

European Union Politics

SESSION 3: THE SINGLE MARKET

FSV UK, SUMMER 2024

DANIELA LENCES CHALANIOVA, PHD

Degrees of economic integration



▶ European Economic Communities

▶ EEC more “advanced” than EFTA

▶ **Customs union** (in 3 stages over 12 years; finished in 9 years)

▶ **Common market** (no detailed plan – took another 30 years to move on)

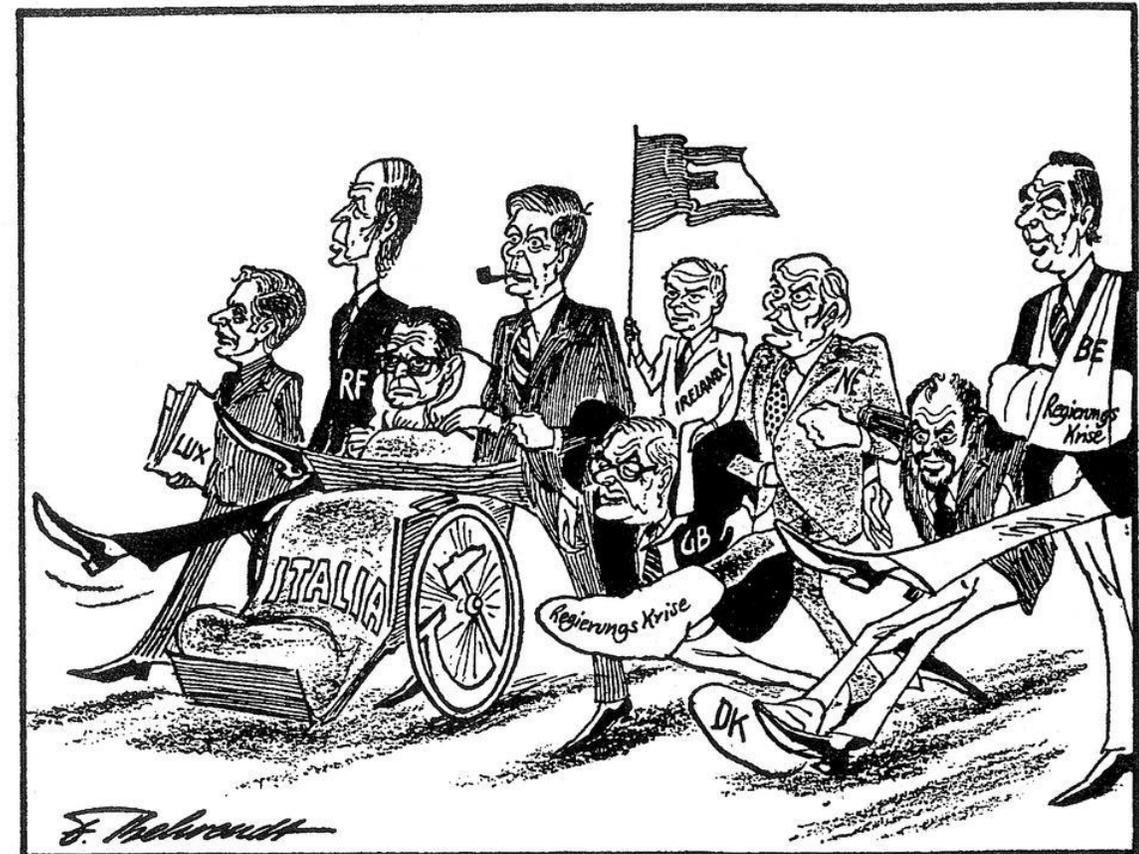
- not only removal of *quantitative* (tariff) barriers to

- but creation of common *qualitative* standards to facilitate trade!

▶ Common commercial policy, common agricultural policy, common competition policy, common transportation policy... coordination of macroeconomic policies

Integration grinds to a halt: 1960s and 1970s

- ▶ Charles de Gaulle's obstructionism (but secured resources for CAP)
- ▶ “Luxembourg compromise” (unanimity) in the Council → an obstacle to meaningful or quick legislation
- ▶ End of German “economic miracle” and the 1970s “oil crises” = economic downturn
- ▶ Member states implement “protective” measures vis-à-vis each other quicker than the EC can eliminate them
- ▶ 1980s era of neoliberal economics personified by Reagan and Margaret Thatcher



1977

Europa unterwegs

To regulate or to liberate (liberalize) markets?

