

# European Union Politics

## SESSION 3: THE SINGLE MARKET

# Degrees of economic integration

Political Union

Fiscal Union

Monetary Union

Common Market

Customs Union

Free Trade Area

Preferential Trade Area

Independent Economy

INCREASING INTEGRATION

Rome Treaty  
1957

## ► European Economic Communities

► EEC more “advanced” than EFTA

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

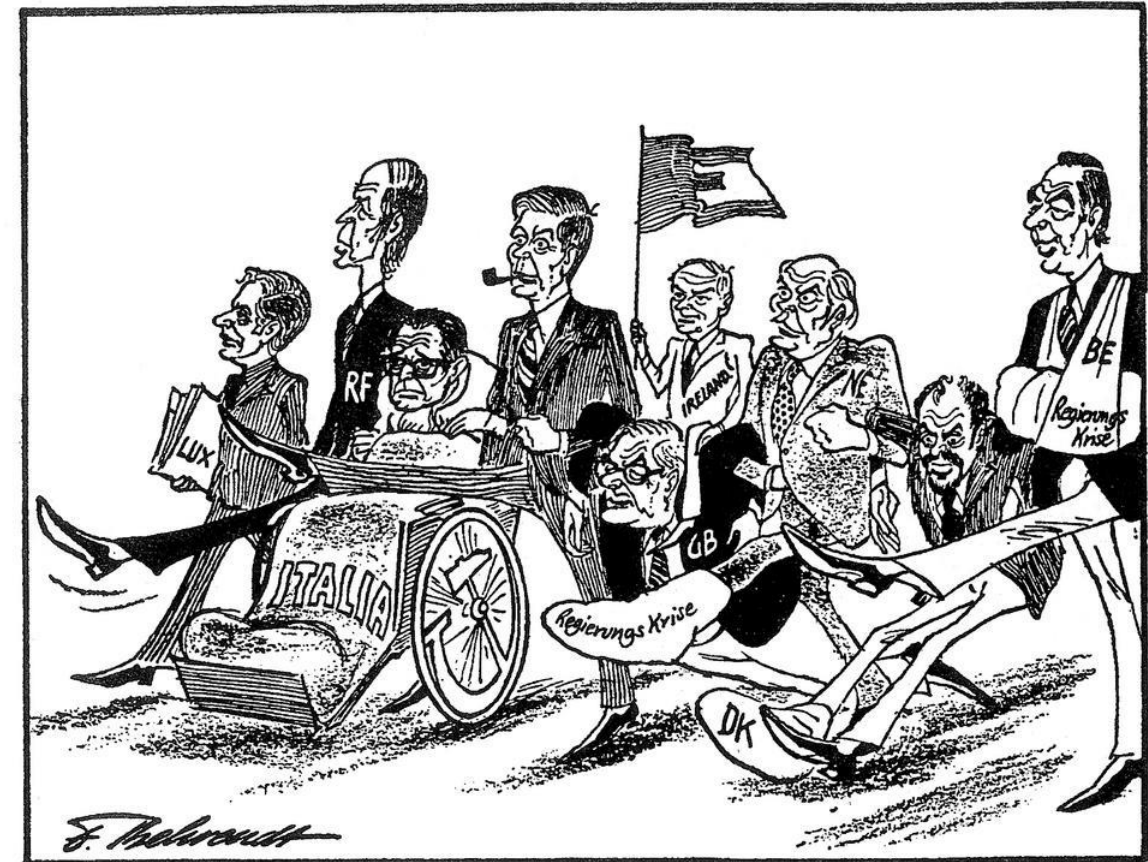
► **Common market** (no detailed plan – took another 30 years to move on)

- not only removal of **quantitative** ([tariff](#) or quota) barriers  
- but creation of common **qualitative** standards to facilitate intra-Community trade! [Asparagus quality regulation](#), [chocolate directive](#)

► 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 (quality)
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 CASE LAW - key decisions

- ▶ Case 8/74 *Procureur du Roi v Benoît and Gustave [Dassonville](#)* – **national measures that negatively impact intra-Community trade** (to the effect of a quantitative restriction) **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 one 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” ✓
- ▶ Economic 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:** regulation of 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
- ▶ BOTH: **negative** and **positive** integration  
(remove barriers)      (create common standards)
- ▶ Importers into EU need to follow these standards too!





