



Conclusions

2nd Research Conference on the Single Market

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European Commission

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A changing #SingleMarket DNA ?

Opening panel with **Kerstin Jorna**, **Sameera Fazili** and **Martin Sandbu**

- Over past 30 years the DNA of the SM is evolving
 - From levelling tool to crisis umbrella to ... springboard for resilience?

- A few issues to watch:



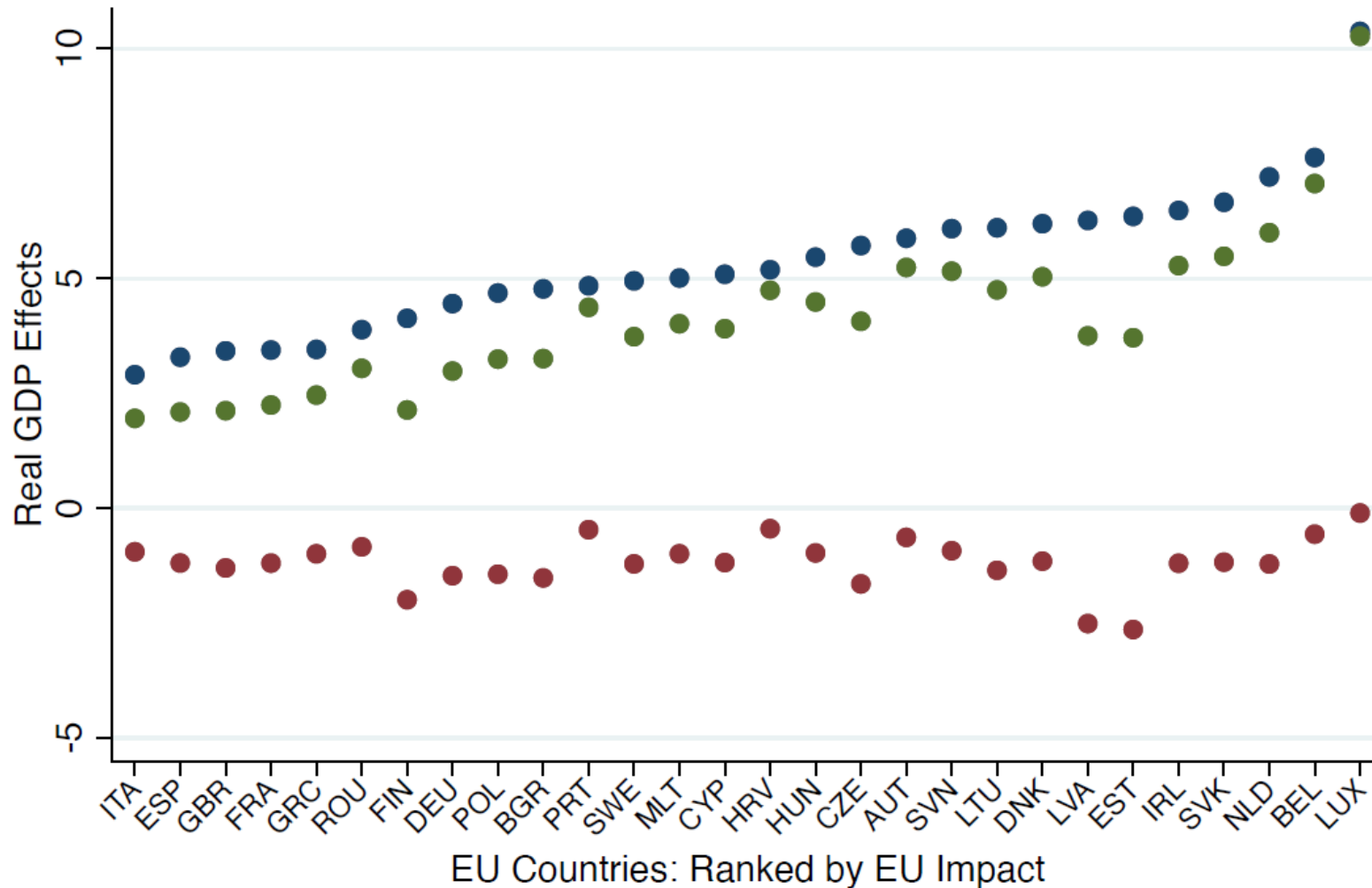
- Open strategic autonomy/ supply chains
- Broader political challenges/ systemic uncertainty
- Enlargement
- Market scale / competition / spillovers
- “The green business case” / accelerating green
- Geopolitics/ The Brussels Effect
- Ensuring regions, population, industries are not left behind

Examples of factors shaping the SM agenda

Including **Enrico Letta's** statement

- Open Strategic Autonomy / de-risking
- Freedom to move/ freedom to stay/ “+” and “–” rights
- External threats / geoeconomics asset
- Capital Markets Union
- Social Economy & Services of General Interest
- Green transition: alignment of public and corporate investments
- Skills (gaps) and innovation (start/ scale-up)

The Single Market: a powerful risk off-setter

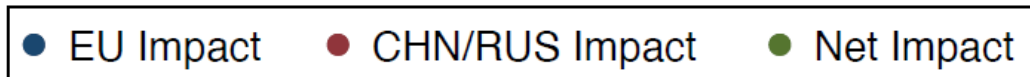


Reassessing the impact of the Single Market and its ability to help build strategic autonomy