- ▶ Quantitative tariffs lifted, but **qualitative** - “**technical**” - barriers to trade ...REMAIN

Laissez faire (Anglo-Saxon)	Market intervention (Continental)
Invisible hand	Social market
Market liberalization removes restrictions to trade --> attracts capital and business	Curb the worst inequalities of market, welfare politics, redistributive politics, protection(ism)
Deregulation	Regulation
Conservatives, businesses	Social democrats, unions
Consensus intergovernmental politics	Greater use of EC institutions, more QMV in the Council

..building momentum towards the single market

European Court of Justice key decisions

- ▶ Case 8/74 *Procureur du Roi v Benoît and Gustave [Dassonville](#)* – **New national measures that negatively impact trade** (technical barriers to trade) **were declared prohibited**. Regulations for legitimate public interest (health, safety and environment) were however acceptable if there were no European rules in place
- ▶ Case 120/78 *Rewe-Zentral v Bundesmonopolverwaltung für Branntwein* (known as [Cassis de Dijon](#)) – There was no valid reason why products produced and marketed in 1 MS could not be introduced and sold in another MS – notion of equivalence of national regulations led to the principle of **mutual recognition**

**Whiskey and liqueur
case law**

..building momentum towards the single market

- ▶ British budgetary question – resolved ✓
- ▶ External economic competition (US + Japan) ✓
- ▶ New dynamic 1985 “Delors Commission” ✓
- ▶ Market roadmap: White Paper on Completing the Internal Market ✓
- ▶ Political roadmap: Committee on Institutional Affairs (*Dooge report*) recommends institutional reform, more QMV ✓
- ▶ Path open to **SINGLE EUROPEAN ACT 1986**



Vorwärts zur nächsten Euro-Konferenz

COM(85) 310 final

Brussels, 14 June 1985

COMPLETING THE INTERNAL MARKET

White Paper from the Commission
to the European Council
(Milan, 28-29 June 1985)

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Liberalize AND regulate!

- ▶ **Mutual recognition:** liberalization of movement of goods, services..
- ▶ **New approach:** regulate only essential health & safety products – with help of European standardization agencies – instead of “total” harmonization [electronics, cars, food, toys, medicines etc.]
- ▶ Standards and certification technicalities: [CEN](#), [CENELEC](#), specialized agencies [EMA](#) (medicine), [EFSA](#) (food), EASA (aviation)... automotive industry [ACEA](#)
- ▶ Negative and positive integration
- ▶ Importers into EU need to follow these standards too!



Single European Act 1986

- ▶ Endorsed the “single market” programme →
free movement of goods, services, capital and labour
- ▶ In 3 stages schedule **until Dec. 1992**
- ▶ 300 *White paper* measures for European Commission to legislate = directives/regulations for the member states to implement

