



# The potential of the single market

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**A Stronger Europe,  
Stronger Ireland  
Initiative**

An EU that is focused on its strengths and competitiveness



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# About us

Ibec is Ireland's largest lobby and business representative group. Our purpose is to help build a better, sustainable future by influencing, supporting and delivering for business success. With over 260 employees, Ibec engages with key stakeholders in Ireland and internationally through our six regional offices and our Brussels office, along with an extensive international network in the UK and US.

Ibec positions are shaped by our diverse membership, which range from small to large, domestic to multinational and our 39 trade associations cover a wide range of industry sectors. Ibec members employ over 70% of the private sector workforce in Ireland.

As well as lobbying, Ibec provides a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.

# Introduction

At 50 years, the positive impact of EU membership on Ireland is evident. The establishment of the EU single market 30 years ago brought huge steps forward in removing barriers to goods, services, labour and capital. This transformed the economic opportunities for small, open economies such as Ireland in European cooperation to trade, attract investment and foster a skilled workforce. It also transformed the EU into one of the most powerful trade blocs in the world and helped establish the EU as a global economic player, with much strengthened negotiating power.

Despite these undeniable achievements, the single market remains a work in progress. The 30-year anniversary comes at a time of great geopolitical challenges. This provides an opportunity for the EU and its member states to reinforce the single market as a key source of economic strength in support of the EU's long-term competitiveness, prosperity and role on the global stage.

The single market for **goods** is well developed. To unlock further potential at 30 years, the EU needs to focus on removing remaining barriers, enforcing existing rules and creating a regulatory environment that drives innovation. This can be enacted through a commitment to effective governance, greater harmonisation and enhanced resilience.

Much remains to be done in the area of **services** where the single market has its greatest future potential. The focus should be on completing the single market for services with a concentration on digital, and data in particular. An open approach to technological sovereignty, an emphasis on greater regulatory cooperation, and a commitment to effectively collaborating with business in forming new regulation and standards can all play a critical role.

Likewise, the single market for **capital** has much potential to be fulfilled. To succeed, we need dynamic and competitive capital markets in the EU and internationally. State Aid Rules should be carefully designed along with robust and increased fiscal capacity to support the green and digital transitions. A true Capital Markets Union (CMU) is needed to provide greater access to business finance across the EU.

The EU, member states and businesses need to work together to tackle skills gaps and shortages in the single market for **labour**. The focus should be on investment in tailored education and training and policies that attract talent while simultaneously removing barriers to internal labour mobility. The EU must respect member state competencies, focusing on where it can best make an impact.

Irish business is clear on what is needed to enable business and the EU institutions to work together to reach our common goals of economic stability and growth. This will involve addressing climate change, advancing the digital transition and sustaining a stable and open trade and investment environment. In all of these areas the EU, through the right policy choices, can make a real difference to economic and social development within the EU and as change leader on the global stage. Our future economic fortunes continue to demand an outward-looking, dynamic and successful EU. One that embraces change and is aligned with the needs of business and citizens. A single market designed to achieve its full potential can deliver huge economic and social benefits for businesses, workers and citizens.

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# 1

## Support innovation and unlock potential in the single market for goods

**Innovation** should remain a cornerstone of EU policies, supporting businesses to compete at global level. Innovation can generate sustainable, long-term productivity growth and as the trading environment becomes more competitive, the ability to innovate will also ensure businesses are resilient in the face of global challenges. The current level of regulatory complexity and fragmentation in the EU is widening the productivity gap with the rest of the world. Innovation, research and new product development are fundamental drivers of competitiveness. EU regulation should support and encourage these drivers.

The single market **governance** infrastructure should be reinforced to ensure efficient implementation and enforcement of existing single market rules at EU and member state level. Tools and frameworks already exist but need to be used more effectively. Increasing the political engagement of the Single Market Enforcement Task Force, reinforcing its role and prominence within the Competitiveness Council. Mandating SOLVIT, a service that supports legal consistency in the single market, to annually analyse and report trends of single market barriers would strengthen the EU's enforcement policy of the single market rules.