Lionel Fontagné
Bank of France
PSE and CEPII

Yoto V. Yotov
Drexel University
ifo Institute

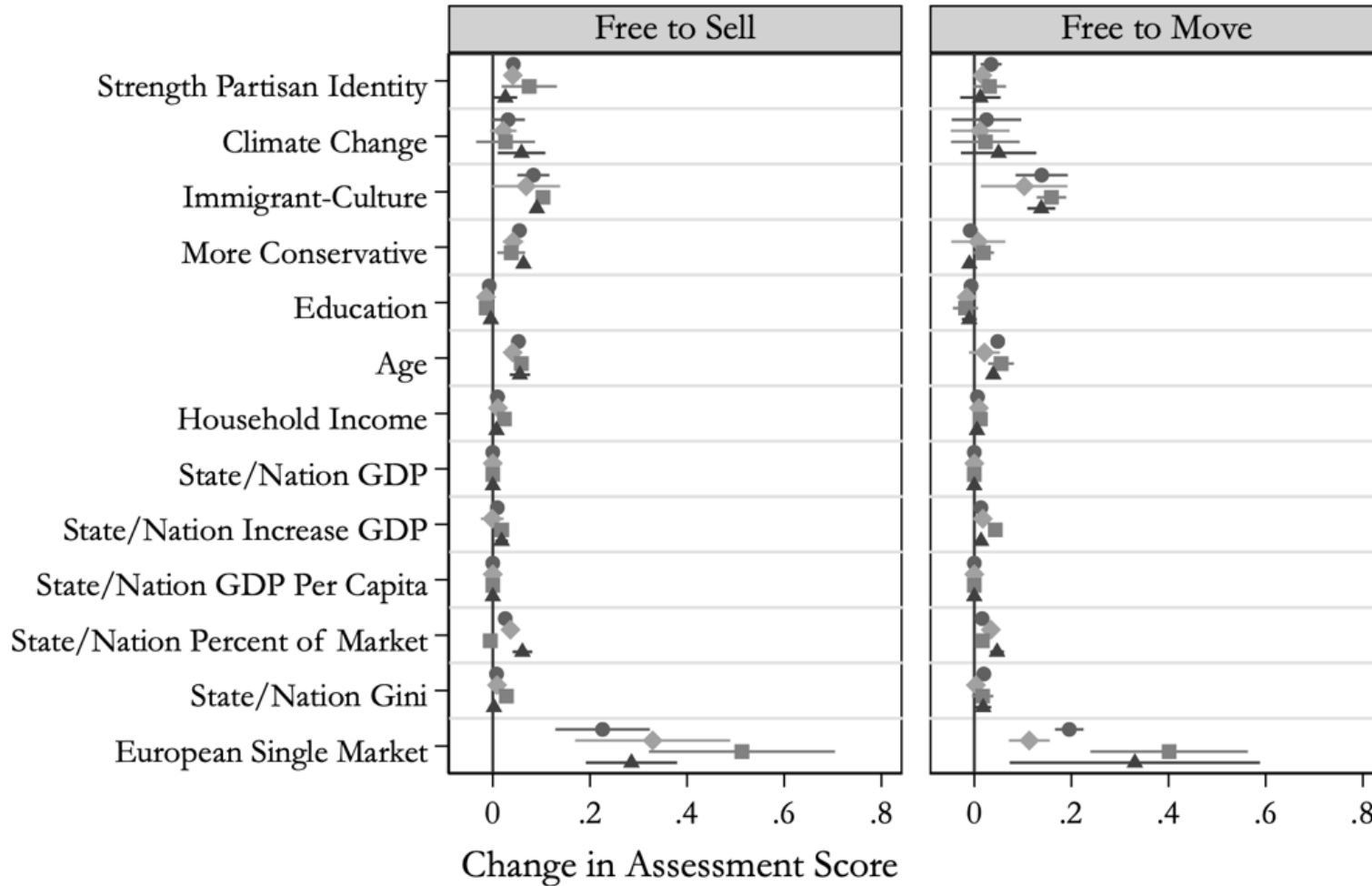
“There is a need for re-evaluation of the balance between *cost reduction* vs. *risk reduction*. What is at stake is an assessment of the alignment between policy objectives (e.g., economy-wide resilience without endangering growth) and firms’ legitimate objectives.”



A large and positive “EU effect”



Nicholas Jacobs (Colby College), Craig Parsons (University of Oregon/University of Oslo), Martin Moland (University of Oslo)