- ▶ Treaty reform with ‘single market’ put under QMV

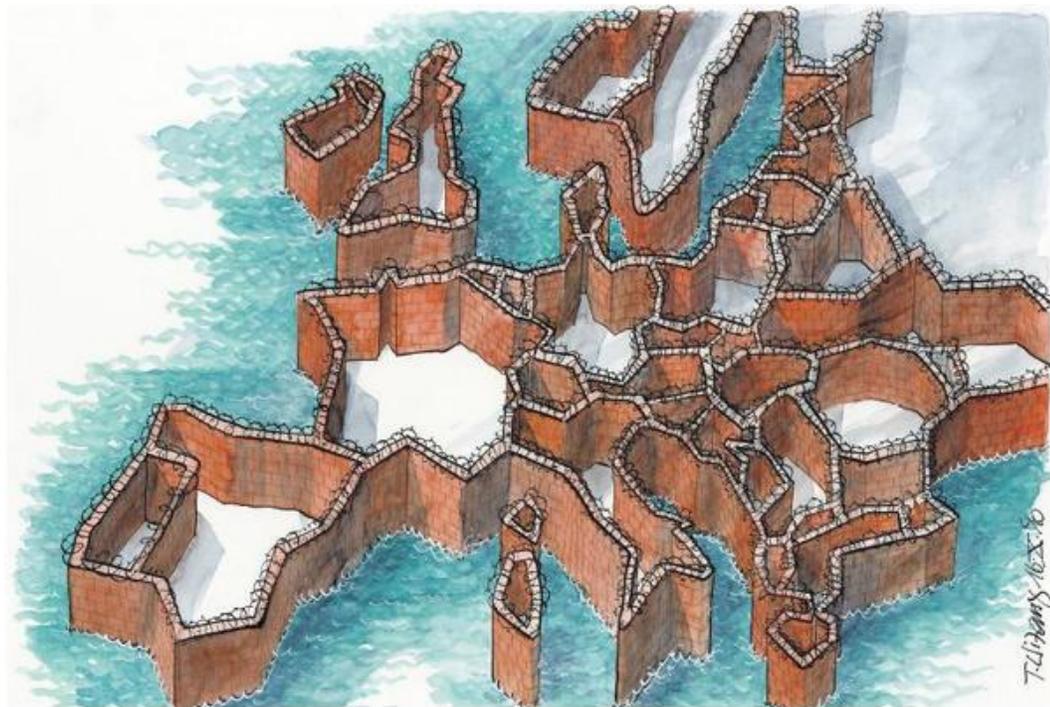
Qualified Majority Vote decision making

= breaking the Council deadlock ✓

How does the market look from outside?



From a maze to a fortress?



Career Services
 Business Opportunities
 Employment Advertising
 Wholesale Offerings
 Page 3 of 3

The New York Times
Business
 Sunday, October 23, 1993
 Page 3

The Growing Fear of Fortress Europe

When internal barriers come down in 1992, will the U.S. and Japan find new walls to keep them out?

Prospects
Toward a 'Pentagon Inc.'
Charles Wall Jr.
Michael A. Harrison
Pet Olefin
Roger Altman

What Europe Buys
 (Values in billions of dollars)
 Automobiles 100.7
 Office equipment 10.0
 Apparel and accessories 10.0
 Food, beverages, toiletries 10.0
 Electronics, computers 10.0
 Telecommunications equipment 10.0
 Drugs, pharmaceuticals 10.0
 Paper and paper products 10.0
 Plastics and plastics products 10.0
 Textiles and textile products 10.0

SEM underpinned by Competition Policy

European Commission – [DG Competition](#)

Oversee that competition in the single market is **NOT** distorted



- ▶ Acts *against monopolies* and companies abusing their dominant market position
- ▶ *Mergers and acquisitions* (above certain turnover €) so as to prevent emergence of monopolies and oligopolies
- ▶ *Anti-trust law*: steps against cartels and anti-competitive practices
- ▶ Monitor state aid and subsidies
(Public procurement (above certain volume))

Single Market after 1992

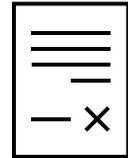
- ▶ By dec 1992 about 90% of common market completed
- ▶ 3000+ **regulations** and **directives**
 - **Goods** 88% subject to harmonized rules, 18% mutually recognized
 - **Services** account for 45% of EU GDP ...but regulation is fragmented
 - **Labour** most difficult to “free” – diverging additional national requirements such as professional certifications
 - **Capital** – free movement – with little regulation ...caused *additional* problems during the 2008 crisis
- ▶ **Consumer protection** – minimal harmonization
- ▶ **VAT** levels – continue to vary across member states
- ▶ Technological progress, change in “composition” of economic sectors
- ▶ 2010s Monti reforms, Single Market Acts I+II, now **digital single market**



Policy-making in the single market

European Commission

Legislative initiative



- ▶ Understaffed; in need of **highly technical knowledge**; relies on private sector consultants

European Parliament
(EU citizens)

Legislative amendments

- ▶ Committees according to policy area; assess **impact of measures**; again businesses, unions

Council of the EU
(member states)

Legislative amendments and implementation

- ▶ Lobby **national government** or ministries responsible; or access through European Economic and Social Committee etc.

