A Bertelsmann Stiftung study, 'TTIP and the 50 States',⁴²⁷ also based on the CEPR's work, suggests that the TTIP would have the potential to increase transatlantic trade and investment flows substantially and to create as many as 750 000 new jobs in the US alone. Moreover, by lowering the costs of trade and driving job growth in a range of industries, it is estimated that US households would gain approximately US\$865 annually, while their European counterparts would gain the equivalent of €526.

A second group of studies introduce new methodologies and quantifications on NTBs. A CEPPII study,⁴²⁸ also published in 2013, suggested that trade in goods and services between the EU and the US would increase by approximately 50 % on average, including a rise of 150 % in agricultural products. Some 80 % of the expected trade expansion would stem from lowered NTBs. There could therefore be an annual increase in national income of US\$98 billion for the EU and US\$64 billion for the US.

Finally, a further, 'outlier', study by the Bertelsmann Stiftung⁴²⁹ estimated that TTIP had the potential to generate a GDP boost in the US of 13 % and 5.0 % for the EU, based on assumptions derived from observing trade flows and how they have increased under previous agreements.

The European Commission produced a second impact assessment on sustainable development issues in TTIP (Ecorys II, 2016), which adjusts and makes use of the CEPR (2013) model. Several other studies have been conducted, summarised in the following table:

⁴²⁷ Atlantic Council, Bertelsmann Foundation and the British Embassy to US, [TTIP and the Fifty States: Jobs and Growth from Coast to Coast](#), September 2013.

⁴²⁸ CEPPII, [Transatlantic Trade: Whither partnership; which economic consequences?](#), September 2013.

⁴²⁹ G Felbermayr, B Heid and S Lehwald, [Transatlantic Trade and Investment Partnership \(TTIP\): Who benefits from a free trade deal? Part 1: Macroeconomic Effects](#), Bertelsmann Stiftung, 2013.

Table 20: Estimates of the cost of non-TTIP other than the EP's

Studies	Ecorys I (2009)	CEPR (2013)/ WTI (2016)	GED Bertelsmann (2013)	Capaldo (2014)	Aichele et al. (2014)	Egger et al. (2015)	Felbermayr et al. (2015)	Ecorys II (2016)
<i>Estimated (annual) GDP growth due to TTIP (ambitious scenario)</i>	EU GDP +0.7 % US GDP +0.3 %	EU GDP +0.5 % US GDP +0.4 %	EU GDP +5 % US GDP +13 %	EU: -0.5 % GDP	EU: 2.1 %	EU: 2.3 %	EU: 3.9 %	EU: 0.5% US:0.4 %
<i>Wage effect in EU</i>	0.8 %	0.5 %	2.3 %	n.a	2.1 %	n.a	3.9 %	0.5 %
<i>Income effect in EU Member States (max. and min. result found in ambitious scenario)⁴³⁰</i>	n.a.	+1.6 % in Lithuania to -0.3% in Malta	Per capita income changes: +9.7 % (UK) to +0.03 % (Luxembourg)	GDP changes: -0.03 % (Italy); -0.50 % (for other northern EU Member States)	Malta: 9.2 %; 1.7 %: Italy	Only for selected countries	5.56 % (Spain); 2.25 % (Belgium)	+1.4 % (Ireland) to +0.1 % (for several countries)
<i>Effects on third countries (per capita income change): max., min. and world result⁴³¹</i>	n.a.	0.3% for the world	Canada -9.5 %; -0.2 % in Malaysia; 3.3 % for the world	n.a.	2.38 %: Central Asia; 0.48 %: East Asia; 2.20 %: world	1.8: Turkey; -0.47: other Asian countries	-3.09 % (Canada); 0.40 % (Vanuatu)	National income change: 0 % for low income, Mercosur and India; 0.7 % for ASEAN

European Parliament position in this field

In a resolution of May 2013, the European Parliament expressed its support for a deep and comprehensive trade and investment agreement with the US and welcomed the opening of the negotiations by the European Commission to achieve this objective. The Parliament also emphasised the sensitivity of certain fields of negotiation, such as the agricultural sector, where attitudes towards genetically modified organisms (GMOs), cloning and consumer health tend to diverge between the US and the EU. It also underlined that the agreement must not undermine the fundamental values of either side, for instance the precautionary principle in the EU. Members also called on the US, as a trust-building measure, to lift its import ban on EU beef products.