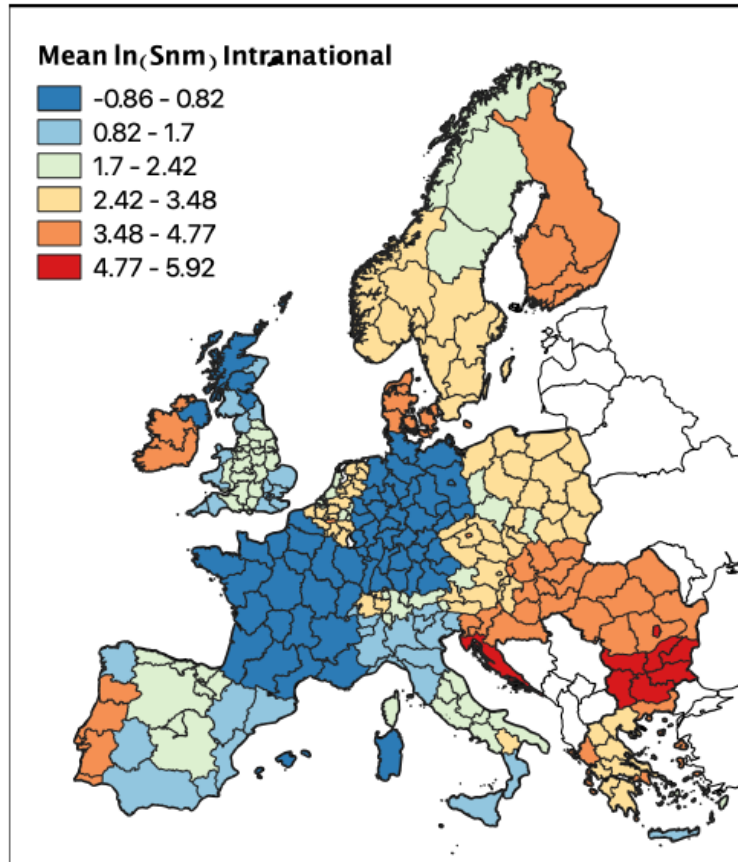


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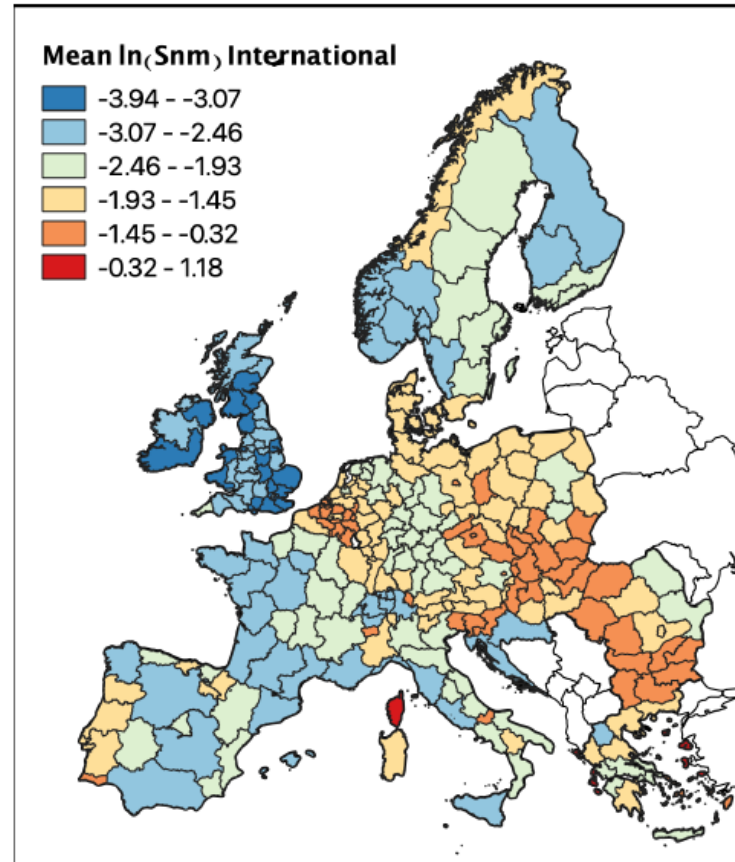
- All Respondents
- ◆ Regulatory Skeptics
- Engaged in SM
- ▲ Poor State

“Firms engaged in American interstate commerce encounter costs from varying requirements for safety, consumer protection, or the environment; duplicative licensing and other administrative processes; massive variation in taxation; and discriminatory procurement and state aid.”

Yet language, distance, values still matter



A) Intranational market share



B) International market share

Notes: The figure shows the average market share of each region with its intranational partners (panel A) and with its international partners (panel B). The color shading represents the value of this average, with cooler colours representing lower market shares and warmer colors representing higher market shares