The lack of harmonised rules across the EU threaten the core principle of the single market, restricting free movement of goods while increasing financial and administrative burdens for businesses. Further opening and integration of the markets in the EU need to be based on optimally **harmonised** rules. Where full harmonisation is not necessary, the mutual recognition principle should be respected and solutions for its practical enforcement found.

The single market is an important driver of **resilience**, both in the short-term to deal with crises, as well as in the long-term to address dependencies and develop capacities. Further developing the single market is necessary to strengthen the EU's open strategic autonomy and ensure the availability of goods. Such objectives can be achieved by remaining open and outward-looking, with a stable and sustainable regulatory environment. Recent global crises have led to increased attention on global supply and value chains. The EU can decrease dependencies by fostering resilience in global supply chains, diversification and working with like-minded trading partners internationally.

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**Innovation** as a fundamental driver of competitiveness is becoming increasingly evident in the global race for net-zero technology. A fully functional single market is key for the EU to keep up with emerging needs and become a leading player in net-zero tech. To achieve net-zero, innovation and technology scale-up should be prioritised. More generally, the EU should strive to maximise the impact of research and innovation throughout EU policies across all sectors.

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The emergence of national schemes and additional labelling and packaging requirements disrupt trade of goods across the EU. National measures, such as mandatory origin indications and bans on EU approved substances, are particularly prevalent in the food and drink sectors. When such measures are introduced, the potential for **harmonisation** is weakened by a patchwork of national packaging legislation. The EU should ensure a general harmonised approach across sectoral product legislation, where necessary, to avoid fragmentation of the single market.

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As well as addressing barriers within the internal market, the EU's overall **regulatory environment** needs to be assessed. The Commission must live up to its commitment to implement 'competitiveness checks' on all EU initiatives. Such checks should take the cumulative impact of EU legislation and policies on companies into account. These checks must be applied beyond individual legislative proposals across all levels of EU policymaking, including assessing the impact of the Commission Annual Work programmes on competitiveness.

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To safeguard competitiveness and ensure the EU economy is resilient, we need to support and develop secure and diverse supply chains. This requires joint efforts from member states with the EU and alongside like-minded trading partners. Regarding strategic dependencies and shortages in the supply of critical inputs, the EU should consider market and economic realities and implement a multidisciplinary approach in support of the green and digital transitions. While the principles inspiring the **European Critical Raw Materials Act** make sense, the EU needs to take an approach based on open strategic autonomy, which prioritises diversification of supply.

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# 2

## Foster better regulation, regulatory cooperation and harmonisation to drive growth in services

To achieve long-term competitiveness and resilience, the single market needs a strategic overhaul that addresses its weaknesses and shortcomings. Addressing the fragmentation of the single market for **services** must be key priority given the lack of progress in reducing regulatory barriers. Targeted, concerted action is needed to foster better regulation, **greater regulatory cooperation** between member states and ensure existing rules are uniformly applied, monitored and enforced. Tangible results in reducing complex cross-border barriers as well as a prioritised digitalisation agenda are key to enhancing opportunities for businesses of all sizes, not least in enabling SMEs and startups to scale internationally.

The EU should safeguard an **'open' approach to technological sovereignty**. The ambition should be to deepen Europe's digital leadership without eroding trust in market openness, access, innovation, trade and choice. Likewise, we need to avoid inward-looking, protectionist measures that harm European competitiveness. We need to safeguard cross border data and service flows and avoid unnecessary forced data localisation.

