

# Increasing European added value in an age of global challenges

## Mapping the cost of non- Europe 2022-2032

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[https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_STU\(2023\)734690](https://www.europarl.europa.eu/thinktank/en/document/EPRS_STU(2023)734690)

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# Cost of non-Europe – the cost we pay for not acting together



1983

**Michel Albert and James Ball** reports: *"Absence of a genuine common market (...) and all the other obstacles to trade are equivalent to a financial surcharge that could represent approximately one week's work per year on average for every family in Europe"*

1988

**Cecchini Report:** *"Costs that could be avoided by completion of the single market & potential gains of further economic integration at least 4,5 % of GDP"*

2014

**First edition of the Cost of Non Europe 2014-2019** by the European Parliamentary Research Service (EPRS) – EAVA Unit

2016

Inter-Institutional Agreement on **Better Law-Making:** reference to the use of cost of non-Europe in the agenda-setting

# Mapping the cost of non-Europe (2022-2032)

Key elements of our analytical approach:

1. **proportionality and subsidiarity** principles
2. **heterogeneity vs homogeneity**
3. **status quo vs. forward looking** + long-term outlook
4. **holistic vision**
5. **tailor made computation** of benefits and costs (e.g. general equilibrium model, regressions, cost-benefit analysis, data envelopment analysis)

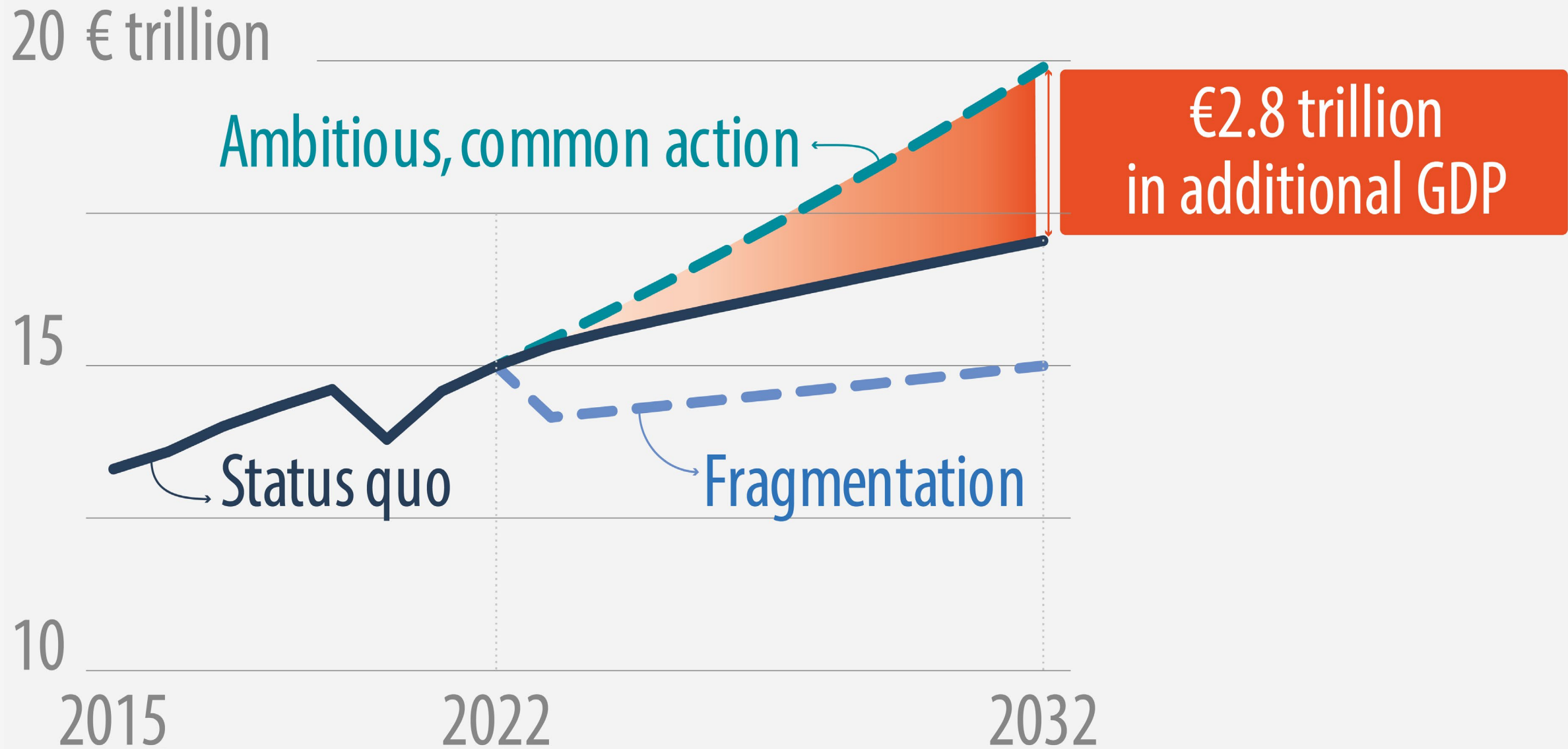
Main drivers of a more profitable joint EU action:

