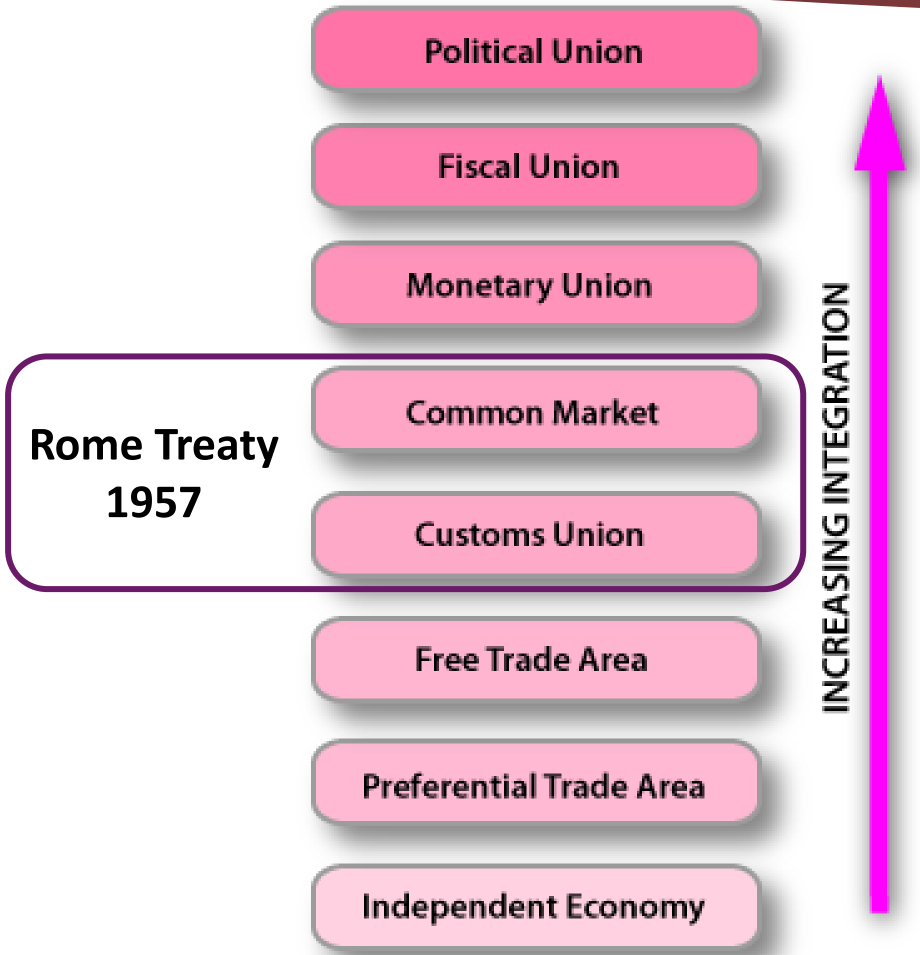
European Union Politics

SESSION 3: **THE SINGLE MARKET**

Degrees of economic integration and European Economic Communities '57



- **European Economic Communities 1957/8**

  - EEC was more "advanced" than proposed European FTA

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

- **Common market** (no detailed plan – took another 30 years)

  - not only removal of ***quantitative*** (tariff or quota) barriers

  - but creation of common rules ~ ***qualitative*** standards ~ to overcome non-tariff barriers to trade and facilitate intra-Community trade!