Interest groups

- Permanent offices in Brussels (just like COREPER)
- “Consultancy”
- Transnational “alliances”
- Businesses, industries, unions, NGOs

- Try to influence every step/level of the process

Single Market – a shared competence *between* EU and Member States

- ▶ **Directives** need to be implemented - *transposed* - into national legislation (there are delays or missed purpose due to differing national interpretations)
- ▶ MS sometimes **regulate on top** of EU “minimal” rules – erecting a new technical barrier – to protect their employees, sensitive industries etc. (hidden under health and safety)
- ▶ Or MS sometimes use the “**Brussels excuse**” to push through unpopular reforms at home (more competition to national champions)

PROBLEMS OF OVERSIGHT

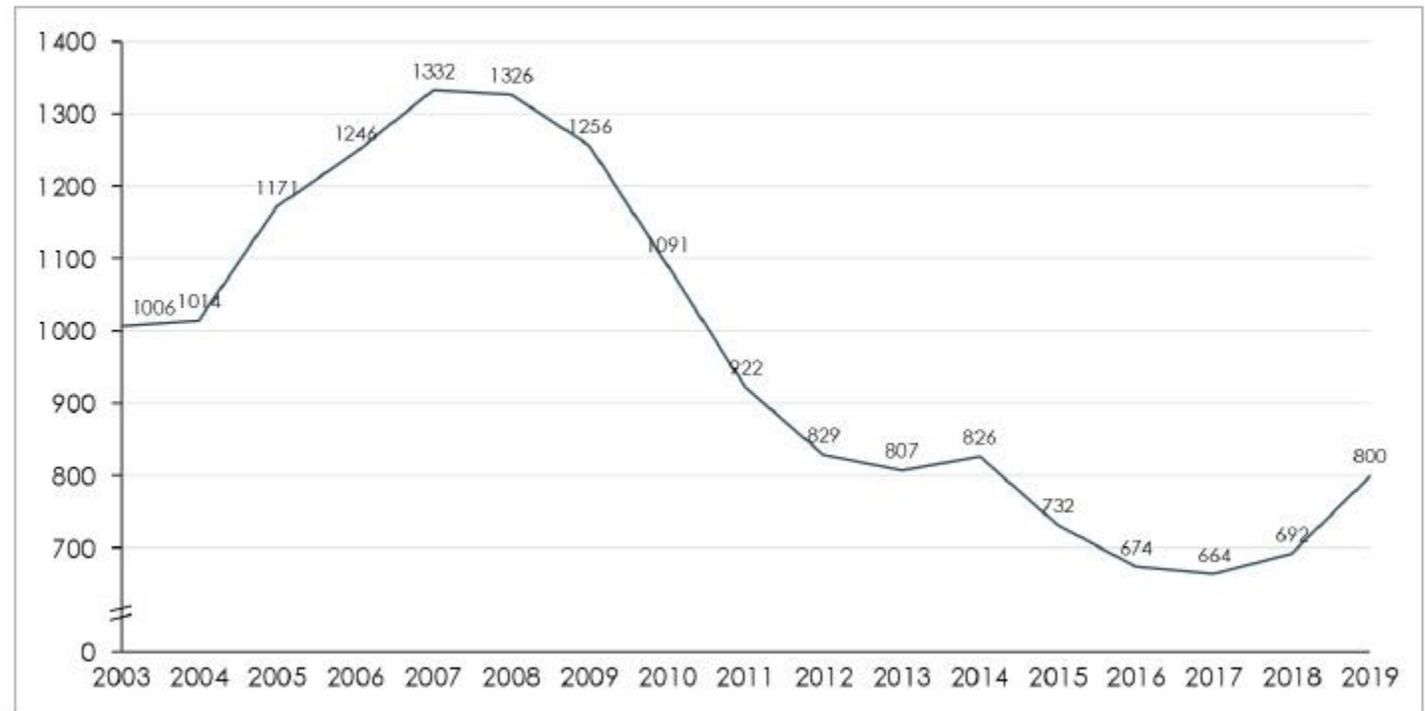
- ▶ Commission staff is **too small** to check *all* member states across all regulated areas
- ▶ It often has to rely on red flags raised by businesses themselves
- ▶ States with highest numbers of pending cases: **Spain** (57), **Italy** (49) and **Germany** (47) [2021]

