The European Policy Centre’s Digital Single Market (DSM) project has demonstrated that Europe can gain a wide range of economic, social and environmental benefits if it develops a Digital Single Market. Perhaps one of the most profound of these is that it could result in a minimum 4% increase of EU GDP.

But the key question is how? This paper attempts to answer this question by setting out the policy recommendations and describing the necessary policy actions. In these recommendations, the focus is not so much on providing the detailed solutions but rather on highlighting in what areas action is necessary.

In most cases, this is driven by a simple rule of thumb: there is not necessarily a single solution in many policy areas, but any harmonised and pan-European solution is potentially helpful to overcome the national fragmentation of the market.

**Why do we need a Digital Single Market now?**

The need for comprehensive action across the different policy areas covered in this paper is more pressing than ever. Europe needs new economic momentum to help its economies to exit from the economic and financial crisis and to boost long-term growth rates and competitiveness. This will be especially important for the economies of Central and Eastern Europe as the DSM could provide a large market in fields and sectors where these countries could potentially develop their competitive advantage.

The DSM can also help to address a much wider range of Europe’s current socio-economic problems, including long-term problems such as demographics and climate change. The DSM can help to make Europe’s labour markets more efficient and at the same time more social, and can also help to transform Europe into a low carbon economy.

In the long run, it can help to protect Europe’s economic and social model and increase citizens’ well-being by being a key component of the renewal of public services, which have been hit by the debt burden and long-term spending pressures. By supporting higher levels of e-readiness and e-skills, as well as education levels, the DSM can ensure that all Europeans can take part in the future knowledge society.

Last but not least it would give the European integration process a tangible vision to rally around, helping to drive forward European common actions.

**Vision**

So what is this vision? A Digital Single Market is one where:

- innovation flourishes;
- consumers benefit from low prices, higher quality and choice, as well as high levels of protection, in a larger and more competitive market;
companies in Europe can grow to scale and increase their global competitiveness;
productivity increases lead to a sustainable increase in growth and jobs;
firms in all sectors invest in, and exploit the potential of, ICT;
there is a level playing field in Europe where companies compete on an equal footing;
the use of ICT enhances access to, and the efficiency of, public services;
the power of the Single Market is harnessed to deliver social and environmental objectives.

Five overarching policy recommendations
To deliver this vision of a DSM, the project has found that there is a need to make progress in five broad areas:

1. Establish a functioning Digital Single Market as the key EU project of the Barroso II Commission, which it must commit to lead on, and to deliver.
2. Create an online market place in which consumers can trust, by ensuring transparency and Internet governance, cyber-security and protection from fraud, rogue traders and identity theft, and protect consumer rights.
3. Create a business environment fit for the knowledge economy which facilitates companies’ investment and the use of ICT and cross-border and Internet economic activity.
4. Ensure that the legal framework governing the use of knowledge assets – such as data and intellectual property – is fit for a digitalised market and fosters innovation and cross-border trade.
5. Build the foundations and infrastructure which are pre-conditions for increased access and use of the goods and services the DSM can offer, within the framework of a well-functioning Single Market for services.

So how can these broad objectives be delivered? Below we detail policy recommendations for each of these five broad objectives.

Detailed policy recommendations
To establish a functioning Digital Single Market as the key project of the Barroso II Commission it is necessary to:

• set the DSM as the key, overarching political priority of the Barroso II Commission, accompany it with a legislative/non-legislative programme, and integrate the DSM in the overarching vision, as reflected in Europe 2020;
• create a grouping of key Commissioners (including Kroes, Geoghegan-Quinn, Barnier, Tajani and Reding) led by Barroso to drive forward the Agenda; and
• communicate the DSM goal visibly and pro-actively to achieve engagement and citizens and business community buy-in.