In a resolution of July 2015, the European Parliament underlined the fact that the EU and the US were key strategic partners and stressed that the TTIP was the most significant recent EU-US project. It emphasised that beyond the trade aspects, successful conclusion of the TTIP was of high political importance and would reinvigorate the transatlantic partnership as a whole.

- European Parliament resolution of 23 May 2013 on EU trade and investment negotiations with the United States of America, (2013/2558(RSP))
Rapporteur: Vital Moreira (S&D), INTA Committee
Plenary vote: in favour: 460; against: 105; abstentions: 28
- European Parliament resolution of 8 July 2015 containing the European Parliament's recommendations to the European Commission on the negotiations for the Transatlantic Trade and Investment Partnership (TTIP), 2014/2228(INI)
Rapporteur: Bernd Lange (S&D), INTA Committee
Plenary vote: in favour: 436; against: 241; abstentions: 32

European Council position in this field

On 14 June 2013, the Council of the European Union adopted the mandate for the TTIP negotiations. It states that any agreement should be ambitious, comprehensive, balanced, and fully consistent with, but going beyond, World Trade Organization (WTO) rules and obligations, providing for reciprocal liberalisation of trade in goods and services, as well as rules on trade related issues. The agreement should be composed of three key elements: market access, regulatory convergence (including NTBs), and trade rules addressing shared global challenges.

The 'Strategic Agenda for the Union in Times of Change', the European Council's five-year plan, adopted in June 2014, reiterates the importance for the EU of engaging with global strategic partners, in particular transatlantic partners. As well as cyber security, human rights, conflict prevention, non-proliferation and crisis management, international trade is mentioned among issues to be given particular priority.

On 20 March 2015, the European Council concluded that the EU and the US should make every effort to conclude negotiations on an ambitious, comprehensive and mutually beneficial agreement by the end of the year, and underlined that Member States and the Commission should step up efforts to communicate the benefits of the agreement and to enhance dialogue with civil society.

On 18 December 2015, the European Council stressed the importance it attaches to a successful conclusion of the TTIP negotiations. It urged all sides to redouble their efforts with a view to concluding an ambitious, comprehensive and mutually beneficial agreement as soon as possible with a view to harnessing the full potential of the transatlantic economy.

Unhappy with how negotiations were progressing, France submitted a request at the informal Council meeting of 22-23 September 2016 to suspend TTIP negotiations. Members were divided on the issue, with several expressing opposition to the proposal. After the meeting of 23 September, the Slovak prime minister declared that TTIP

negotiations would continue, but that it was unrealistic to finalise the agreement before the end of President Obama's term.

On 20-21 October 2016, the European Council invited the Commission to continue the negotiations with the US authorities to be able to present an ambitious, balanced and comprehensive free trade agreement.

The Foreign Affairs Council on 11 November 2016 reaffirmed this 'wait and see' approach.

On 9 March 2017, the European Council confirmed that the EU would continue to engage actively with international trade partners, including advancing on all ongoing negotiations for ambitious and balanced free trade agreements.

33. Better donor coordination in development policy

Potential efficiency gain: €800 million per year

Key proposition

Around €800 million (around 1.4 % of EU development aid) could be saved annually by improving donor coordination, thus reducing 'donor transaction costs',⁴³² on the basis of the current system. These savings could then be used to extend aid activities to the benefits of recipient countries (of for any others purpose). They would also help achieve the EU's commitment to increase development assistance to 0.7 % of its GNI. Substantially larger savings could be achieved if the three-tier approach to development aid spending (the Commission's supranational development policy, the intergovernmental European Development Fund coordinated by the Commission on behalf of the Member States, and the individual development policies of Member States) were replaced by a coordinated budget.