Borders within Europe *

Marta Santamaría, Jaume Ventura and Uğur Yeşilbayraktar

August 3, 2023

Abstract

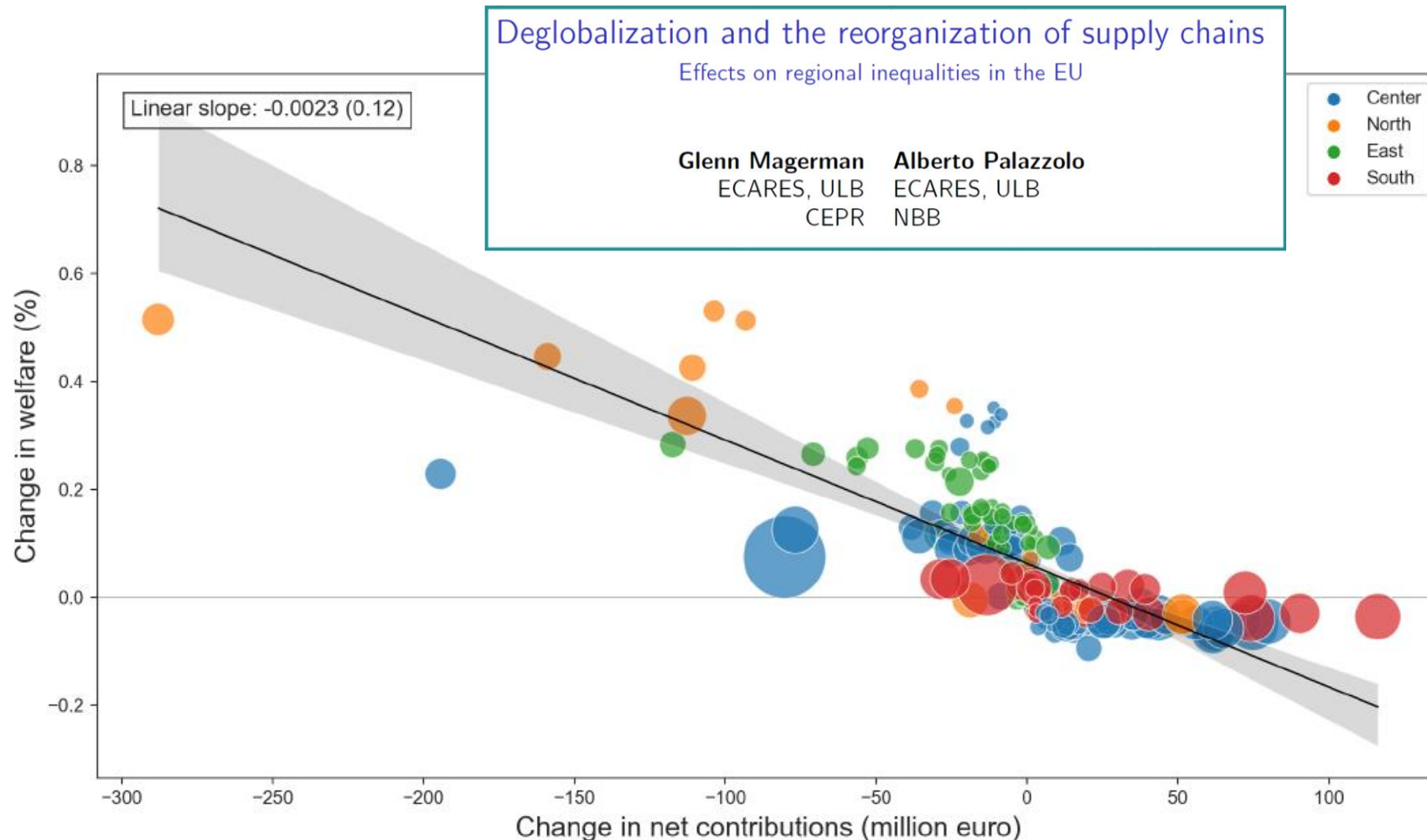
Are country borders still an impediment to trade flows within Europe? Using a microlevel survey with 3 million annual shipments of goods, we construct a matrix of bilateral trade for 269 European regions. Take two similar region pairs, one containing regions in different countries and the other containing regions in the same country. The market share of the origin region in the destination region for the international pair is 17.5 percent that of the intranational pair. Across industries, this estimate ranges from 12.3 to 38.9 percent. For post-1910 borders, this estimate is 28.8 percent. The implication is clear: Europe is far from having a single market.

JEL Classification: D71, F15, F55, H77, O57

Keywords: Border effect, European integration, regional trade.

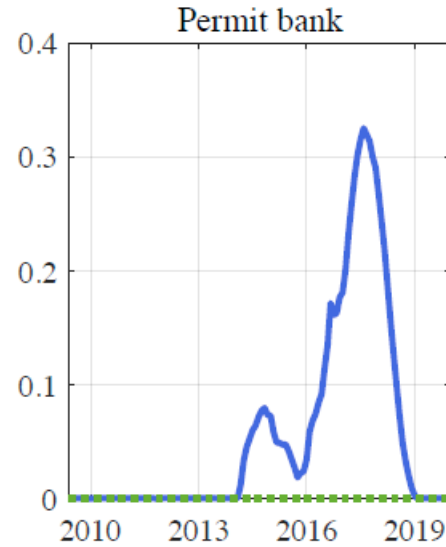
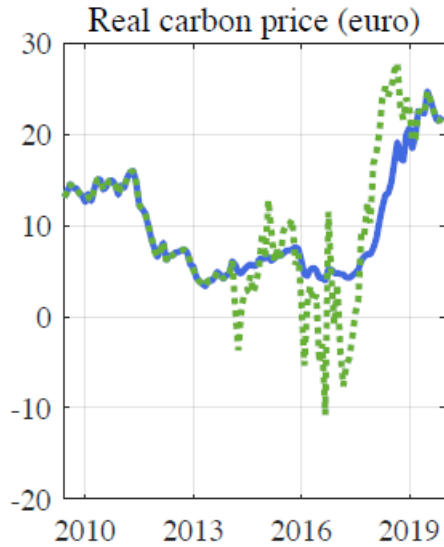
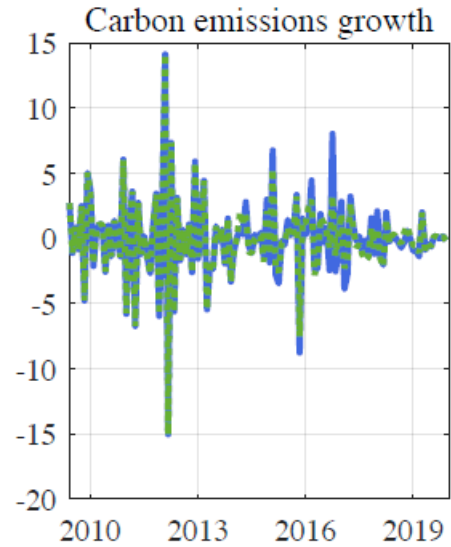
“Our results suggest that modeling borders is crucial to understand the patterns of intranational and international trade. (...) quantitative theories rarely include a realistic description of the incentives and constraints faced by governments.”