The EU has made many significant moves to regulate **new and emerging digital technologies and innovations**. The EU must be at the forefront of technological innovation to remain competitive, and while focussed regulation and standard setting can be an important part of this, we must avoid overburdening opportunity and enterprise. We must create conditions that work with, not against beneficial digital connectivity, innovation, and adoption. We must aim to only regulate evidence-based risks, not innovation itself. New rules should only be imposed where this is truly necessary to fill in (horizontal) regulatory gaps. Given the significant volume of digital regulation in the last two years, we support an assessment of its collective impact on the competitiveness of a digitalised Europe. It is also essential that companies have the necessary time and stability to adapt to the new regulations.

The EU should restore the role of industry in **standardisation**. Standardisation is an industry-driven process and its success rests on the relevance of the standards developed for the market. To be competitive and keep our role in global standard-setting, we need to ensure that European standardisation is fit for purpose. A proper balance should be restored between the role harmonised standards play to meet market needs in developing state-of-the-art technical solutions and their role for better compliance with harmonised EU regulations. We must also deepen strategic partnerships with likeminded partners to shape and increase global co-ordination and alignment on digital standards.

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The EU should eliminate any unjustified or disproportionate regulatory and administrative barriers to the cross-border provision of services. In support, fragmentation at source should be prevented by ensuring new legislation is designed to enable free trade within the EU through greater **harmonisation**. To avoid fragmentation and added complexity, member states need to refrain from imposing additional national rules. A holistic strategic approach is needed from member states to ensure coherent innovation stimulating policies and investments.

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The EU should take sufficient time to consider better **digital regulation**. We must get the proposed AI and Data Acts right to realise the opportunities and benefits.

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By unlocking the single market for **data**, the EU can foster a real European data economy for growth, better services, health, and the environment. This should encourage the voluntary and responsible sharing and use of quality data across the public and private sector, while respecting data privacy, security, and IP requirements. The **European Health Data Space (EHDS)** can be a ground-breaking initiative that empowers citizens and improves healthcare if well implemented.

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We must ensure the free movement of cloud services across Europe through the development of a **European Cloud Certification Scheme (EUCS)**, in accordance with the Cyber Security Act which will help the EU economy prosper at home and abroad, contribute to Europe's digital ambitions, and strengthen its resilience. EU legislators should ensure the impacts of all proposed requirements in the draft EUCS scheme on businesses, trade and the single market are thoroughly considered and addressed.

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# 3

## Embrace competition and sustainability, and foster capital investment

The EU must support companies, economies and member states as they strive to compete, innovate and prosper. To succeed, we need dynamic, competitive and open capital markets in the EU and internationally. Within the EU, proven and effective competition rules combined with fact-based enforcement by the Commission are a precondition for a well-functioning, agile, and resilient single market. To succeed, business requires more, not less, **competition**. Strengthening our competitiveness should be a priority at all times, not only in crisis.

Following the suspension of **State Aid** Rules in response to the challenges presented by the pandemic, the Russian invasion of Ukraine, rising energy prices, and now global challenges to European competitiveness, the EU should avoid engaging in a subsidies race that could fragment the single market.

Robust and increased **fiscal capacity** has been paramount in overcoming past crises and will be critical in overcoming present and future challenges. This is not least given the weight of Eurozone members as 85% of total EU GDP. Up to 2030, the focus must be on policy that is not just sustainable in the narrow sense of debt and deficits, but which takes a broader perspective on producing sustainable economic, social and environmental outcomes.

Meeting our ambitions in areas like climate and digitalisation is extremely challenging for the European economy and society. However, with careful planning and significant **investment**, these challenges provide us with the opportunity to re-imagine a stronger, more sustainable, and ultimately more competitive union. A reduction in barriers to the free flow of capital within the EU will allow the European economy to benefit from greater access to business finance, particularly for SMEs, and improve our competitiveness as a result. EU funding can be an important tool to support large scale research projects of European importance and address strategic dependencies, however its use must be smart and selective.



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The intention to better align **State Aid Rules** with green and digital policy goals while safeguarding open competition via the Temporary Crisis and Transition Framework is welcome. However, as a targeted tool, the relaxation of State Aid Rules should be the exception, not the norm.