At the request of the European Parliament's Committee on Development (DEVE), a Cost of Non-Europe Report was drawn up by the European Added Value Unit on this subject.⁴³³

More detailed analysis

Fragmentation and duplication of the development aid of the EU and its Member States is widespread; competition among EU development agencies and NGOs is still evident; the impact of the EU's development action is not acknowledged or cannot be identified among the populations in beneficiary developing countries; and EU procedures are often considered cumbersome and bureaucratic by recipient countries.

These shortcomings involve significant economic and political costs. The calculation that up to €800 million per year could be saved through improved donor coordination is based on an update of a study carried out by Arne Bigsten, Jean-Phillipe Platteau and Sven Tengstam in 2011.⁴³⁴ It shows that lack of, or ineffective, donor coordination has consequences in terms of transaction costs, uncertainty related to future aid flows, and inefficient aid allocation. Better coordination would have the most direct effect on

⁴³² Transaction costs are the overhead costs associated with programming, identification, preparation, negotiation, agreement, implementation, monitoring and evaluation of aid programmes and projects - including the policies, procedures and diverse donor rules and regulations for managing such projects and programmes, translations, and adjustment to divergent fiscal periods - that may be incurred by donor and partner countries.

⁴³³ M Nogaj, [The Cost of Non-Europe in Development Policy: Increasing coordination between EU donors](#), European Added Value Unit, European Parliament, September 2013.

⁴³⁴ A Bigsten, J-P Platteau and S Tengstam, [The Aid Effectiveness Agenda: The benefits of going ahead](#), Report for the European Commission, 2011.

transaction costs. Key elements that contribute to reducing such costs are the optimisation of division of labour (by concentrating aid on fewer countries and well-designed activities) and the shifting of aid patterns from projects to budget support (entailing lower administrative costs).

The Bigsten, Platteau and Tengstam study estimated, firstly, how much could be saved by reducing the number of partner countries for each donor. Reducing the average number of partner countries per donor (101) by 37 % (a standard variation in economics) would reduce annual administrative costs for EU donors by €498 million in 2012 prices. Secondly, potential cost savings were estimated for changes to the aid modalities, namely shifting money from projects to programmes (which have lower administrative costs). It was estimated that by increasing the proportion of programme-based approaches (PBAs) to 66 % (the Paris Declaration target), the administrative costs related to aid delivery would be reduced by 21 %, representing an annual cost saving of €306 million at 2012 prices. Total savings in transaction costs resulting from concentration on fewer countries and activities for the EU 28 and the Commission would therefore amount to approximately €800 million per year. This is equivalent to about 1.4 % of total European development aid.

Other estimates of the cost of non-Europe

An academic study by Stephen Klingebiel, Mario Negre and Pedro Morazán in 2016 looks at the costs, benefits and the political economy of aid coordination using the example of the EU.⁴³⁵ They argue that whilst more coordination of development aid policies and instruments at European level would not guarantee the achievement of development aid goals, it would still lead to more aid effectiveness and greater efficiency. Their study supports the argument of Bigsten, Plateau and Tengstam that more coordination would contribute to reducing transaction, costs not only for EU donors but also for recipients. Moreover, they see great potential in more coordination with a view to outcomes that cannot be quantified but that are not exploited owing to fragmentation and duplication of development aid policies and instruments. These include strengthened alignment and ownership of institutional capacity, for example.