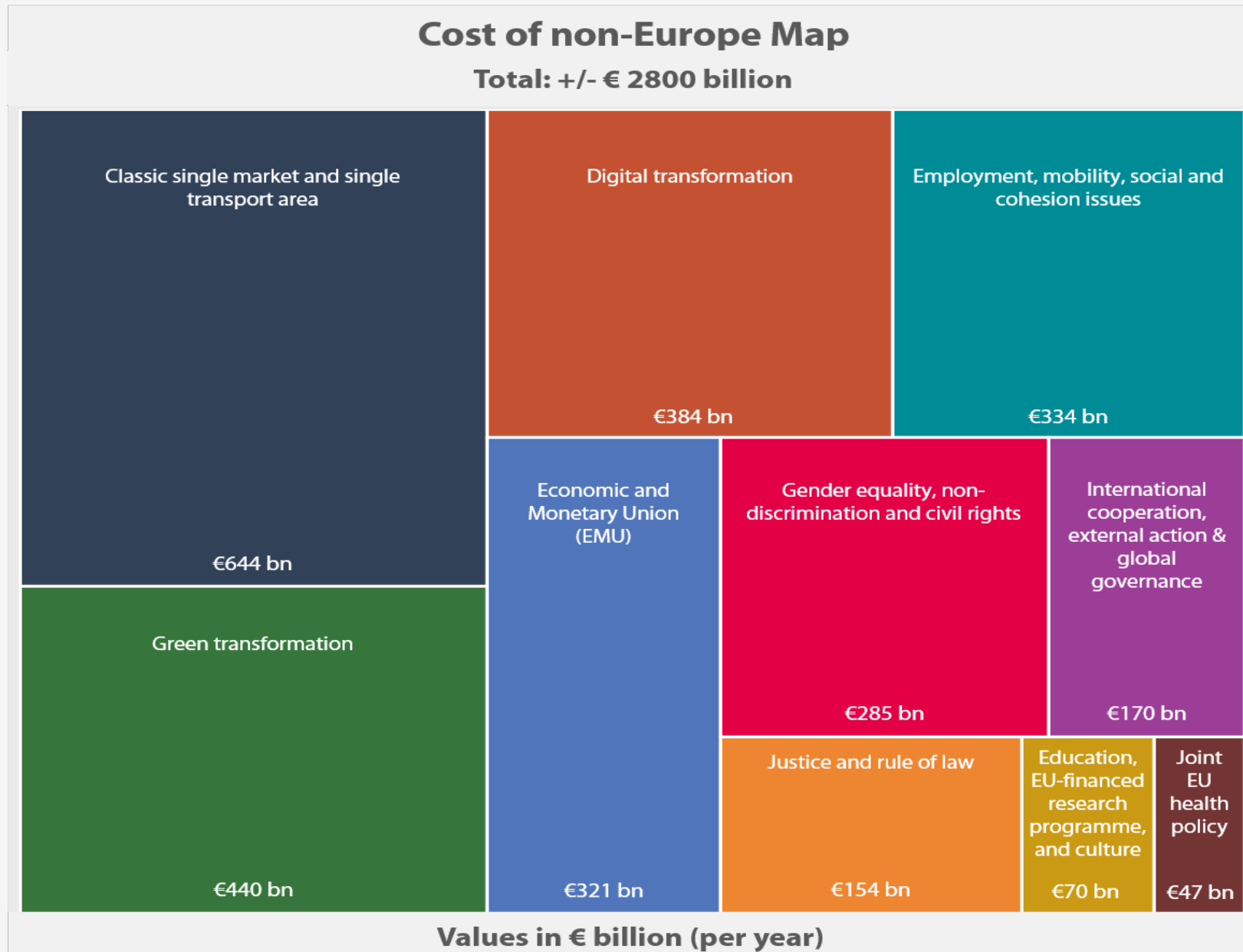
1. **economies of scales**
2. **spillover effects**
3. **externalities**
4. **demand for European public goods**