European Commission (and ECJ): oversight and enforcement

MOST POPULAR INFRINGEMENT AREAS

- ▶ Air transport
- ▶ Free movement of professions
- ▶ Water protection
- ▶ Waste management
- ▶ Services
- ▶ Atmospheric pollution
- ▶ Indirect taxation
- ▶ Road/rail transport
- ▶ Energy
- ▶ Free movement of goods and market surveillance
- ▶ Public procurement

Figure 3: Number of infringement cases related to the Single Market, 2003-2019



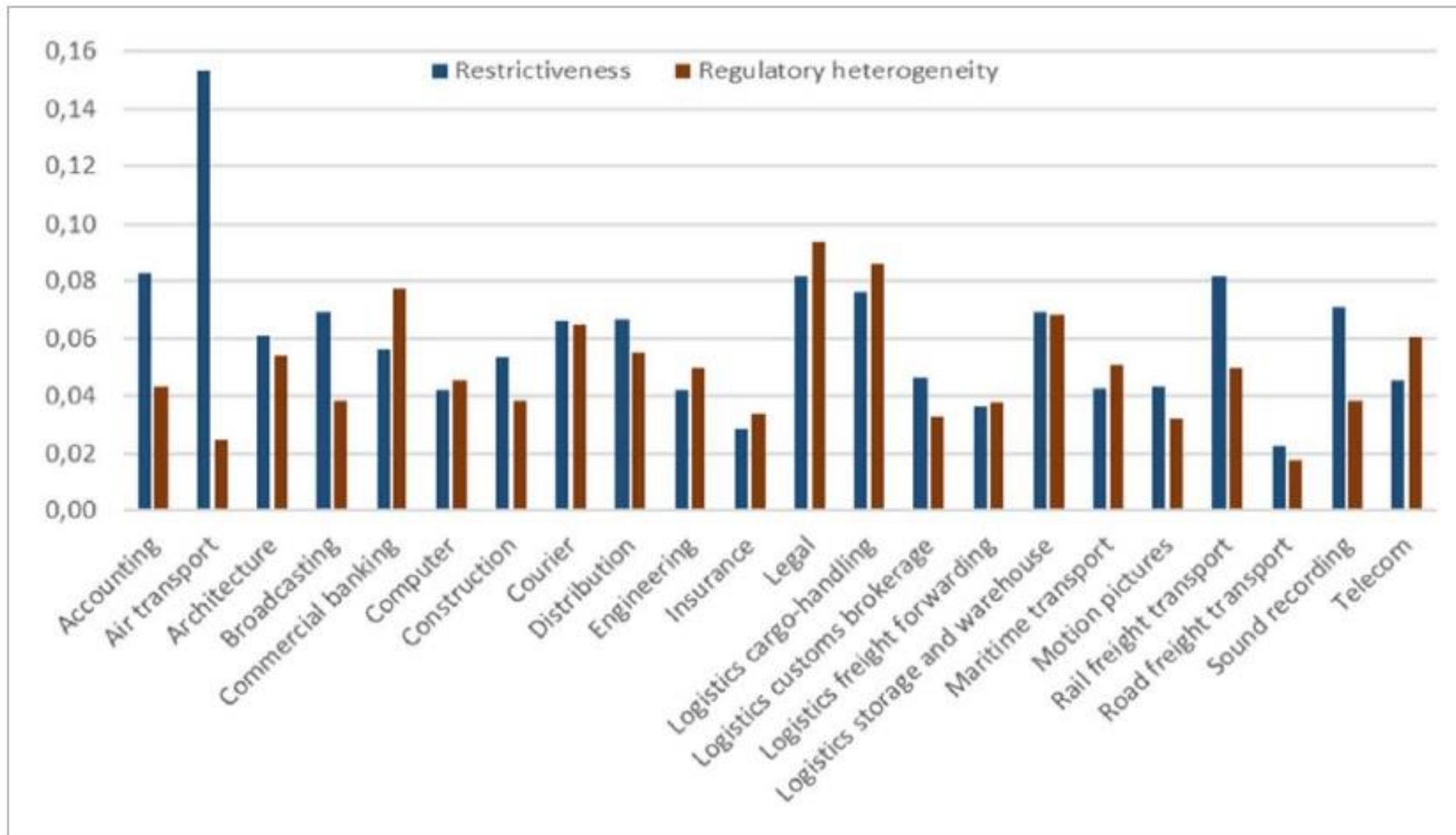
Services – a contested area

SERVICES --> growing part of the economic production mix since 1990s – yet limited “mobility”