European Parliament position in this field

The European Parliament's interest in increasing effectiveness in development aid policy has been expressed in various resolutions. For example, its resolution of 22 November 2016, directly directed towards the issue of 'increasing the effectiveness of development cooperation':

- stresses the key role of official development assistance in fulfilling the development effectiveness agenda, for poverty eradication, reduction of

⁴³⁵ St Klingebiel, M Negre and P Morazán, [Costs, Benefits and the Political Economy of Aid Coordination: The Case of the European Union](#), *European Journal of Development Research*, 2016.

inequality, delivering essential public services and supporting good governance;

- recalls that sufficient funding is a prerequisite for effective development cooperation, and notes that most official development assistance providers have not met their commitment to allocate 0.7 % of GNI to development assistance by 2015;
- urges the EU and its Member States to meet their long-standing commitment to devote 0.7 % of GNI to aid, to step up their development assistance.

- European Parliament resolution of 22 November on increasing the effectiveness of development cooperation, 2016/2139 (INI)
Rapporteur: Christian Dan Preda (EPP), DEVE Committee
Plenary vote: in favour: 545; against: 39; abstentions: 92

European Council and Commission position in this field

On 7 June 2017, the EU and its Member States signed the New European Consensus on Development. The new consensus follows up on the 2005 European Consensus on Development, a policy statement made jointly by the European Commission, Parliament and Council committing the EU to eradicating poverty and building a fairer and more stable world. Presented by the Commission in November 2016, the new consensus adopts a holistic approach to the 2030 Agenda for Sustainable Development Aid, adopted in September 2015 by the United Nations General Assembly,⁴³⁶ and integrates social, economic and environmental dimensions while keeping poverty eradication as a main goal of EU development policy.⁴³⁷ Crucially, the fulfilment of the 0.7 % target is foreseen within the time frame of the 2030 Agenda for Sustainable Development Aid. The European Council has regularly reiterated commitment to the 0.7 % target in the past. Nevertheless, it has not addressed the issue specifically since its meeting on 7 February 2013.⁴³⁸

⁴³⁶ [Resolution](#) adopted by United Nations General Assembly on 25 September 2015, Transforming our world: the 2013 Agenda for Sustainable Development.

⁴³⁷ European Commission, Communication, [Proposal for the new consensus on development – Our World, our Dignity, our Future](#), 22 November 2017, COM (2016)740 final.

⁴³⁸ European Council Conclusions. A Rolling Check-List of Commitments to Date, EPRS, European Parliament, October 2017, p. 464.

SECURITY AND DEFENCE

34. Common security and defence policy

Potential efficiency gain: €26 billion per year

Key proposition

Geopolitical shifts in the EU's neighbourhood, together with rising terrorist threats, cyber-attacks and energy insecurity, have pushed the EU's common security and defence policy higher up the EU agenda. Ideas for closer defence cooperation at European level include securing better synergies among existing national capabilities, the development of common European capabilities (including the basis for some kind of European army in the long term, and the establishment of a fully-functioning single market for defence to overcome inefficiencies of the currently fragmented market in this sector. If Member States were to operate in a more integrated manner, they could either spend less than their current collective defence budget of €206 billion (2016) – allowing substantial savings at national level – or spending existing resources more effectively. A Cost of Non-Europe Report has estimated that a more integrated EU security and defence policy would generate efficiency gains of at least €26 billion annually.⁴³⁹

More detailed analysis

The Cost of Non-Europe in security and defence derives, in the first instance, from the lack of integration between the military structures of the Member States. EU armed forces, despite participation in multinational contingents, are organised on a strictly national basis. Pooling and sharing of resources between the Member States is insufficiently developed. Second, costs arise from the lack of a truly integrated defence procurement market, which is currently partially exempted from single market rules. The existence of 28 compartmentalised national markets, each with its own administrative burden and regulated separately, hinders competition and results in a missed opportunity in terms of economies of scale for industry and production.

An upper figure of €130 billion (higher range) in terms of potential savings in public expenditure in the field of defence has been suggested by comparing costs in the United States of America and Europe, and assuming European efficiency levels to be only 10 to 15 % of those in the US.⁴⁴⁰ It also referred to a study carried out on behalf of the European Commission in 2005, which concluded that, if the EU had a single and unified EU defence system, with the same functioning conditions as in the US (cost

⁴³⁹ B Ballester, [Common European Defence and Security Policy](#), EPRS, European Parliament, 2013.