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The scope **Important Projects of Common European Interest** (IPCEIs) should not be broadened to cover costs related to mass production or merely to ensure European production. Likewise, initiatives such as the Critical Raw Materials Act should address strategic dependencies by supporting **trade diversification**, not onshoring.

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A strong and fully functioning **Capital Markets Union** (CMU) can be central part of improving the EU's growth potential. A revitalised and more connected CMU is critical to enabling private capital investment in support of our common policy goals, not least in support of achieving the ambitious goals as part of the digital and green transitions.

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A more harmonised and effective **banking union** that serves the needs of large and small business should be a priority. More integrated cross-border banking will increase financial stability and competition in the banking sector, which in turn will lead to an improvement in the availability of finance for firms to invest, innovate and create employment.

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# 4

## Support member states and invest in skills for the labour market of the future

In order to foster sustainable growth, innovation and inclusive economic development, a skilled workforce is required. To remain competitive, the EU needs to sufficiently invest in **education and skills**. The EU institutions, member states and businesses need to work together to tackle skills gaps and talent shortages within the EU. To manage new ways of working, aligning the needs of our labour market with education and skills is required.

The EU needs to invest in knowledge and employability skills for the **twin green and digital transitions**, providing opportunities for all in a time of innovation and technological change. 2023 has been positioned as the **European Year of Skills**, with the goal to encourage fresh impetus to lifelong learning, empowering people and companies to contribute to the green and digital transitions, supporting innovation and competitiveness. Now is the time to set the narrative for the future of work and society.

To address skills and labour shortages, the EU needs to encourage policies that **attract talent to the EU**, while simultaneously removing barriers to internal EU **labour mobility**. Amid increasing global competition to attract workers and an ageing demographic, the EU needs to look at long-term measures to upskill, retain and attract talent in the EU. Ireland is a leading example in this area, as experience has shown that a multinational workforce has bolstered the labour market, in turn strengthening talent pools, boosting productivity, and increasing creativity and innovation. All of this has contributed to Ireland's competitiveness and growth in recent decades.

The EU must respect the **member state competency** to design labour markets and social policy and should focus on producing policy measures that capitalise on the areas where the EU can best make an impact. By keeping labour and social market policy at a member state level, national governments and policymakers can best consider societal nuances, local labour market realities, demographics, and citizens' needs.

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The **European Year of Skills** is a timely recognition of the importance of education, skills and talent development in the context of EU competitiveness. This year the focus should be on supporting member states in creating affordable and accessible programs to upskill and re-skill workforces and ensuring education and training is tailored to the modern workforce. Ibec is working with members to spotlight the importance of people, culture and talent to ensure Ireland remains a lighthouse for talent, innovation and opportunity.

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**Internal labour mobility** should be promoted and as the need for internal labour mobility increases, facilitating cross-border recognition of qualifications is key. Posting of workers also plays an important role in developing the single market, especially in services as posted workers improve business efficiency and help deal with temporary gaps in labour and skills supply. Companies continue to face an increasing number of barriers when posting workers in the EU, due to different practices, transposition, and systems at national level. The EU needs to remove obstacles to posting of workers in order to have a fully functioning internal market.

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The need to attract talent to the EU is noted within the EU Green Industrial plan, where the Commission proposes to facilitate verification of third-country certifications. While welcome, this measure should be encouraged across all sectors. Another means to address skill shortages is to simplify **qualification procedures** and benefit from the skills of migrants already residing in the EU.

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Do not simply follow the prescriptive and detailed approach in the **Directive on pay transparency**. Greater effort needs to be made to address the root causes of gender imbalance which will require a ‘whole of society’ approach, and allowance for tailoring implementation to suit the national conditions. The **Directive on minimum wages** should provide a framework to enable member states and social partners to cooperate together whilst leaving specific decisions to the national level in line with the EU treaties.

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