

Economic benefits of the Digital Single Market

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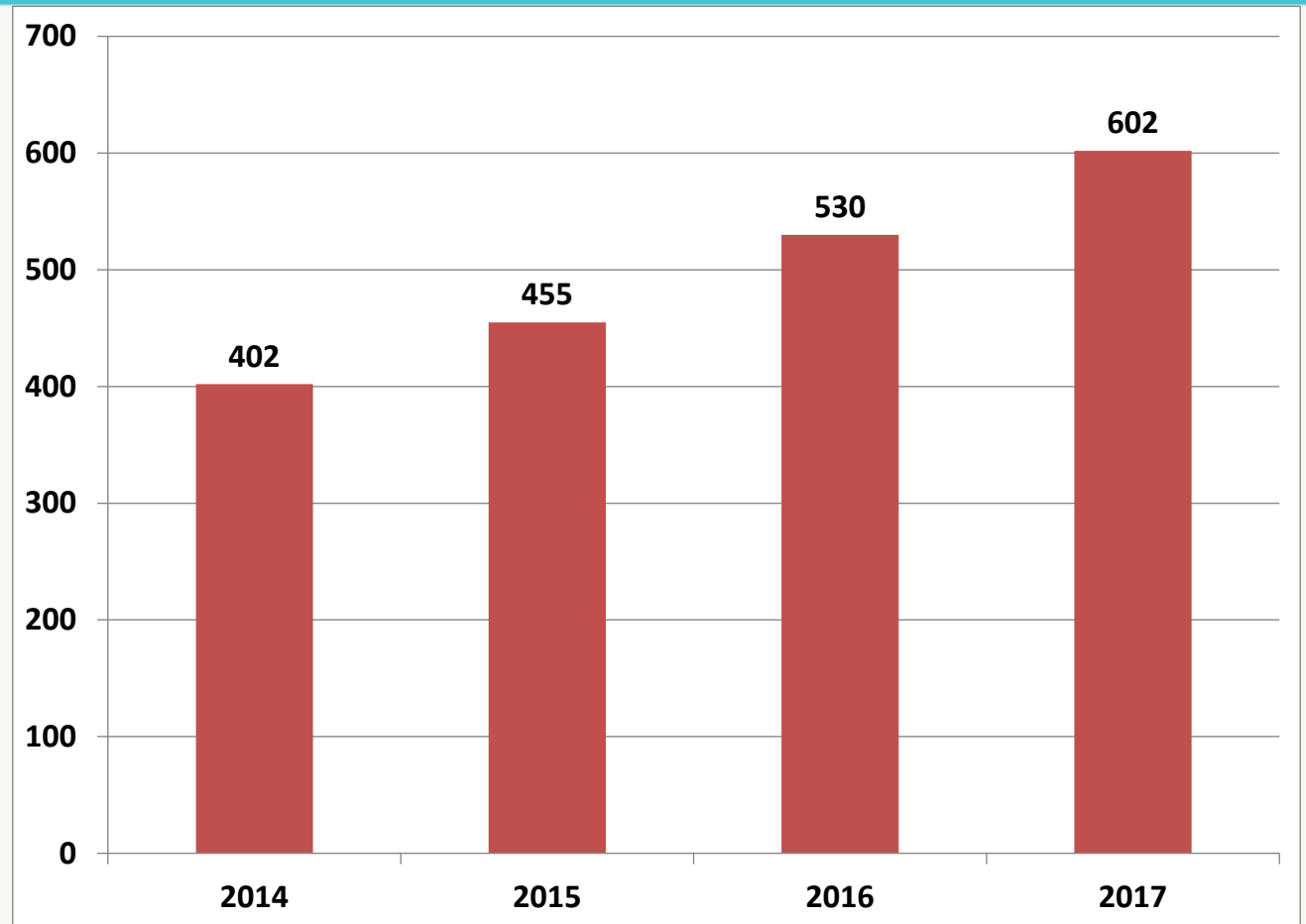
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Benefits of the European Digital Single Market (DSM) and consumer protection