⁴⁴⁰ Unisys, [Intra-Community Transfers of Defence Products](#), February 2005.

structure, operational conditions and budgetary efficiency), the total defence budget of all EU Member States would amount to only €62.9 billion.

An alternative 'bottom-up' figure, kept for the purpose of the present publication, can be put together by calculating specific potential efficiency gains field by field. With industrial efficiency gains of 10 % on account of greater cooperation, the figure amounts to a minimum of €26 billion per year (at 2011 prices). Using cautious estimates, this could generate efficiency gains of, for example, €10 billion in industry or €2 billion in standardisation and certification of ammunition.

Table 21: Potential efficiency gains through greater cooperation

Building blocks - Potential efficiency gains through greater cooperation	Cost of non-Europe (€ billion per year)
Efficiency gains in industry	10
Certification of ammunition	0.5
Standardisation of ammunition	1.5
Off-sets	6.6
Efficiency gains in land forces	6.5
Efficiency gains in infantry vehicles	0.6
Efficiency gains in air-to-air refuelling	0.2
Efficiency gains in basic logistic support	0.03
Efficiency gains in frigates	0.4
Total:	26.4 billion

Other estimates of the cost of non-Europe

A 2013 study by the *Istituto Affari Internazionali*⁴⁴¹ analysed the potential for gains from reducing the duplication or multiplication of operational structures, stocks and research activities and programmes at €120 billion annually. A 2013 study by the German Bertelsmann Foundation argued meanwhile that there was potential for significant economic gains from having smaller, consolidated land forces: the potential saving for Member States would amount to some €6.5 billion per year.⁴⁴²

European Parliament position in this field

With a view to the changing global strategic landscape, the European Parliament had already emphasised in a resolution of 21 November 2013 that if Europe wished to

⁴⁴¹ V Briani, [I Costi della Non-Europa della Difesa](#), Istituto Affari Internazionali, April 2013.

⁴⁴² Bertelsmann Foundation, [The Fiscal Added Value of Integrated European Land Forces in The European Added Value of EU Spending: Can the EU help its Member States to Save Money?](#), Bertelsmann Stiftung Exploratory Study, 2013.

maintain a solid security and defence capability, its Member States needed to coordinate their defence budgets in order to avoid duplication and to strengthen their joint research in the area of security and defence.

In 2016, the Parliament again stressed the need for an effective and ambitious European foreign and security policy to face threats to European security. In its resolution of April 2016 it calls on the EU and its Member States to step up their defence capabilities in order to respond to the broad spectrum of civilian, military and hybrid threats and risks. Parliament's resolution on a European defence union, adopted in November of that year, called for full use to be made of the EU's defence potential. In this respect, the resolution notes that the European defence action plan should be a strategic tool to foster cooperation in defence at European level, in particular through an EU-funded defence research programme and through measures strengthening industrial cooperation. At the same time, the Parliament adopted a resolution on the implementation of a common security and defence policy. This resolution:

- recalls that the security of the EU Member States is deeply interconnected, and notes that they react to common threats and risks in an uncoordinated and fragmented way, thus complicating and often hampering a more common approach;
- emphasises that this lack of coordination constitutes one vulnerable aspect of the Union's action;
- notes that Europe lacks the resilience to tackle hybrid threats, which often have a cross-border dimension, effectively;
- calls for better cooperation and coordination between Member States, especially in the field of counter-terrorism;
- takes the view that a more unified and therefore more effective European foreign and security policy can make a decisive contribution to reducing the intensity of the armed clashes in Iraq and Syria, and to eliminating the self-styled Islamic State.