# Single European Act 1986

(new treaty)

- ▶ 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  
 Copyright © 1992 by The New York Times Company

**The New York Times**  
**Business**  
 Sunday, October 23, 1992  
 Section 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?

By STEVEN GREENBERG

**T**HEY ARE A SIGNIFICANTLY UNDERSTOOD FACTOR in the European Community's plans to improve its internal market. In 1992, the European Community will eliminate its internal barriers to trade, and the result will be a single market. The European Community will be a single market, and the result will be a single market. The European Community will be a single market, and the result will be a single market.

**Charles Wall Jr.**  
 President of the American Chamber of Commerce in Europe, Mr. Wall is a former senior executive of the American Chamber of Commerce in Europe. He is a former senior executive of the American Chamber of Commerce in Europe.

**Michael A. Hartman**  
 President of the American Chamber of Commerce in Europe, Mr. Hartman is a former senior executive of the American Chamber of Commerce in Europe. He is a former senior executive of the American Chamber of Commerce in Europe.

**Pat Chavira**  
 Vice President of the American Chamber of Commerce in Europe, Mr. Chavira is a former senior executive of the American Chamber of Commerce in Europe. He is a former senior executive of the American Chamber of Commerce in Europe.

**Roger Altman**  
 President of the American Chamber of Commerce in Europe, Mr. Altman is a former senior executive of the American Chamber of Commerce in Europe. He is a former senior executive of the American Chamber of Commerce in Europe.

### What Europe Buys

The following table shows the value of U.S. exports to Europe in 1991, by major product category.

Product Category	Value (\$ Billions)
Petroleum products	100.7
Office equipment	29.0
Apparel and accessories	15.7
Food, beverages, including wine	14.9
Electronic machinery and parts	13.1
Telecommunications equipment	12.8
Trucks, parts and accessories	10.4
Paper and paper products	10.4
Trucks and transportation	9.1
Plastics and a miscellaneous	8.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

# Single market is underpinned by Competition Policy

European Commission – [DG Competition](#) (exclusive EU competence, see slides L02)

**Oversees that competition in the single market is NOT distorted!!**



- ▶ Acts *against cartels, 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 – Apple fined [€1.8bn](#)
- ▶ Monitors state *aid* and *subsidies*  
(Public procurement (above certain volume))



# Single Market after 1992

- ▶ By dec 1992 about 90% of common market completed
- ▶ TODAY: 3000+ **regulations** and **directives**
  - **Goods** 82% 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** (value added tax) levels – continue to vary across member states
- ▶ Technological progress, change in “composition” of economic sector: **digital single market**
- ▶ Growth or slump?



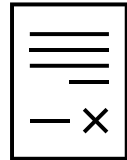
GDPR



# 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)

Council of the EU

(member states)



Legislative amendments

Legislative amendments and implementation

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

- ▶ 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” services
- Transnational “alliances”
- Businesses, industries, unions, NGOs
- Try to influence every step/level of the legislative 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