# Europe is at a crossroads

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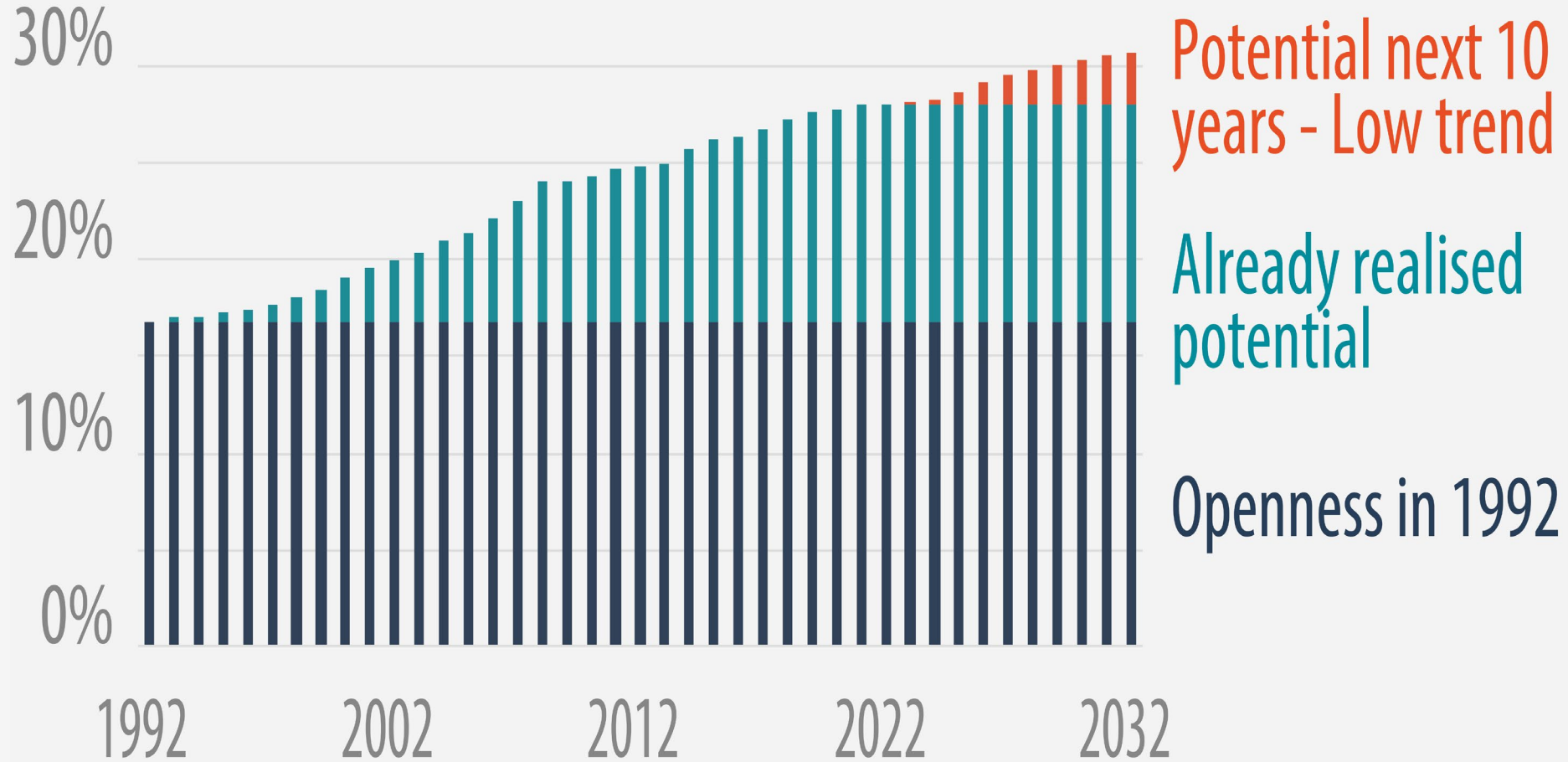




It could also help to achieve the EU's objectives in the areas of social rights, fundamental rights and the environment.

Authors	Main results	Time frame	Type of study and scope
<b>Ex ante analysis</b>			
<b>Comerford and Rodrigez Mora (2019)</b>	+10.9% GDP	Long term	Simulation - Further integration until no intra-EU frictions
<b>Pfeiffer, Varga and in 't Veld (2023)</b>	+4 to +20% GDP	Long term	General equilibrium model - Reforms focusing on five policy areas, namely market competition and regulation, taxation, skills and education, labour markets and research and development
<b>Mayer, Vicard and Zignago (2018)</b>	Trade-related welfare losses of 3 to 7% on average for the EU	Long term	Counterfactual analysis -structural gravity model - Return to fragmented trade patterns.
<b>Felbermayr, Gröschl and Heiland (2018)</b>	For old EU members, a full disintegration of the EU would result in output losses of 5.2%. For new members, the total loss would be 10.7%	Long term	Counterfactual analysis - new quantitative trade model - Reversing the single market, custom union, EMU, trade policy, Schengen, budgetary transfer
<b>Campos,, Coricelli and Moretti (2019)</b>	Per capita incomes on average 10% lower in the first ten years after joining the EU	Long term	Counterfactual analysis - synthetic control method - Effect of joining the EU
<b>In't Veld J. (2019)</b>	Loss of 8.7% GDP on average, with reduced trade representing a loss of 6.6% and with reduced market size and less competition accounting for 2.1%.	Long term	Counterfactual analysis - general equilibrium model - Non single market
<b>Lehtimäki and Sondermann (2020)</b>	Higher real GDP per capita for the overall single market area of +12 to +23%.	Long term	Counterfactual analysis - synthetic control method - non single market
<b>Felbermayr, Gröschl and Heiland (2023)</b>	Real per capita income 10.5% lower	Long term	Counterfactual analysis - synthetic control method - Effect of EU disintegration