- European Parliament resolution of 21 November 2013 on the implementation of the Common Security and Defence Policy (based on the Annual Report from the Council to the European Parliament on the Common Foreign and Security Policy), 2013/2105(INI)
Rapporteur: Maria Eleni Koppa (S&D), AFET Committee
Plenary vote: in favour: 421; against: 104; abstentions: 80
- European Parliament resolution of 13 April 2016 on the EU in a changing global environment – a more connected, contested and complex world, 2015/2272 (INI)
Rapporteur: Sandra Kalniete (EPP), AFET Committee
Plenary vote: in favour: 427; against: 232; abstentions: 43
- European Parliament resolution of 22 November 2016 on the European Defence Union, 2016/2052(INI)
Rapporteur: Urmas Paet (ALDE), AFET Committee
Plenary vote: in favour: 369; against: 255; abstentions: 70
- European Parliament resolution of 23 November 2016 on the implementation of the Common Security and Defence Policy (based on the Annual Report from the Council to the European Parliament on the Common Foreign and Security Policy, 2016/2067(INI)
Rapporteur: Ioan Mircea Paşcu (S&D), AFET Committee
Plenary vote: in favour: 386; against: 237; abstentions: 74
- European Parliament resolution of 16 March 2017 on the constitutional, legal and institutional implications of a common security and defence policy: possibilities offered by the Lisbon Treaty, 2015/2343(INI)
Rapporteur: Esteban González Pons (EPP), AFET Committee
Plenary vote: in favour: 360; against: 212; abstentions: 48

Finally, in March 2017, the Parliament adopted a resolution on 'the constitutional, legal and institutional implications of a common security and defence policy: possibilities offered by the Lisbon Treaty'. It calls on the Council to take concrete steps towards the harmonisation and standardisation of Europe's armed forces in order to facilitate the cooperation of armed forces personnel under the umbrella of a new European defence union as a step in the progressive framing of a common Union defence policy.

European Council and Commission position in this field

The European Council has also accepted the need for stronger cooperation in the field of security and defence policy. In its conclusions of 15 December 2016, the European Council endorsed the Council conclusions of 14 November on implementing the EU global strategy in the area of defence and security.⁴⁴³ It welcomed the Commission's proposal on the European defence action plan, which the Commission presented on 30

⁴⁴³ European Council, [Conclusions of 15 December 2016](#), EUCO 34/16.

November 2016. The plan focuses on capability needs and includes three main pillars that address different, but complementary needs along the capability development cycle, focusing on technologies and products.⁴⁴⁴ The three pillars are: (i) launching a European Defence Fund; (ii) fostering investments in defence supply chains; and (iii) reinforcing the single market for defence. The European defence action plan provides an opportunity to achieve greater cooperation in security and defence at European level and to remedy some of the above-mentioned shortcomings and costs in the field.

Furthermore, on 7 June 2017, the Commission launched a proposal for a European Defence Fund. Totalling €5.5 billion annually, this fund is designed to help Member States spend money more efficiently, reduce duplications, and get better value for money. On the same day, the Commission published a reflection paper on the future of European defence.⁴⁴⁵ The paper presents three different scenarios – (a) security and defence cooperation, (b) shared security and defence, (c) common defence and security – for moving towards a security and defence union.

⁴⁴⁴ European Commission, [European Defence Action Plan](#), 30 November 2016.

⁴⁴⁵ European Commission, [Reflection Paper on the Future of European Defence](#), 7 June 2017.

This study brings together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy through pursuing a series of policy initiatives recently advocated by Parliament – from a wider and deeper digital single market to more systematic coordination of national and European defence policies or increased cooperation to fight corporate tax avoidance. The benefits are measured principally in additional GDP generated or more rational use of public resources. The latest analysis suggests that the European economy could be boosted by €1.75 trillion per year – or 12 % of EU-28 GDP (2016) – by such measures over time. The study is intended to make a contribution to the ongoing discussion about the European Union's policy priorities over the current five-year institutional cycle, running from 2014 to 2019.

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