

# Is the Digital Single Market running out of steam?

Blog post by Adviser Conan D’Arcy, 27 May 2016

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The Digital Single Market strategy was launched with great fanfare last year with the aim of creating an online consumer market of over 500 million people and to give encouragement to the growth of European digital companies large enough to compete with the Googles and the Alibabas. The implicit trade-off in this agenda was that the interests of cross-border consumers and companies should be prioritised over businesses using national, more traditional business models. Developments this week suggest that this trade-off is no longer at the heart of the EU approach.

Instead, the DSM is fragmenting into a series of sectoral initiatives. A good example is the European Commission’s proposal to reform audio-visual markets which, far from abolishing national licensing models and facilitating cross-border streaming services, has actually proposed a partial repatriation of audio-visual policy by allowing national governments to extract levies from cross-border streaming services to contribute to national audio-visual production.

Likewise, member states agreed yesterday that, contrary to the Commission’s proposal, the 700mhz spectrum band will remain open to broadcasters until 2030 rather than moving the bands wholesale to mobile 4G. This potentially undermines investment in mobile broadband.

The success of national business models, particularly broadcasters in winning this debate, follows a long line of failed attempts to forge a genuinely European market in the face of well-organised, incumbent interests. Only a few years ago, former digital commissioner Neelie Kroes’ “Connected Continent” package was stripped of its most ambitious cross-border proposals on spectrum harmonisation. Even the celebrated abolition of mobile roaming charges across Europe took a decade of gradual reform. In light of this, the prospects for ambitious reform in September’s proposals on copyright seem remote.

The resistance to change has many sources both inside and outside the European Commission. Commissioner Oettinger has voiced scepticism over a single market in audio-visual services. National governments remain highly resistant to spectrum coordination. The common thread is that the European Commission, which is distracted by problems elsewhere on migration and the Eurozone and is not throwing its full political weight and leadership behind the DSM project. Unlike the original single market project in the 1980s member state patronage simply is not there to support the Commission’s European aspirations. It also highlights the inclination within the EU institutions towards preserving Europe’s industrial and commercial base rather than embracing disruptive companies which potentially displace rather than create new jobs.

What does this mean? It means the DSM is likely to become a more gradual, sector-by-sector exercise where the interests of national, traditional business models look set to define ambition.