Banking, insurance, construction, retail, transportation, manufacturing, administrative support, hospitality

- ▶ **Services Directive 2006** (2009) – applying “mutual recognition” principle to services
 - “country of origin” amended to “**right to provide services**” (by the EP)
 - Exceptions: healthcare and social services, private security, audiovisual sector, notaries and lawyers
- ▶ Obstacles: professional qualification (akin to product standards/certification) (2013 amendment to help with recognition of qualifications)
- ▶ Differing national health, social taxation rules (employees), general taxation rules, rules about transparency of ownership structure, legal status/form of organization
- ▶ Language barriers
- ▶ Not to undermine the *Posted Workers Directive 97* according to which the host-country wage laws apply
- ▶ Regulatory heterogeneity remains

Figure 12: Intra-EU services trade restrictiveness and regulatory heterogeneity, 2019



Source: OECD STRI database.

Note: Results based on scores for the 22 EU-OECD countries.

Single Market and other policies

- ▶ Competition policy
- ▶ Agriculture, fisheries
- ▶ External trade
- ▶ Social and cohesion policy
- ▶ Environmental policy
- ▶ Transportation
- ▶ Research and development
- ▶ Telecommunication

THE NEW LONG-TERM EU BUDGET 2021-2027 A budget for a Union that protects, empowers and defends

In billion euro, current prices (taking inflation into account)



I. SINGLE MARKET, INNOVATION AND DIGITAL €187.4

- 1 Research and Innovation
- 2 European Strategic Investments
- 3 Single Market
- 4 Space



II. COHESION AND VALUES €442.4

- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



III. NATURAL RESOURCES AND ENVIRONMENT €378.9

- 8 Agriculture and Maritime Policy
- 9 Environment and Climate Action



IV. MIGRATION AND BORDER MANAGEMENT €34.9

- 10 Migration
- 11 Border Management



V. SECURITY AND DEFENCE €27.5

- 12 Security
- 13 Defence
- 14 Crisis Response



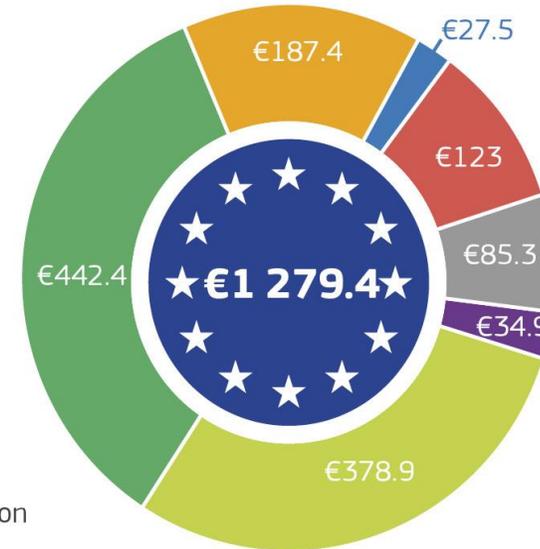
VI. NEIGHBOURHOOD AND THE WORLD €123

- 15 External Action
- 16 Pre-Accession Assistance



VII. EUROPEAN PUBLIC ADMINISTRATION €85.3

- 17 European Public Administration



Dilemmas of the single market

- ▶ To **liberalize** or to **regulate**? ...especially with some states being governed by *conservative*, other by *social democratic* governments
- ▶ Can an **unregulated** market ensure **high quality** of products/safety standards?
- ▶ Can the common market ever be “**complete**”?
- ▶ EU “*uniform*” regulation vs. *domestic* preferences?
- ▶ *Who watches over* policies being implemented, besides businesses suing each other?
- ▶ Does the single market benefit **big businesses** more than **SMEs**?
...economies of scale
- ▶ “Race to the bottom” of the poorer EU member states?
- ▶ Free movement of labour – better for qualified or unqualified workers?

