

Speaking notes Christian Verschueren High-Level EU Conference on Retail Brussels, 19 June 2019

My key message today is: **A strong EU, firmly based on a properly functioning and competitive Single Market, is the best hope we have of developing the European champions who can compete globally with the new economic tigers emerging all around us. We need a countervailing force to avoid sleepwalking into a world where European and global rules are replaced by unilateral and arbitrary acts.**

Challenges faced by European retailers and wholesalers

>> demographics – population is not growing; in some countries, it is shrinking, and it is ageing (contrast this with Western Canada, Vancouver, where I was last week, where even average retailers are booming thanks to more favourable demographics)

>> economic growth is modest, consumer confidence is not great; and for countries where the GDP growth depends private consumption, it doesn't help to have low footfall in stores

>> digital transformation of the economy and changes in customer behaviour are completely transforming our sector - changes in the way we interact with customers, how, where, and when customers buy, and the way they pay – growing importance on (big) data to better serve our customers.

>> huge investments are needed and made to stay relevant: 1) in technology – 2) in reinventing stores – 3) in new formats (proximity) and business models (omnichannel, food services, leasing, ...). And even if the scale of the investment is obviously different, this is true for everyone, whether you are a large, multinational retail chain, a small family shopkeeper, or a group of independent retailers.

>> growing external competition from pure players from elsewhere – elsewhere in the EU (neighbouring countries – see eg. competition between Scandinavian e-players) – but also major players from the US and China. (a company like Alibaba has no less than 1.2 billion customers). And they have been able to develop under much favourable conditions – economically, demographically, regulatory (consumer rules, environment, no GDPR).

>> don't get me wrong, we support our high standards of living and regulatory acquis. But we need to demand equivalence from those other regions, and ask our own politicians in Europe for a better understanding of our challenges, and require that our regs do not have a too big burden on our competitiveness

>> so, poor economic conditions + need for colossal investments + growing external competition from pure players >>> a perfect storm (and hopefully not 'Apocalypse Now').

Challenges faced by the European Union and its Single Market

Europe has increased its wealth in the last 70 years, and this has been thanks, in part, to the European integration project, and, at its core the EU Single Market.

>> this was made possible through 1) a commitment by a few nations to trade openly between themselves, and 2) a huge programme of

- elimination of tariffs

- removal of non-tariff trade barriers
- harmonising legislation in many areas
- European and global standards

all of which enabled this single market to become a reality in many areas, such as goods, payments (SEPA), transport, ...

>> the Service Directive was a late part of this programme. And we all know that it was the least successful (or least completed) part of the SM programme. Will come back to services and the Services Directive later.

But today, the EU, open trade between its member states, the Single Market with its underlying pooling of sovereignty and/or mutual recognition of rules, are being challenged by protectionism, economic nationalism, anti-globalisation.

>> not later than last week, the Commission reported that the number of trade barriers has never been that high.

- >> we see political challenges to European rules, and its core values,
- on the budget discipline
 - on the independence of justice,
 - on the basic core legal principles of proportional and non-discriminatory legislation

>> this is a huge and more fundamental and intractable than some people realise – I recommend everyone to read the work of Dani Rodrik, the Harvard economist, that talks about the globalisation paradox and trilemma¹ – his work is about global trade, but you could apply it on-on-one to the EU single market. In a nutshell, Rodrik says that you cannot have, at the same time, international trade, sovereign states, and democracy. One of them has to give, either trade, or the sovereignty of states, or democracy at local level. Because at some stage, the social consequences of globalised trade will be such that democratically elected people in sovereign states will not be able to accept those social consequences. So, to keep it very simple, either you need autocratic regimes that decide to trade, or you have truly European/global democracy and trade, or you have democracy and sovereign states, but you have to give up trade (which is the scenario which we are experiencing now).

So then,

>> when you have a climate where people want a return to nationalism and put the whole EU to a halt, AND

>> you have a SM for service that is incomplete, late in the programme, and where there is a strong social dimension (think of posting of workers)

>> you have another perfect storm

The importance of services

It is regrettable that a sector which makes up the lion's share of EU GDP is still an orphan in policy-making

>> fortunately, some in the Commission, and some enlightened voices in the Parliament directive have identified this and have put a renewed emphasis on the importance of services. There are huge potential gains, but also lots of progress still to be made.

>> a recent EP study² shows that with proper attention to services and the single market, the EU economy could see an annual gain of €390 billion. That's a lot of money left on the table !