Policies might bear unplanned welfare impacts

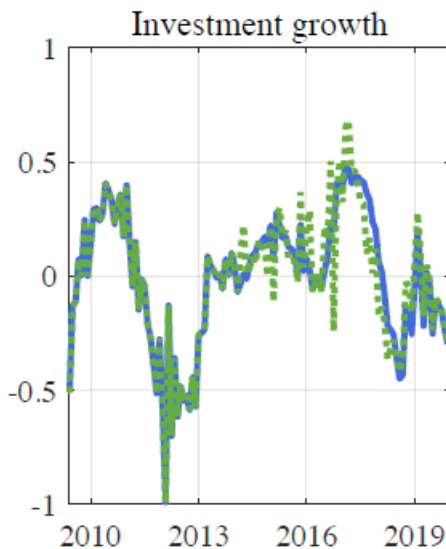
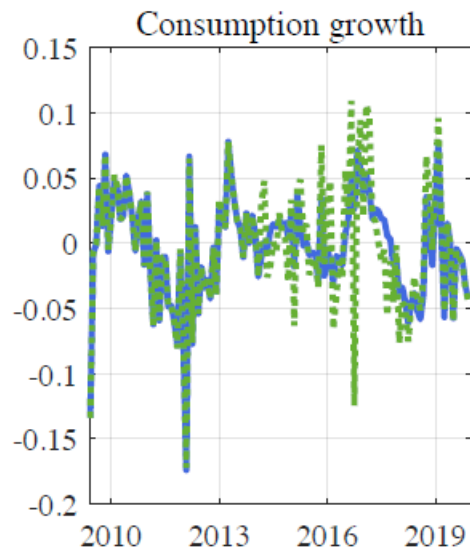
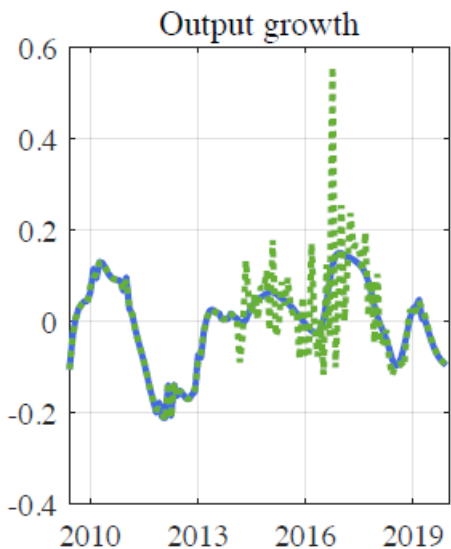


“Many political blocks are implementing a battery of measures to incentivize firms to produce within their boundaries and to become less dependent on third countries.”

Ensuring smooth transition dynamics



“Announcing a policy in advance allows agents to modify their behavior accordingly, thus reducing emissions from the day of the announcement and not at the time of its implementation.”