- Introduction
- Cross-border e-commerce
- A single market for electronic communications
- Consumer protection
- Opportunities for the next legislative term
- Estimate of net benefits

Growth of e-commerce in the EU

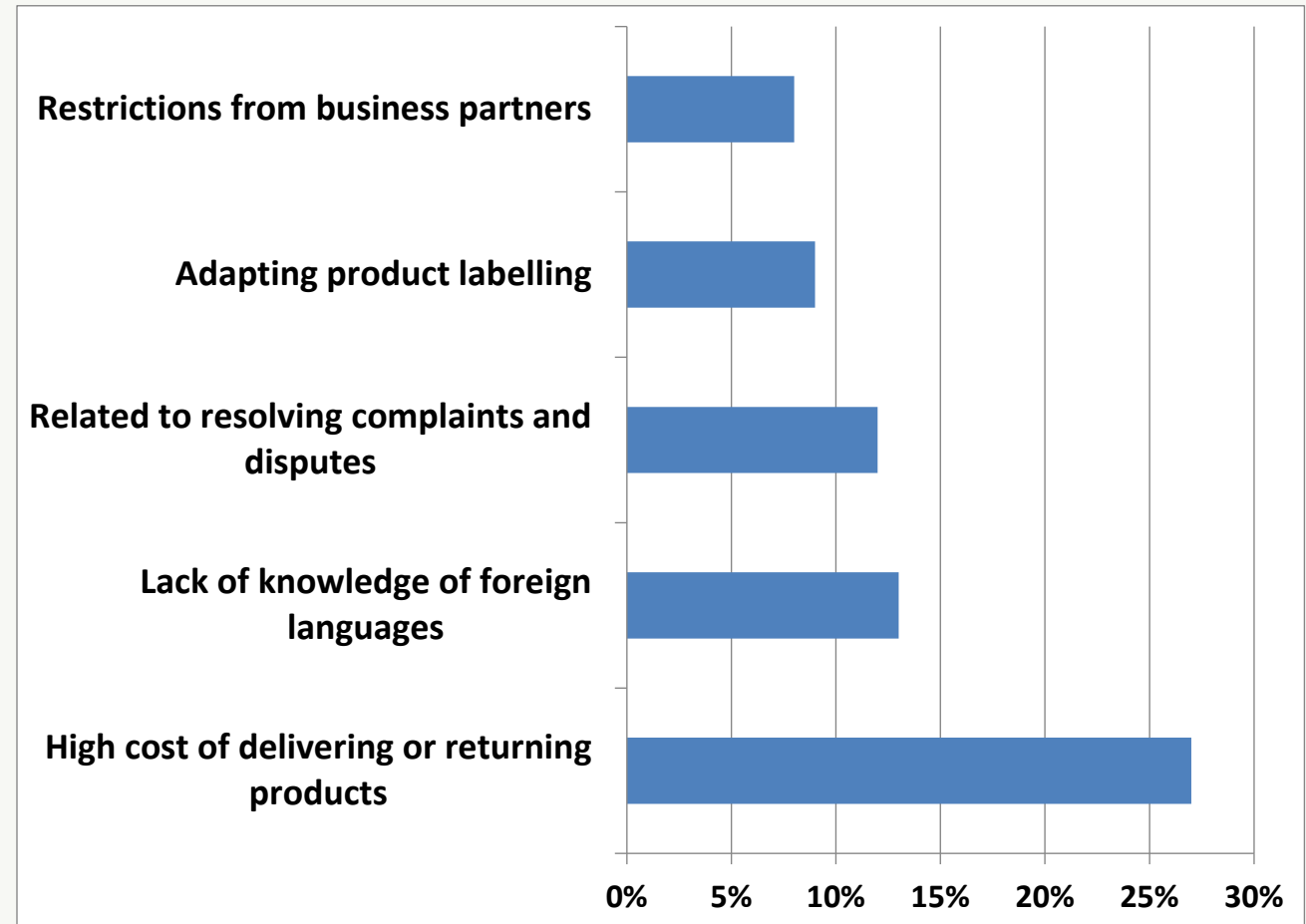
- European e-commerce is growing 14% p.a.
- Nearly 3% of GDP.
- Represented 8.1% of total 2016 retail sales in the EU-28.