# The benefits of the single market

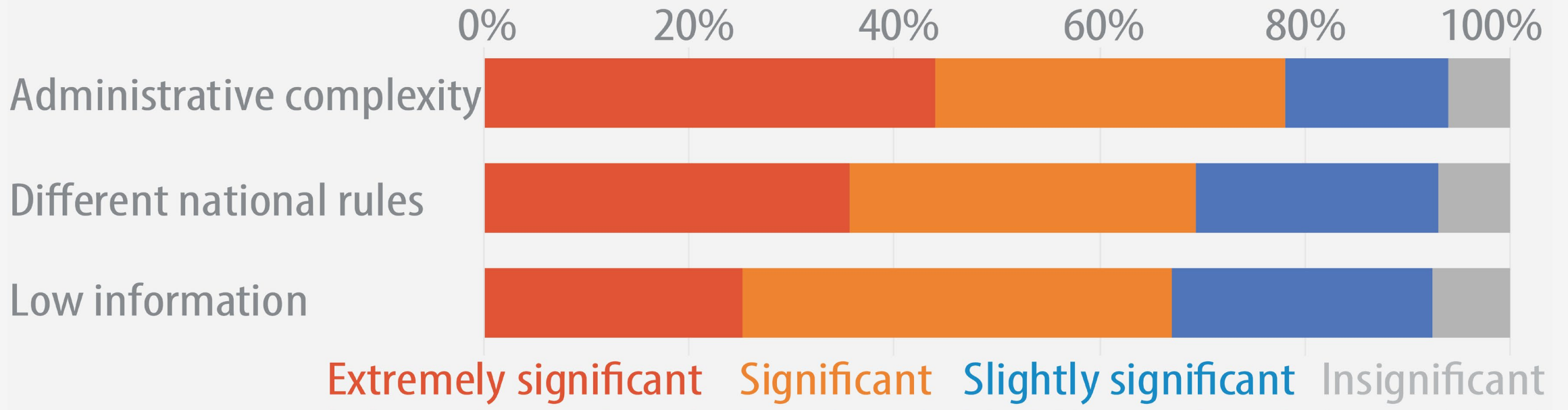


Intra-EU trade in goods and services grew significantly, from a value of 17% in 1992 to around 28% in 2021.

- increased employment (more than 3 million jobs created since 1992);
- cross-border mobility development;
- positive impact on investment and competitiveness as better-integrated EU value chains have developed.



# Main single market obstacles



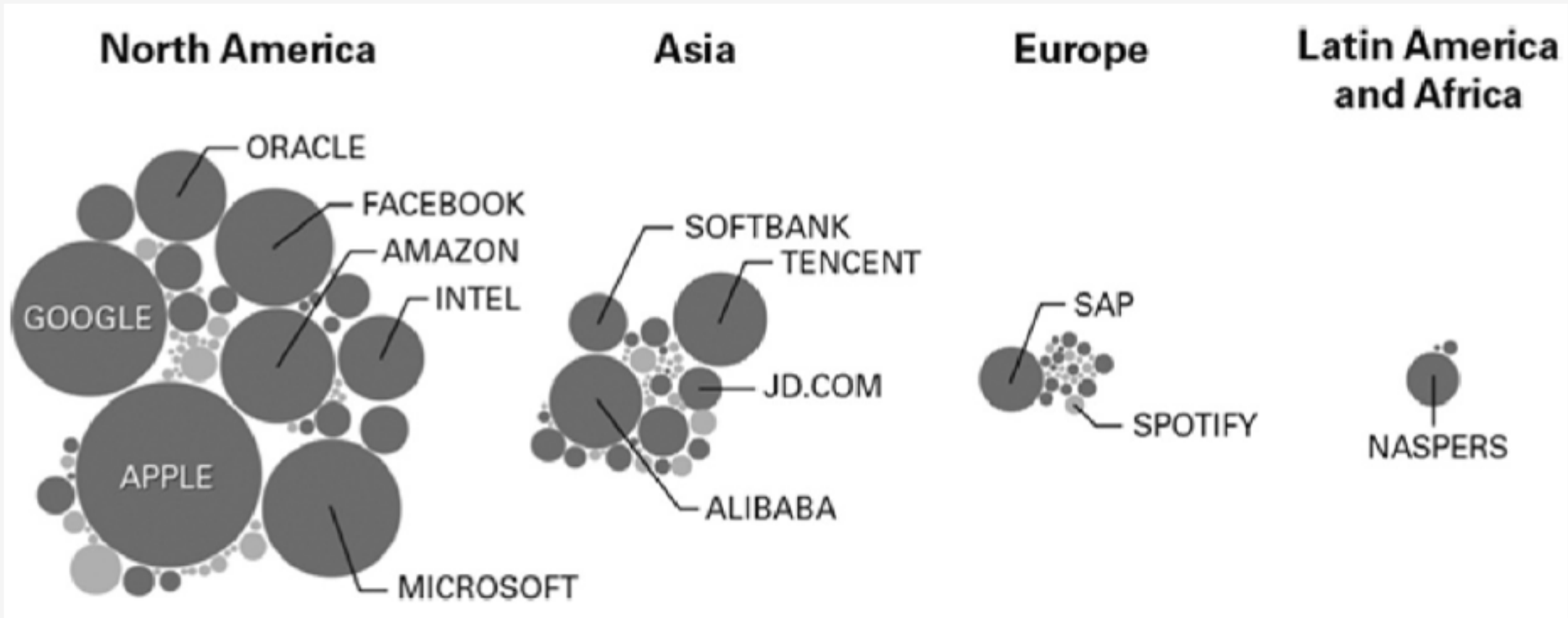
Removing administrative barriers could significantly boost intra-EU trade in goods, with potential economic benefits of more than **€200 billion** per year (e.g. tackling complex procedures, excessive national requirements, unharmonised labelling standards, inaccessibility to information).

Additional action to facilitate free movement of services would also be beneficial, with almost **€300 billion** of additional GDP for the EU per year.