— Baseline No banking

A General Equilibrium Approach to Carbon Permit Banking

Loïck Dubois¹ Jean-Guillaume Sahuc² Gauthier Vermandel³

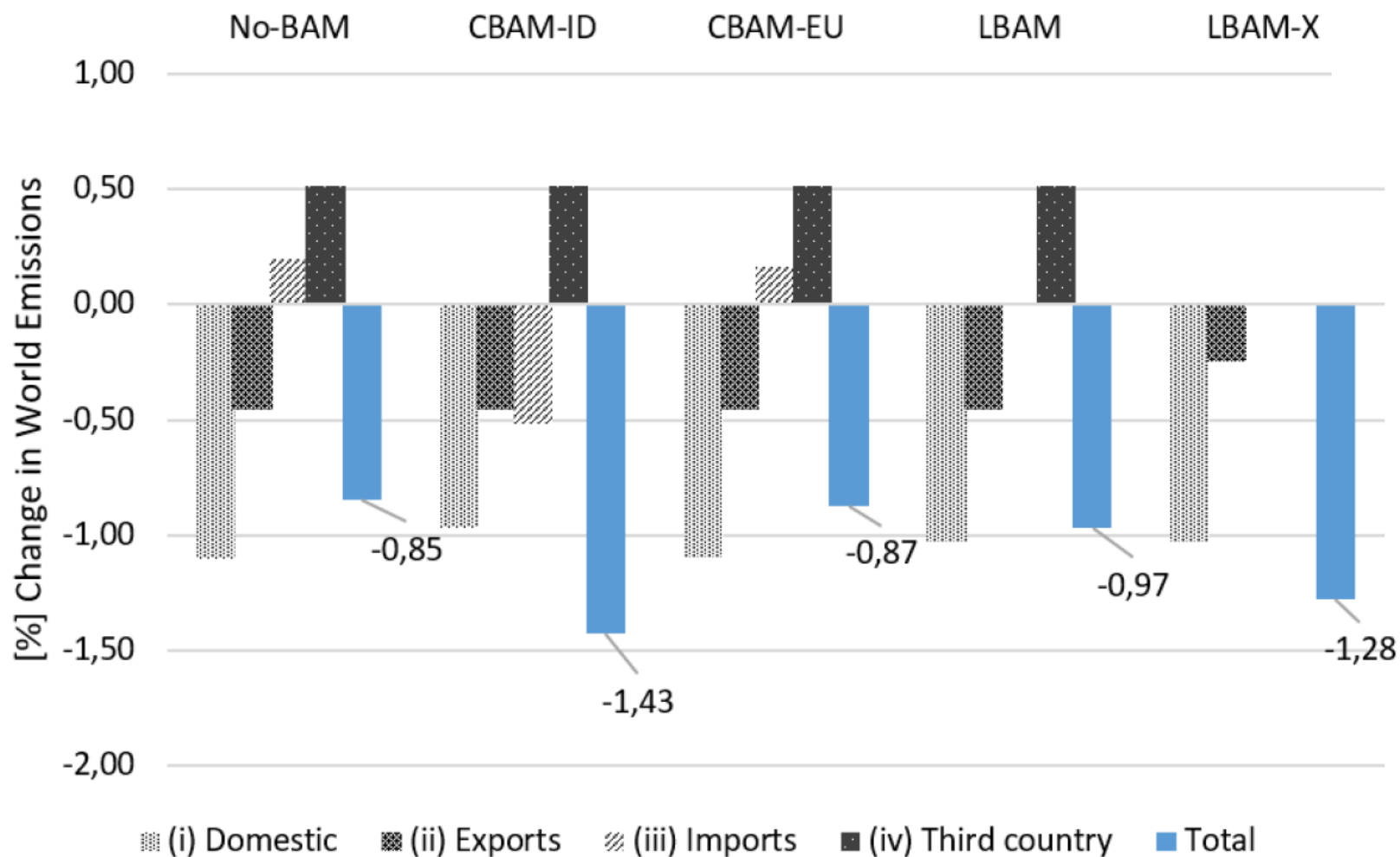
¹Université Paris Dauphine, ²Banque de France, ³Ecole Polytechnique

“More BAM for the buck”?

Designing Efficient Carbon Border Adjustment with Minimal Information Requirements.
Theory and Empirics*

Alessia Campolmi[†] Harald Fadinger[‡] Chiara Forlati[§]
Sabine Stillger[¶] Ulrich J. Wagner^{||}

November 13, 2023



“Because LBAM targets all leakage-prone industries, it increases the effectiveness of unilateral carbon pricing at reducing global emissions by up to 50%.

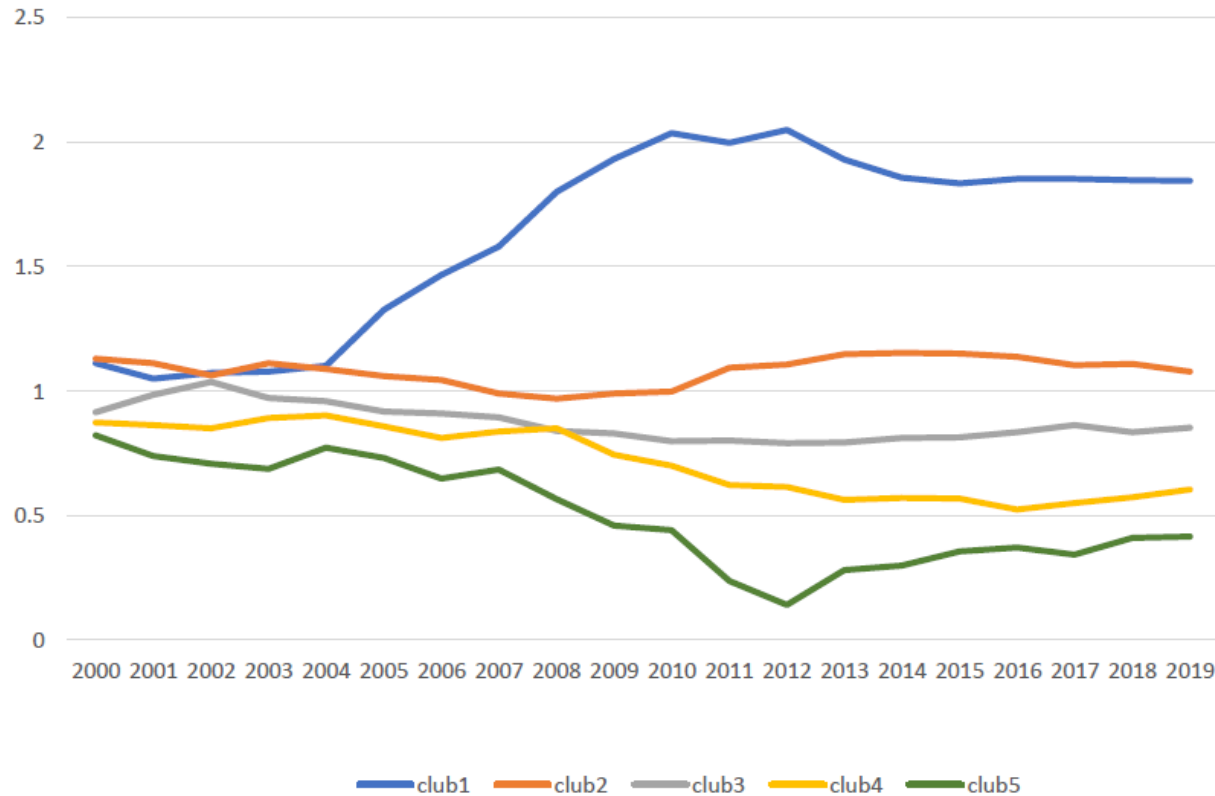
This is accomplished by a tariff designed to exactly offset any displacement of domestic production by foreign imports due to carbon pricing.”