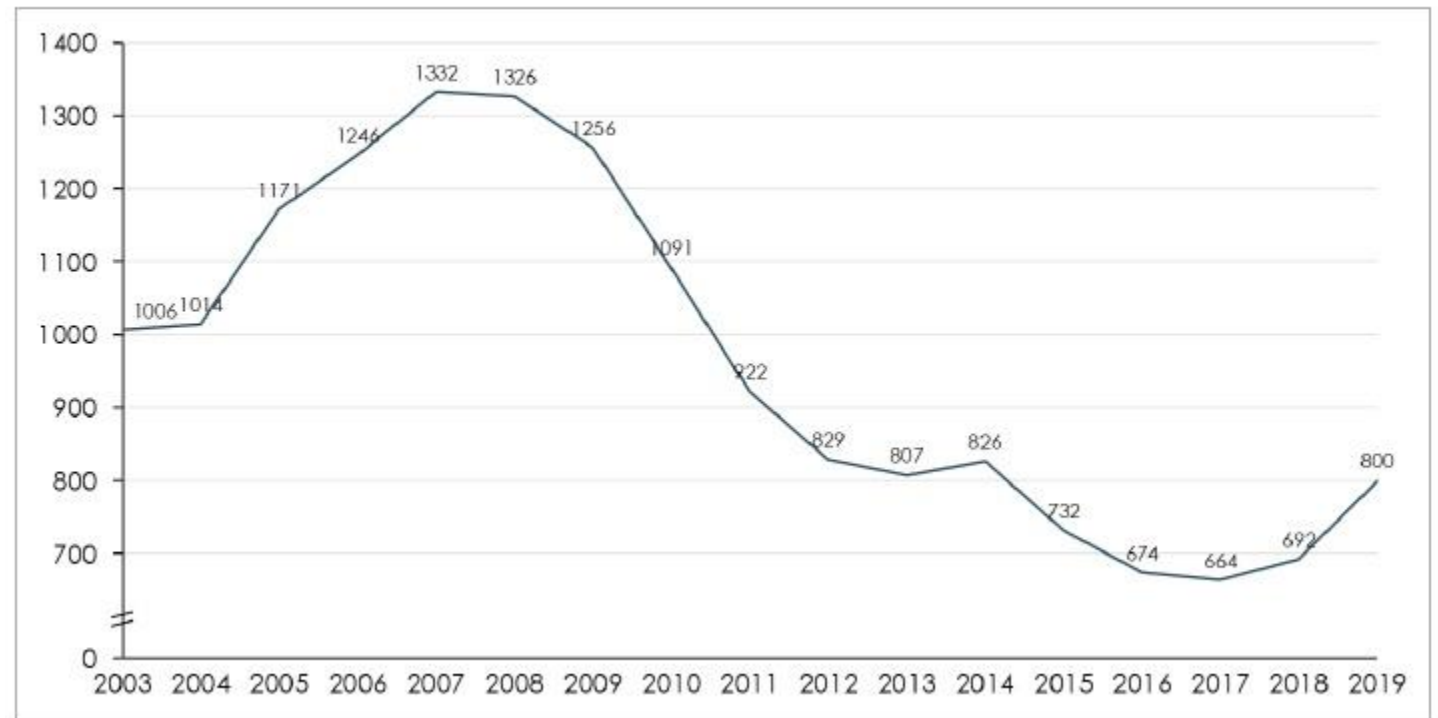
- ▶ Commission staff is **too small** to check *all* member states across all regulated areas
- ▶ It often has to rely on red flags raised by businesses themselves
- ▶ States with highest numbers of pending infringement cases: **Spain** (42), **Greece** and **Hungary** (41), **Italy** (39) and **Belgium** (34), which replaces Germany in the top 5 [2023]

