**LETTA REPORT**

**Background note**

**The context from which the assignment derives**

* 2023 marks the **30th anniversary of the establishment of the Single Market** developed under the impulse of then Commission President Jacques Delors. An occasion to celebrate the achievements but also to reflect on the future of one of the EU's key assets.
* The European Council of June 29-30 included the following sentence in its conclusions, "the European Council calls for an **independent High-Level Report on the future of the Single Market** to be presented at its meeting of March 2024 and invites the incoming presidencies of the Council and the Commission to take this work forward, in consultation with the Member States."
* The process was launched under the trio of Swedish, Spanish and Belgian EU Council presidencies. The Belgian EU Council Presidency has asked Enrico Letta to be the author of the Report.
* **The Report will be presented by Enrico Letta at the European Council on March 21, 2024,** the last summit among leaders before the European elections.

**Why is this work necessary**

In recent years, several crucial events have on the one hand highlighted the fragilities of the Single Market and on the other stressed the need to develop a new strategic vision:

* **Brexit:** the EU lost one of the main drivers of the process of market integration (the Anglo-Saxon liberal culture); however, Brexit also showed the strength of the Single Market (the UK is suffering badly from its exit from the Single Market).
* **Pandemic:** the shortage of medical devices (masks, ventilators, etc.) in spring 2020 risked triggering export ban measures that could have destroyed the Single Market; but once this risk was overcome, the single market played a key role in securing the EU's supply, development, and distribution of vaccines.
* **Energy and security crisis:** the war in Ukraine and the resulting energy crisis highlighted the high dependence the EU is subject to in key strategic sectors (e.g., energy, defense, technology, critical raw materials).
* **Crisis of economic multilateralism:** the Single Market is struggling to withstand the impact of an international environment in which major players are no longer willing to follow rules and principles of economic multilateralism (especially with regard to open markets and subsidies to domestic firms).
* **Rise of Asian economies:** the rapid growth of Asian markets is redefining global value chains and threatens to challenge the leading role of the Single Market within the global economy.
* **Green and digital transition:** current Single Market rules sometimes seem to hold back the EU in its efforts to successfully advance the digital and climate transition (from a competitiveness and social perspective). The Single Market needs new tools and reforms to meet these challenges.

**The objectives of this work**

* **Avoid fragmentation of the Single Market**: it is necessary to prevent the consequences of the current crisis scenario (adoption of protectionist or uncoordinated national policies), which may lead to malfunctioning in the Single Market or even to its fragmentation.
* **Complementing and deepening the Single Market:** it is necessary to achieve greater integration, intervening in strategic sectors that are not adequately covered today (especially with regard to the services sector and capital markets) and ensuring the effective implementation of existing rules. In addition, it is necessary to reflect on what tools and reforms are needed to ensure the proper functioning of the Single Market in a scenario that has radically changed in recent years.
* **Strengthening the external dimension of the EU:** for the first time, the reflection on the future of the Single Market is forced to deal with what happens outside it; the Single Market is now called upon to defend the role and interests of the EU on the global scenario (in terms of security of supply, influence, industry competitiveness, attractiveness, etc.).
* **Bringing the Single Market closer to citizens:** the Single Market is often perceived by European citizens as a technical subject, distant from their everyday lives. This is a representation that greatly downplays the impact of the Single Market on the lives of citizens and businesses. A stronger narrative needs to be developed and policies adopted that are capable of responding to the concrete needs of citizens and businesses.

**Key issues**

* **Enforcement:** today the EU does not have particularly effective and efficient tools for enforcement of Single Market rules (this task is entrusted to member states’ governments). What is the best way to address this issue: move this task to the European level? Keep it on the national level but entrust it to independent authorities? Other options?
* **Services:** the services market still has a much lower level of integration than the goods market. How to bridge this gap ensuring a level playing field?
* **Capital Markets Union:** the realization of the capital markets union is essential to mobilize the investments that the EU will need in the coming years to achieve its goals (in terms of security, energy, climate, innovation, etc.). How to bring this project to fruition, starting with the Action Plan presented in 2020 by the Commission?
* **Competition and industrial policy:** competition policy has always been a pillar of the proper functioning of the Single Market. In the face of increasing competitive pressure from other major global powers, several voices are calling for a new industrial policy to go alongside it. What relationship can be imagined between competition policy and industrial policy to strengthen the Single Market, without risking compromising its integrity and while respecting the EU's multilateral commitments?
* **Macroeconomic stability:** in the face of external crises and global challenges, can Europe ensure the macroeconomic stability of the Single Market without a permanent central fiscal capacity?
* **Social Europe:** the Monti Report already pointed out that the gap between a single European market and national welfare systems generates friction and fuels a feeling of hostility toward plans for further economic integration. Despite the succession of initiatives related to the social pillar of the EU, this gap does not seem to have narrowed. What further actions are needed and what level of ambition should the EU set for itself in this regard?
* **Tax harmonization:** tax harmonization is a highly divisive issue within the EU, but one that has always been present in Single Market reflections. Do the challenges we face today prove the need to push for more integration along these lines?
* **Training and skills:** the Single Market must be able to train and attract the skills needed to support innovation and competitiveness of the productive process (with particular reference to up-skilling and re-skilling processes); it is also necessary to allow the circulation of skills, while preventing centripetal dynamics that lead to their concentration in a few large urban centers to the detriment of the other territories of the Union. Considering the major transitions taking place, how can the training and education dimension be strengthened within the Single Market?
* **Geostrategic dimension:** the Single Market historically represents an instrument for the external projection of EU values and interests. How can it strengthen and redefine

this role in the transition from a geopolitical scenario governed by a peaceful and multilateral order to a scenario marked instead by strong instability?

* **Strategic autonomy:** the EU is now exposed to numerous strategic dependencies (defense, energy, technology, etc.), which pose security issues and curb the Union's ability to act. In addition, global value chains are exposed to fragilities that pose a risk factor for the European productive process. How to protect the EU without calling into question the principles of the Single Market and the multilateral commitments made by the EU?
* **Enlargement:** the war in Ukraine has put the issue of enlargement back on the European agenda; however, all the issues that have stalled the process in recent years remain on the table. How can we prepare for and manage the entry of new countries into the Single Market?