Source: Ecommerce Europe. Includes Russia, Turkey ...

Cross-border e-commerce: Impediments to cross-border e-commerce

- High cross-border parcel delivery prices and various consumer protection issues hinder cross-border e-commerce.



Source: Eurostat, Difficulties experienced when selling to other EU countries, EU-28, 2016
(% of enterprises with web sales to other EU countries)

Cross-border e-commerce: An opportunity to do more?

- In 2016, 89% made domestic e-commerce purchases, but only 32% from other member states. (Eurostat)
- The DSM sought to deal with the perceived problems:
 - Lower cross-border parcel delivery prices.
 - Simplified and more coherent VAT procedures.
 - Better coverage but less “gold plating” of consumer protection.
 - Prevent unjustified geo-blocking (where feasible).
 - Better protection of consumer privacy.
- Some measures will be more effective than others.

Cross-border e-commerce: Potential benefits of sale of goods

- Duch Brown and Martens (2016) estimates that prices for goods would decrease across in all countries, both online (-1% on average) and offline (0.5% on average), if cross-border sales were as easy as domestic sales.
- They estimate an increase in consumer surplus (CS) in the EU28 by 1.2%, and an increase of producer surplus (PS) of 1.4%.
- However, not everyone would be better off.
- Positive effects of price discrimination would be lost.

Cross-border e-commerce: Potential benefits of sale of goods

- Less is known about benefits for services.
- For services as a whole, Cecchini (1988) estimated at least a 4.5% GDP gain for the EU-12.
- The amount actually achieved appears to be less.
- Other studies show gains, but over a fairly wide range.
- Services represent 48% of e-commerce, but about 70% of overall EU retail sales, so there is room to grow.

A single market for electronic communications

- The Telecoms Single Market (TSM) package of 2013 as enacted will have minimal direct economic impact.
- Long term potential up to €110 billion p.a. (Ecorys)
- Final text of the EECC has just now become available.
 - Co-investment provisions
 - Wholesale-only networks
 - Spectrum management
 - High speed business services: up to €90 billion p.a. (WIK)

Consumer protection

- The EU now has a range of horizontal instruments in place; however, they reflect a minimum harmonisation.
- Member States can and do go beyond these requirements, introducing “gold plating” that increases costs for cross/border electronic merchants.
- Beyond these e-commerce issues, there is scope to apply the CCD and CRD to a wider range of transactions.
- The potential gain has been estimated at €58 billion p.a. (EPRS quoting analysis by GHK)

Estimation of net benefits

- Estimate gains in this legislative term (2014-2019).
- Potential steady state long term gains if all goals fully achieved based on studies and (overly optimistic?) IAs.
- Distinguish among reasons for likely shortfalls:
 - Legislation not yet agreed or enacted.
 - Legislation not yet implemented or poorly implemented.
 - Legislation realises only a fraction of the potential benefits.
- Few instruments were in place long enough to enable meaningful measurement, and no clear counter-factual.

Estimate of net benefits: Rough and preliminary

Potential benefits of legislation 2014-2019 (€bn p.a.)

	E-commerce	Telecommunications	Consumer Protection
Achievable with legislation that has been agreed			
Achievable with legislation that is under consideration			
Possibly achievable with new legislation		200	58

Source: Bruegel

A few further opportunities

- **Cross-border parcel delivery:** Measures enacted increase transparency but do little to reduce prices.
- **Geo-blocking of goods that require shipment:** Work is needed to deal with packaging, labeling, safety regulations, e.g. by means of mutual recognition.
- **Geo-blocking of audiovisual content:** Re-thinking of the structure of the sector is needed (challenging!).

Overall assessment

- The legislative measures agreed / enacted are generally tackling real problems in appropriate ways.
- It is much too soon to measure actual results.
- For many measures, a second round may be needed
 - to fill gaps,
 - to deal with issues that emerge with first round measures, and
 - to capitalise on further opportunities.
- The “low hanging fruit” has already been harvested.