# 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



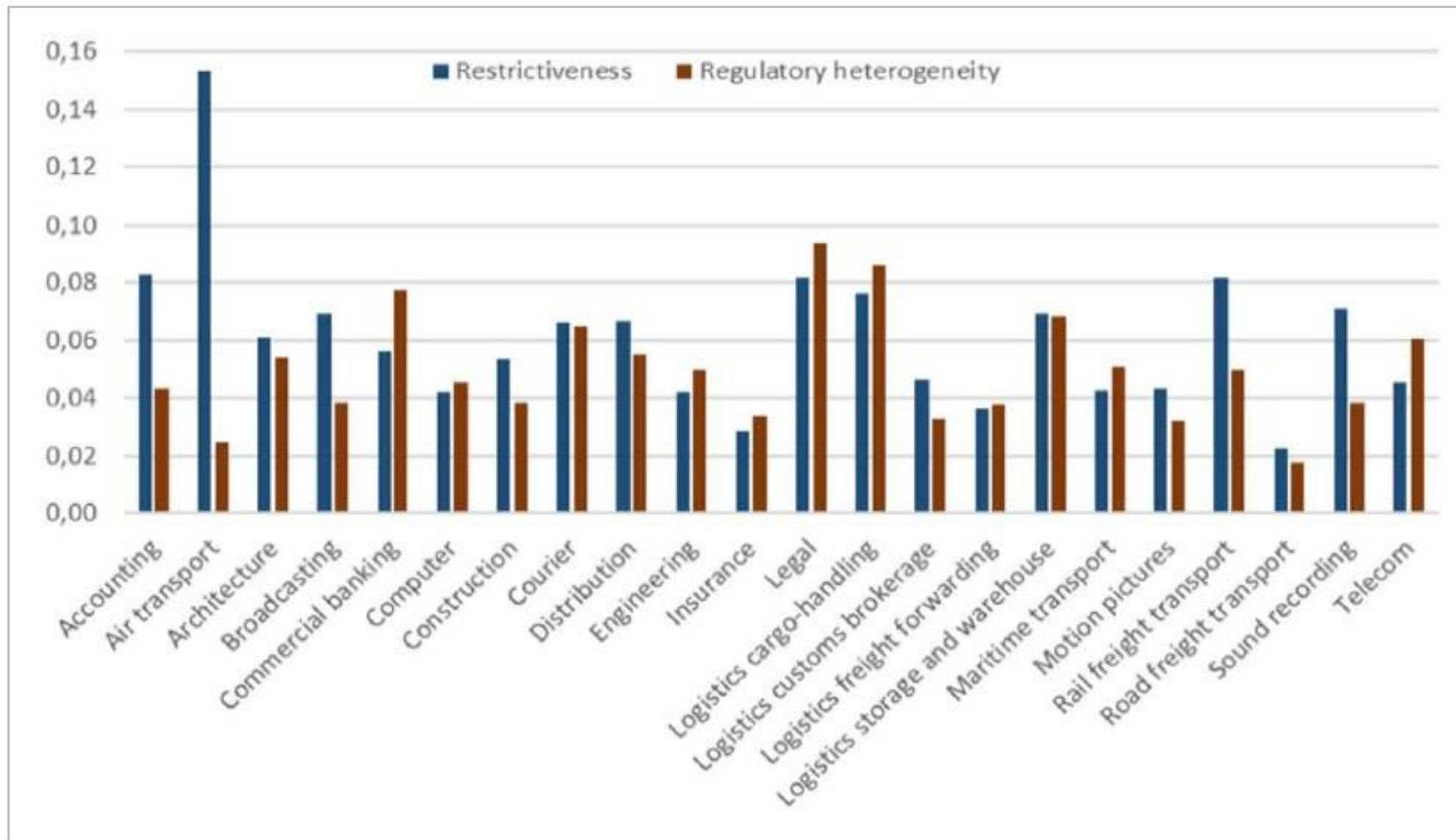
# Services – remain a contested area

**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, 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 relation to other policies

- ▶ Competition policy
- ▶ Agriculture, fisheries
- ▶ External trade
- ▶ Social and cohesion policy
- ▶ Environmental policy
- ▶ Monetary Union
- ▶ Research and development

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



### 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

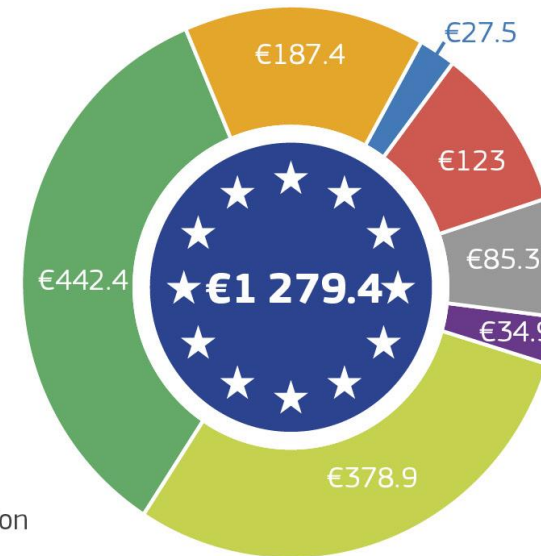
- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



### III. NATURAL RESOURCES AND ENVIRONMENT €378.9

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

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



### 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



### IV. MIGRATION AND BORDER MANAGEMENT €34.9

- 10 Migration
- 11 Border Management



# 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** (small and medium enterprises)? ...economies of scale
- ▶ “Race to the bottom” of the poorer EU member states?
- ▶ Free movement of labour – better for qualified or unqualified workers?