To create an online market place in which consumers can trust it is necessary to:
- establish consistent European-wide enforcement against criminal activities on the Internet, supported by a set of consistent laws and clearly identified points of contact to which citizens can turn when encountering problems;
- work with stakeholders to carry out market reviews to establish what prevents cross-border purchases of large items of household expenditure (mortgage/loans, cars, high-value electronics). Take pro-active steps to eliminate key barriers;
- establish a set of harmonised consumer rights ("Consumer Charter"), that are applicable throughout the EU, available in all EU languages, and make it obligatory for companies to be transparent online and electronically contactable; and
- create a single, clearly identified point of contact for consumers throughout the EU, with the power to investigate and sanction any EU consumer rights’ violations.

To create a business environment fit for the knowledge economy it is necessary to:

- facilitate (through the Commission) the establishment of European-wide (or preferably global) standards for electronic payments, e-invoicing, e-signature, e-identity, e-contracts, in line with pan-European legislation regulating such transactions;
- create a more effective pan-European approach to taxes, including an easily accessible single VAT registration system and a harmonised tax base;
- ensure that all policy initiatives deliver greater simplicity and minimise the administrative burden;
- facilitate markets of scale for digital goods and services to deliver public services through joint procurement across borders. Promote inter-operability and compatibility between systems, involving a partnership between governments at all levels, the private sector and service users;
- uphold the European Commission law on intermediary liability compatible with the Single Market and encourage innovation and user-generated content;
- encourage private firms to invest in ICT equipment, connectivity and applications – through, for example, tax incentives or training. This should be a central component of delivering the innovation aspirations of the EU 2020 strategy; and
- ensure there is a level playing field in the Digital Single Market by applying competition rules consistently and by combating market abuses. Combat practices where consumers are prevented from buying identical products from a provider outside their national market. Make more effort to work towards creating a global level playing field.

To ensure that the legal framework governing the use of knowledge assets – such as data and intellectual property - is fit for a digitalised market, it is necessary to:

- establish a harmonised system dealing with copyright issues that is fit for the digital age in terms of the delivery of innovative business models, rewarding rights’ holders and achieving pan-European scale. This includes drawing up a set of consistent and updated rules on consumer matters, such as the private copy exception;
- develop a new accounting standard which can deal with knowledge/intangible assets;
- establish a harmonised set of rules, that are applicable and implemented consistently throughout the EU on how to deal with data (for example protection and retention, privacy);
- facilitate and accelerate access to data which is held by the public sector to encourage innovation and the development of new goods and services, while at the same time protecting citizens’ privacy; and
- design and/or apply common European standards to ensure interoperability, including standards for data encoding.
To build the foundations and infrastructure which are pre-conditions for increased access and use of the goods and services the DSM can offer, it is necessary to:

- ensure that the key objective of the EU regulatory framework affecting the ICT sector is to encourage companies to invest;
- make it a priority to implement the Services Directive fully and consistently. Base the Directive on the practices in the best performing countries. Ensure that implementing countries/regions aim for consistency and go beyond merely fulfilling legal requirements;
- enforce and implement all Single Market rules efficiently and effectively across the EU;
- give a central role to e-skills and e-inclusion in the EU2020 strategy, with clear funding streams and implementation mechanisms identified by the EU and Member States to deliver ambitious targets; and
- review the EU budget to ensure that EU funding acts as an encouragement for firms, public sectors and individuals to invest in the transformation to the knowledge economy and deliver the necessary foundations and infrastructure.

**Next steps**

It is clear that it will not be possible to make progress on all these policy recommendations at the same time. In some cases, work is already underway or even near completion, whereas in others no real progress has been made. To establish a DSM, we will need progress on all of the policy recommendations in the coming years.

The next step should be to draw up a timetable to set out the concrete actions leading to a date – 2015? – by which time the DSM should have been realised through implementing these policy recommendations. Setting a vision, together with a concrete timetable of actions – as in the 1992 programme - provides a roadmap for establishing the Digital Single Market and enables Europe to reap the many benefits associated with this goal.