Convergence in EU financial systems resilience

Financial asymmetries, risk sharing, and growth in the EU

Eleonora Cavallaro
University of Rome Sapienza

Ilaria Villani
ECB



“We expect economies approaching higher levels of the index to be more insulated from shocks to output with respect to economies converging to lower levels and to feature a relatively larger contribution of capital markets to risk diversification.”

Note: The graph plots the relative transitions curves (club averages) over 2000-2019.

Club 1: Cyprus, Ireland, Luxembourg, Malta. Club 2: Austria, Denmark, Estonia, Finland, France, Latvia, Netherlands, Sweden, United Kingdom. Club 3: Belgium, Bulgaria, Czechia, Germany, Hungary, Italy, Lithuania, Slovenia, Spain. Club 4: Croatia, Poland, Portugal, Slovakia. Club 5: Greece, Romania.

The "Single Market effect"

Mariam Camarero ¹ Sergi Moliner ² Cecilio Tamarit ³

¹Jaume I University and INTECO

²University of Valencia and INTECO

³University of Valencia and INTECO

Augmented model specification

Variables	Whole group		EU countries		EA countries		EA core		EA periphery	
	PPML	G-PPML	PPML	G-PPML	PPML	G-PPML	PPML	G-PPML	PPML	G-PPML
EU	0.462*	0.462*	0.444	0.379						
	(0.257)	(0.257)	(0.382)	(0.306)						
Euro	4.460**	4.453**	4.333**	3.990**	3.414**	2.713*	-3.376*	-3.062*	2.508***	1.965***
	(1.864)	(1.864)	(2.009)	(1.936)	(1.745)	(1.491)	(1.869)	(1.718)	(0.925)	(0.698)
LogRealGDP	1.095***	1.094***	2.513***	2.646***	2.196***	2.248***	2.031***	2.070***	1.631***	1.644***
	(0.359)	(0.360)	(0.935)	(0.949)	(0.512)	(0.493)	(0.502)	(0.522)	(0.296)	(0.364)
Euro*LogRealGDP	-0.234***	-0.234***	-0.262***	-0.237***	-0.126**	-0.108**	0.095	0.088	-0.104***	-0.072***
	(0.084)	(0.084)	(0.083)	(0.088)	(0.062)	(0.054)	(0.068)	(0.066)	(0.035)	(0.022)
UrbanPopulation					0.094***	0.087***	0.038***	0.039***	-0.069	-0.051*
					(0.011)	(0.013)	(0.006)	(0.005)	(0.058)	(0.031)
LogRealGDPdiff	-0.488	-0.488								
	(0.538)	(0.538)								
LogSpatialLag	0.090	0.090	-0.259*	-0.194			-0.548***	-0.533***		
	(0.072)	(0.072)	(0.154)	(0.141)			(0.102)	(0.079)		
OldDependencyRatio					0.037	0.043				
					(0.034)	(0.031)				
SkillLevel					-0.018	-0.023	-0.053***	-0.047***	0.007	0.003
					(0.019)	(0.018)	(0.014)	(0.014)	(0.011)	(0.006)
Euro*SkillLevel					0.007	0.008	0.016***	0.014**	-0.002	-0.003
					(0.008)	(0.008)	(0.006)	(0.006)	(0.003)	(0.003)
LogPopulationDensity	-0.582	-0.584	-0.377	-0.373	2.807	2.705			7.642***	5.594***
	(0.852)	(0.852)	(2.893)	(2.887)	(2.125)	(2.099)			(1.355)	(1.632)
Euro*LogPopulationDensity	0.401**	0.401**	0.556***	0.494***	-0.035	-0.003			0.126***	0.074**
	(0.161)	(0.161)	(0.171)	(0.180)	(0.112)	(0.117)			(0.049)	(0.032)
TFP	0.005	0.005	0.001	-0.002						
	(0.006)	(0.006)	(0.018)	(0.016)						

“(o)ur results suggest that EU membership (Single Market effect) has had a larger impact on US FDI than the launching of the euro when we consider the larger group of countries.

However, within the EU, the monetary integration has generally increased US FDI in those countries that finally adopted the single currency.”

A home bias in procurement?

“Our paper shows that the government's home bias, especially that of subnational agencies, explains a big part of the high local concentration levels in government procurement across regions and countries.”