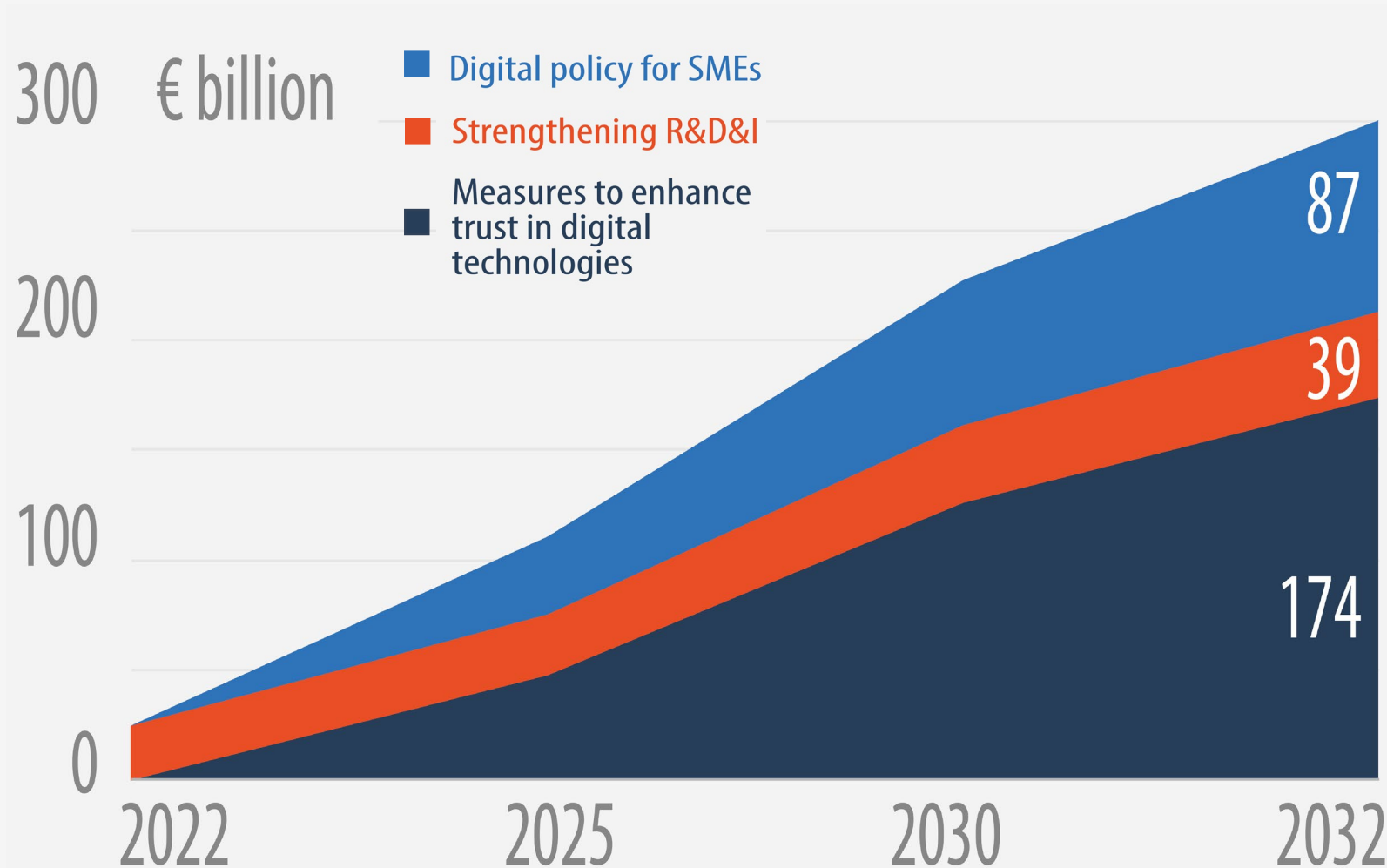


# Avoiding being permanently left behind, the need to boost the EU digital transformation

Digital businesses with a market capitalisation of more than 1 billion by region.



# Measures to boost the digital transformation

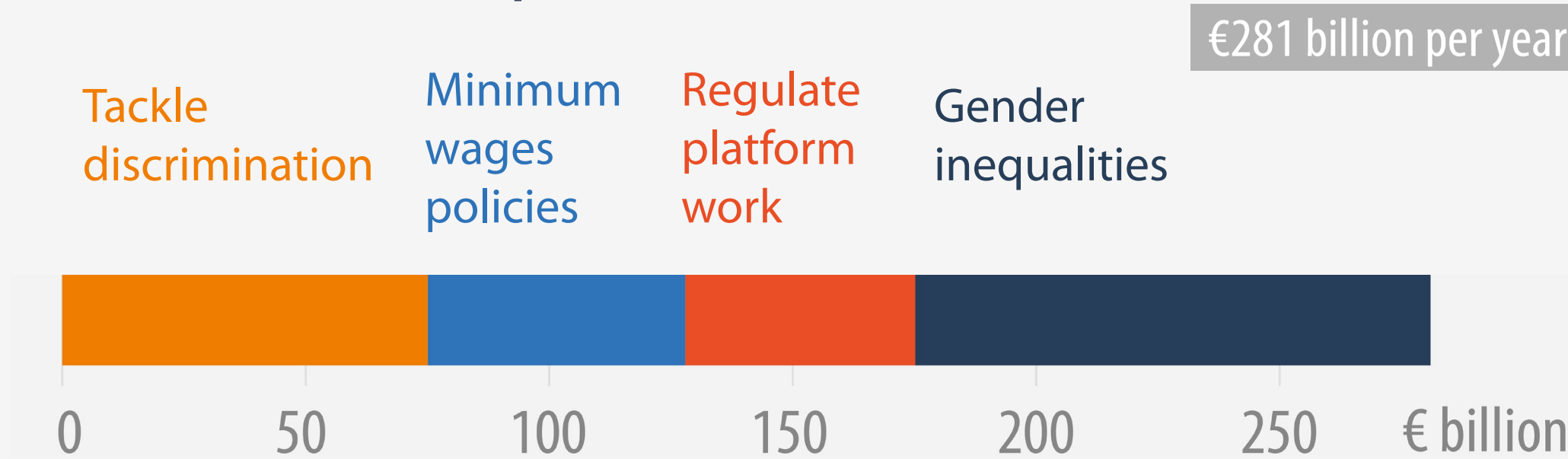


Large investment gap in this sector.

