



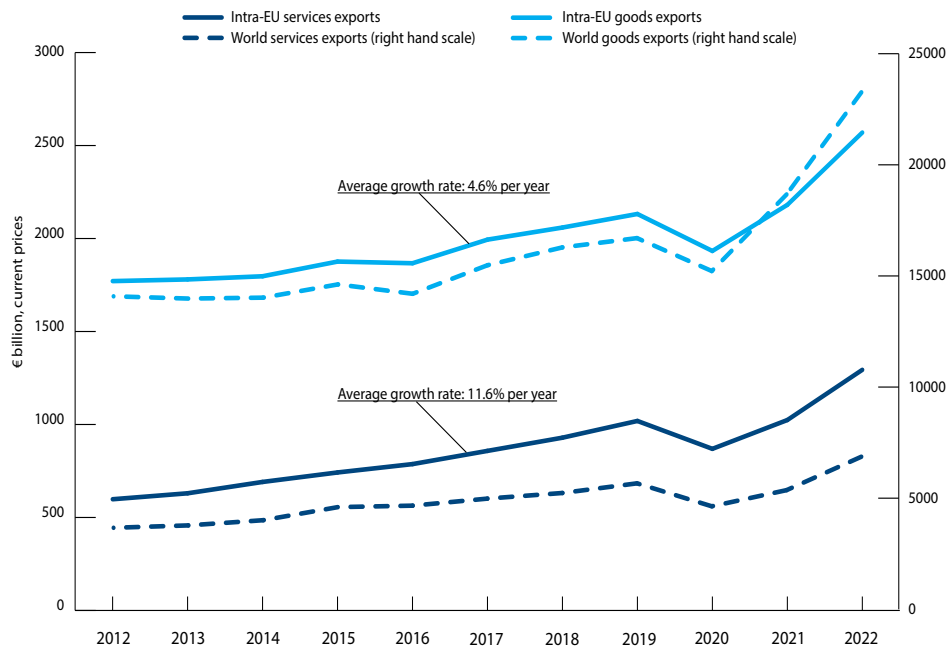
A city-led strategy to reap the rewards from the EU's services trade

A new policy brief from the Centre for European Reform and the Bertelsmann Stiftung argues that the EU should promote single market integration in capital markets, banking and other services, while doing more to confront the regional inequality that services trade promotes. [‘Why cities must drive growth in the EU’s single market’](#) is the first comprehensive analysis of the winning and losing regions from trade within the EU, and identifies four key facts policy-makers should consider when pursuing more single market integration:

- 1. Slowed integration of goods markets:** Intra-EU trade in goods has grown at the same pace as global trade since 2012.
- 2. Goods trade as a ‘convergence engine’:** Poorer, less populous EU regions have been increasingly important locations for manufacturing due to lower labour and land costs. However, as Central and Eastern Europe’s costs converge with the EU average, further big wins are unlikely.
- 3. Growth of services trade:** Services trade within the EU has grown rapidly, now making up half the value of goods exports in 2022, up from a third in 2012.
- 4. Services trade as ‘centripetal’:** Services trade tend to cluster in large, affluent cities with a large share of ‘knowledge workers’, often deepening the divide between dynamic urban centres and their hinterlands. This process has strengthened over time.

But EU cohesion policy is yet to catch up to these realities. To spread the economic benefits of agglomeration beyond the major metropolises, the authors recommend that the EU should identify ‘growth city regions’ in each member-state. These should be non-capital cities which have the potential to become bigger centres of tradable services, with investments in transport infrastructure, higher urban density and enhanced energy efficiency.

Chart 2: Intra-EU trade in services is growing relatively faster than in goods
Intra-EU and world exports of goods and services



Source: CER analysis of Eurostat, international trade in goods and services (the latter since 2010), and World Bank, global exports in goods and services.

John Springford, co-author of the policy brief, said: *“To empower these city-regions, EU funds should be reallocated from less effective programmes, such as the Common Agricultural Policy, and this extra money should be awarded based on an assessment of a region’s growth capacity rather than traditional GDP-based allocation methods. Locating new EU agencies and research institutions in growth city-regions, rather than major capitals, will also help create clusters of expertise and drive regional development.”*

Sander Tordo, co-author of the policy brief, said: *“Implementing these strategies will be politically challenging but essential for raising growth and distributing economic benefits more evenly across Europe. By integrating services markets and investing in promising city-regions, the EU can stimulate economic development beyond its major metropolises and capital cities, while continuing to support poorer regions striving to catch up with European living standards. It is time for the EU to put services and cities at the heart of its growth strategy.”*

Lucas Resende Carvalho, co-author of the policy brief, said: *“Against the new economic realities and perils that the EU faces, EU regional policy must play a crucial role in fostering growth while managing disparities. A city-led strategy offers a double dividend: By investing in city-regions with high growth potential that might otherwise miss out on the single market, the EU can boost economic growth and spread the benefits of further market integration.”*

Notes for editors:

For further information on the new research and to request an interview with John Springford [@JohnSpringford](https://twitter.com/JohnSpringford), Sander Tordo [@SanderTordo](https://twitter.com/SanderTordo) and Lucas Resende Carvalho [@lucas_res_car](https://twitter.com/lucas_res_car) please contact Octavia Hughes in the CER press office on pressoffice@cer.eu or +44 (0) 20 7233 1199.

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