Understanding the Local Bias in Procurement Evidence from National and Subnational governments

Manuel García-Santana* Marta Santamaría[◇]

*World Bank, UPF, CREI

[◇]University of Warwick

Table: Estimating Governments' Home bias

	Intensive margin	Extensive margin
Dependent variable:	$\log(\log X_{j,od}^{k,g})$	$S_{od}^{k,g}$
	(1)	(2)
non-local=1 × sub.gov=1	-0.259*** (0.053)	-0.582*** (0.067)
Establishment FE	Yes	N/A
Origin × Dest. FE	Yes	Yes
Gov type × Dest. FE	Yes	Yes
Gov type × Sector FE	Yes	Yes
Observations	105,724	156,924
R-squared	0.563	0.431
Estimator	OLS	PPML

ETS impact and firm performance

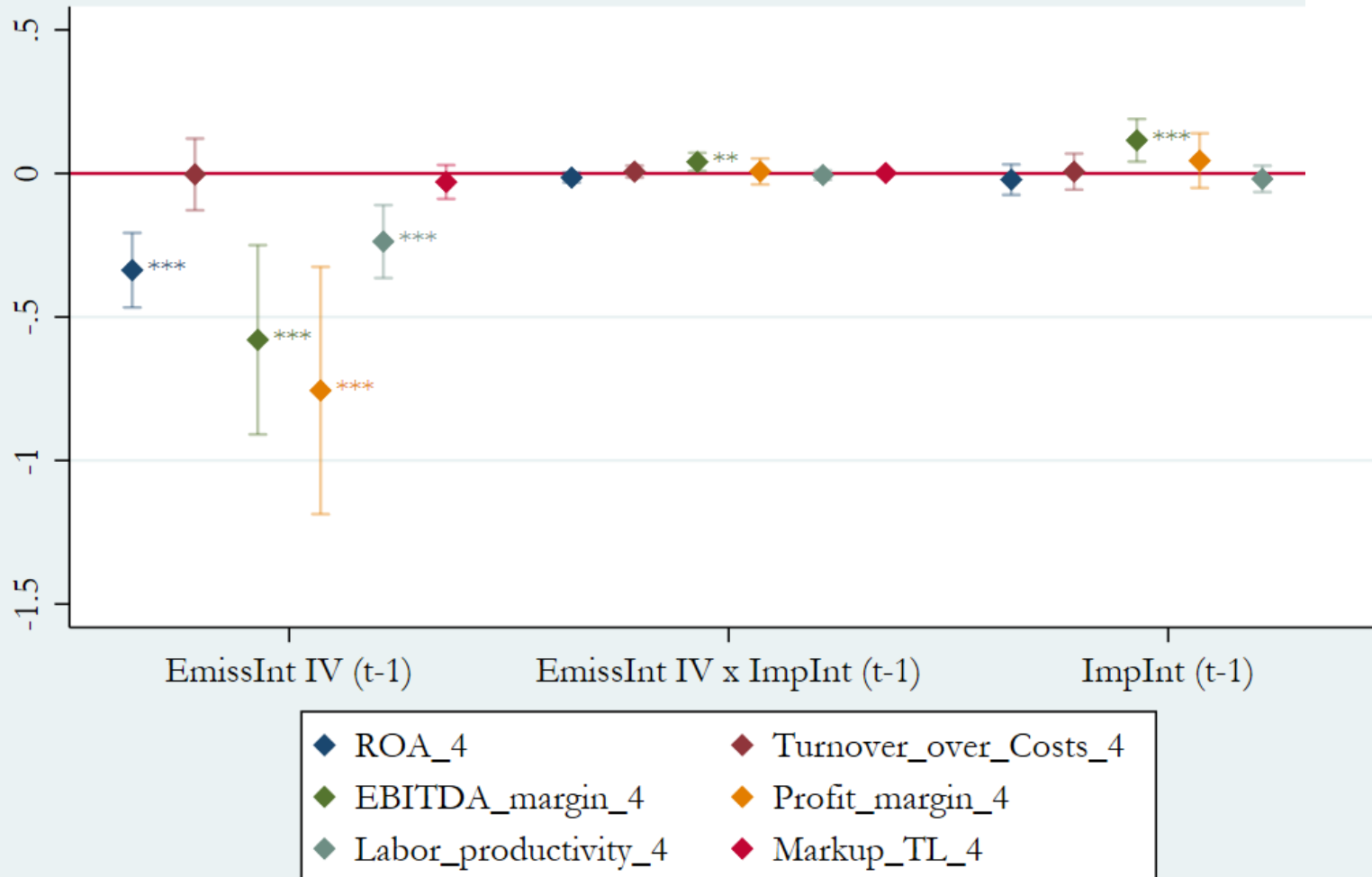
Markup dynamics and climate policy in the EU:

Insights from the EUTL-ORBIS database

Aliénor Cameron *

Maria Garrone†

December 4, 2023



* p<0.10, ** p<0.05, *** p<0.01
 Bars represent 5% confidence interval.
 Variables are in log

“(...) there seems to be a small case that becoming greener may make firms more profitable.”

This is encouraging, and should be further promoted through the development of a strong demand market for greener industrial products.”

Single market research conference 2024



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