To materialize benefits of at least **€300 billion** per year, by 2032, EU should provide:

- EU measures to increase **trust in digital technologies** such as cybersecurity standards;
- more support to boost **R&D&I**;
- greater EU support for **SMEs** (awareness, best practise, re-skilling of the workforce);

# Labour market policies

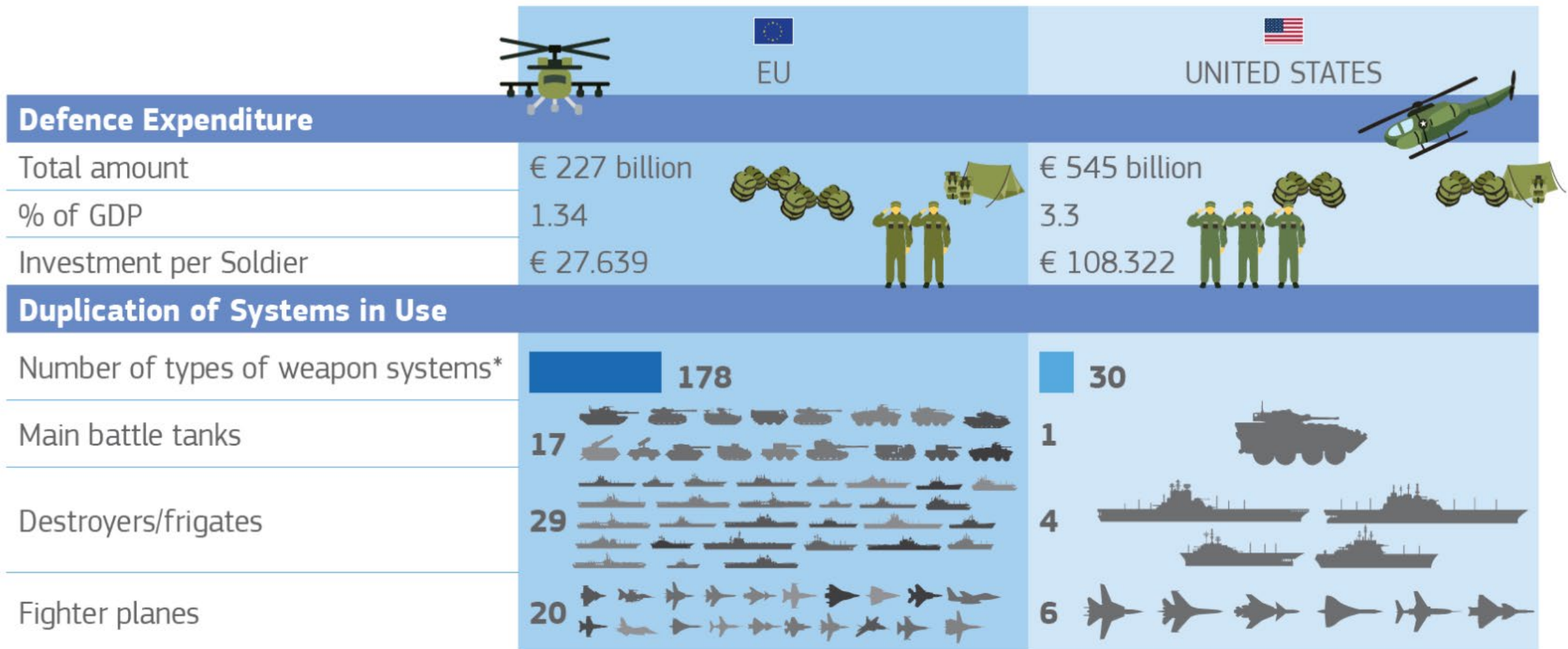


The EU could act to counter poverty and inequality through:

- sustaining the level and the upward development of **minimum wages**;
- **sustaining minimum income policies** to ensure people can live in dignity;
- supporting the fight against **precarious employment**.

Only from an efficiency perspective, it can be quantified that increased coordination at EU level to **support anti-poverty measures** such as basic income, and to reduce inefficiencies in minimum wage legislation to allow for greater coverage and adequacy, could lead to gains of about **€22 billion** per year.

# Defence: the cost of fragmentation and inefficiency EPRS



\* Number of types of weapon systems for selected weapon systems categories

Source: NATO, International Institute for Strategic Studies, SIPRI, Munich Security Report 2017