>> when it comes to retail and wholesale, a recent Copenhagen Economics study

¹ <https://www.harvardmagazine.com/2019/07/rodrik-trilemma-trade-globalization>

² [http://www.europarl.europa.eu/RegData/etudes/STUD/2019/631054/IPOL_STU\(2019\)631054_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2019/631054/IPOL_STU(2019)631054_EN.pdf)

commissioned by 4 Member States (IE, DK, FI, CZ)³ shows that retail and wholesale have benefitted least from the Services Directive, in comparison with other sectors covered.

Issues we face

Let me highlight a few of the key issues we face in the Single Market as retailers and wholesalers.

>> more protectionism and discrimination by Member States, especially in Central and Eastern Europe. We cannot accept discrimination of European companies in Europe !

>> this is not only in CEE – also in some Western countries, even some of those that founded the EU, we see issues/barriers identified by the Commission, by our sector, either collectively or by individual companies.

>> territorial supply constraints – major manufacturing players fully exploit the single market to streamline production and move their goods freely from one country to another. But, as we saw with the ABInBev case, they seek to fragment the same single market, preventing cross-border sales to stop retailers optimising their purchasing and offering consumers the best price and widest choice.

>> local rules and taxes imposed on physical retail (tascom, business rates) – whether it is SM issue or not, it is definitely a burden for traditional retailers who are increasingly competing with major pure player actors that don't have retail space

>> lack of harmonisation on waste management rules

>> lack of harmonisation of consumer rules – ban on geoblocking but still Rome I (we have had encouraging preliminary discussion with DG connect on this) – We have strong consumer protection legislation in Europe and we should be proud of it. But we should

1. demand similar from our trading partners particularly China, as our retailers are now competing with direct consumer imports
2. demand from European consumers that they support the single market consistently – i.e. not supporting single market when it suits them, and then preferring differing national consumer rights when it doesn't

Building on positive signs and good work by the European Commission

>> We applaud the recent Commission action against all 28 Member States for not properly implementing the Service Directive, 10 years after the implementation deadline. But it needs to go further.

>> We regret that it was on a relatively minor point of the Directive (Points of Single Contact), and not on more important aspects of the Directive which are not well implemented, such as the freedom of establishment and the non-discrimination principle

>> build upon the Commission communication '*A European retail sector fit for the 21st century*' – it provides excellent ideas for member states to create a business-friendly environment for retail businesses, in which they can generate growth and jobs, and provide consumers with more choice and better prices – it provides a guide for the revitalisation of city centres – it makes a first attempt to measure the retail restrictiveness and to compare member states against each other, aiming at creating a virtuous spiral of healthy competition for continuous improvement

But we need to see much more.

And to contribute to this push, our Board has recently adopted a major new paper on SM – And 'open trade' (both the SM and int'l trade) is one of the 4 strategic pillars in our manifesto for the new legislature. Here are some of the key headlines and asks of the paper.

³ <https://www.copenhageneconomics.com/publications/publication/making-eu-trade-in-services-work-for-all>

>> new political commitments by MS – “EU countries need to renew their vows to the Single Market” – There is still a lack of real commitment to the Single Market by member states, as the Commission identified in its SM communication of November last year. We often see legislators adopting burdensome rules with little understanding of the markets in which they wish to intervene, and no assessment of their impact

>> stronger emphasis on enforcement, within EU and also on direct imports from in particular China

>> strict adherence to the Rule of Law and proper enforcement of rules guaranteeing fair, open markets - without exception and throughout the EU - stand out as the unique selling points for Europe.

>> strict adherence to Better Regulation principles and proper impact assessment, also after major changes are made in the Parliament. Some examples are the recently adopted Unfair Trading Practices Directive and the provisions on ‘dual quality’ in the UCPD.

>> ensure that retailers and wholesalers can buy products anywhere they want in the EU for the best conditions for their customers, not hindered by legal or barriers imposed by manufacturers.

>> review the Commission infringement process – It could help if the Commission would review its infringement process to assess where the bottlenecks are and leave less room for political bickering and make it more transparent and predictable.

Conclusion

The ECJ confirmed and clarified a year ago, in the Visser case, that retail is a service, and that the basic legal principles of proportionality and certainty apply, also at local level. We welcome this.

>> retailers and wholesalers employ 29 million Europeans – with 1 out of 7 working people, that is the biggest private employer in Europe

>> they are a vital part of keeping communities attractive and alive, with 5.4 million businesses, 99% of which are SMEs – the current wave of store closures all over Europe brings this role into stark contrast; the loss of shops in town centres and in rural areas is literally ripping the heart out of those communities.

>> therefore, understanding these dynamics of our sector, supporting it by deepening and strengthening the Single Market for Services, and create a level playing field for all businesses is key to keep our companies competitive, both globally and locally.

Thank you.