# EU common defence

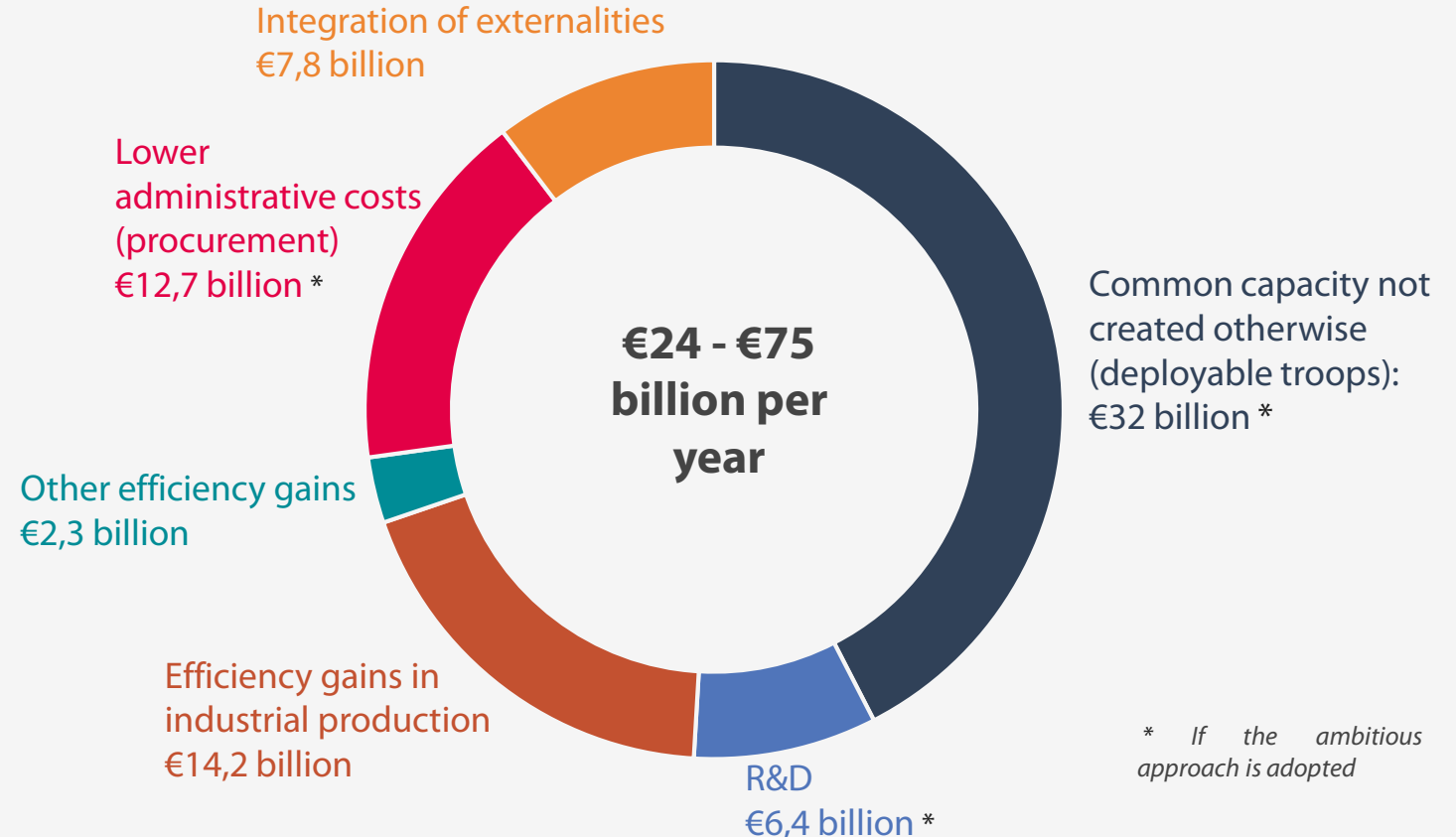
Waste in Member States' spending and lack of overall military capabilities:

- Security in Europe has been for years just the 'summation' of Member States' defence systems;
- Public good nature of defence and large cross-border spillover effects.

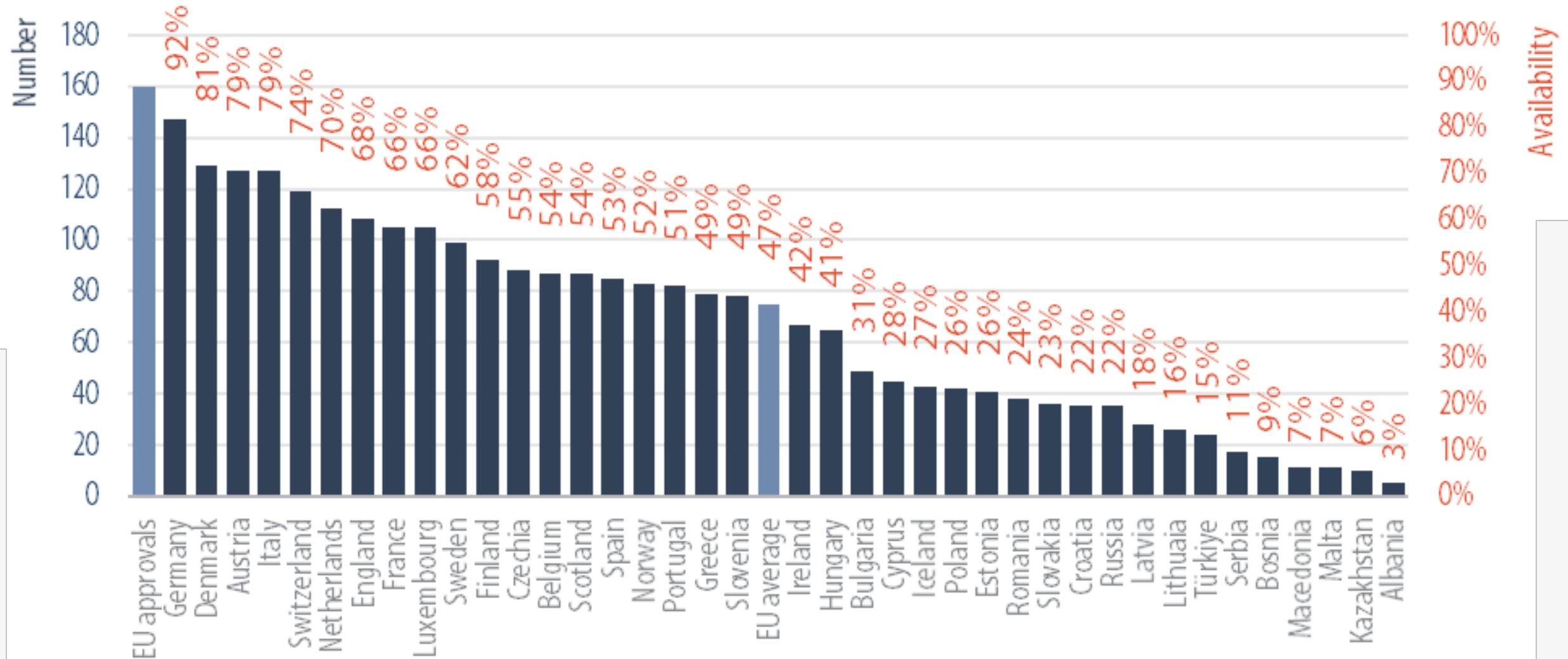
Common EU defence could bring:

- efficiency gains in terms of **lower duplication**;
- **savings** in administrative costs;
- increased **economies of scale**;
- **common capacity**;
- positive **spill overs**, especially in R&D.

Overall, gains could be between **about €24 and €75 billion per year**, depending on the ambition of EU action.

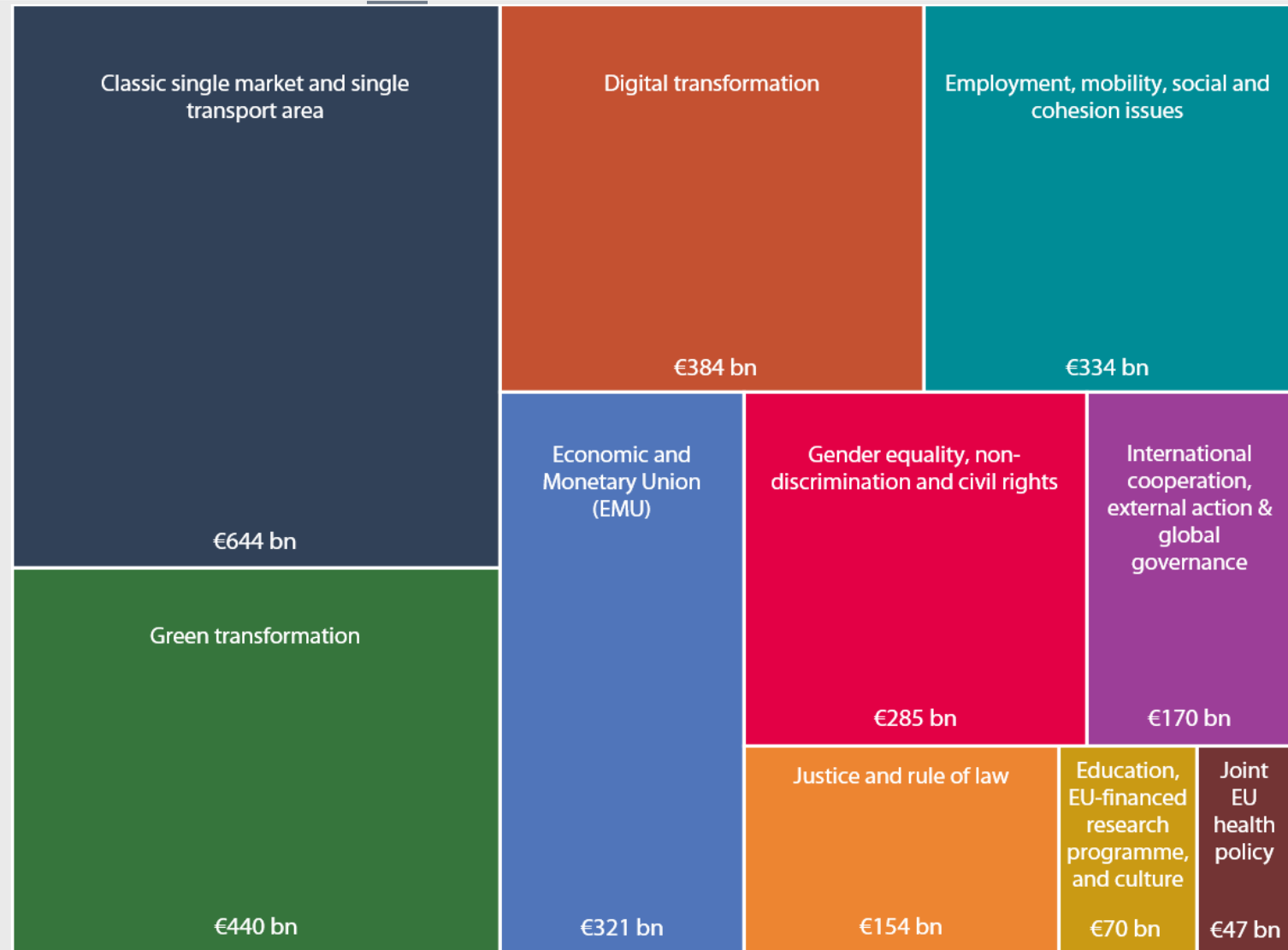


# Number of medicines approved by the EMA and proportion available to patients in European countries



## Cost of non-Europe Map

Total: +/- € 2800 billion



Values in € billion (per year)