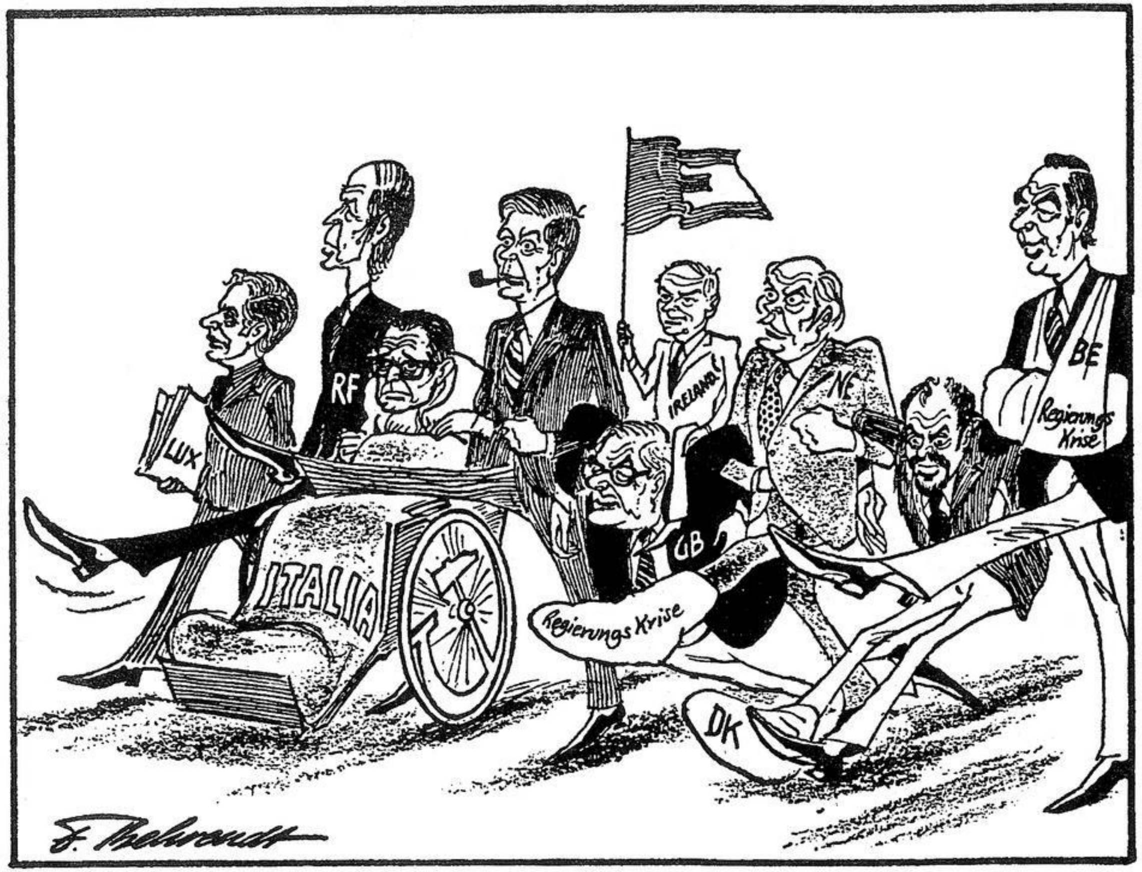
Examples: asparagus and cucumbers quality regulation (1964), chocolate directive (1973), regulation setting maximum levels of certain contaminants in food (2023), tobacco directive (2014)

- 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 liberate or to regulate the 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, states compete to attract investors (low taxes and workers' protections)	Curb the worst inequalities of market, welfare politics, redistributive politics, protection(ism)
Deregulation (freedom)	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**

..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

COMMISSION OF THE EUROPEAN COMMUNITIES

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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- **Physical**, **technical** and **fiscal** barriers to trade

[Trump complains about technical standards]

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!

CE

US nutritional label

Servings: larger, bolder type

New: added sugars

Change in some nutrients required

Nutrition Facts	
8 servings per container	
Serving size	**2/3 cup (55g)**
Amount per serving	
Calories	**230**
	% Daily Value*
Total Fat 8g	**10%**
Saturated Fat 1g	**5%**
Trans Fat 0g	
Cholesterol 0mg	**0%**
Sodium 160mg	**7%**
Total Carbohydrate 37g	**13%**
Dietary Fiber 4g	**14%**
Total Sugars 12g	
Includes 10g Added Sugars	**20%**
Protein 3g	
Vitamin D 2mcg	10%
Calcium 260mg	20%
Iron 8mg	45%
Potassium 240mg	6%

* The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.

Serving sizes updated

Calories: larger type

Daily Values Updated

Actual amounts declared

New footnote

EU nutritional label

Nutrition Information

	Per 100 g	
Energy	485 kJ / 117 kcal	
Fat	8 g	
Of which Saturates	3,7 g	
Carbohydrate	9 g	
Of which Sugars	8 g	
Protein	1,4 g	
Salt	0,02 g	
Vitamin C	14,81 mg	19% RI*

Salt content is exclusively due to the presence of naturally occurring sodium.

*Reference intake of an average adult (8 400 kJ / 2 000 kcal)

INGREDIENTS: Mandarin Oranges (37.9%), Light Whipping Cream (Milk), Pears (12.4%), Peaches (7.7%), Thompson Seedless Grapes (7.6%), Apple (7.5%), Banana (5.9%), English Walnuts (Tree Nuts)

Official EU organic products logo

PROTECTED DESIGNATION OF ORIGIN

Official EU food designations

PROTECTED GEOGRAPHICAL INDICATION

TRADITIONAL SPECIALITY GUARANTEED

Single European Act 1986
(new treaty)

- Endorsed the **“single market” programme** →

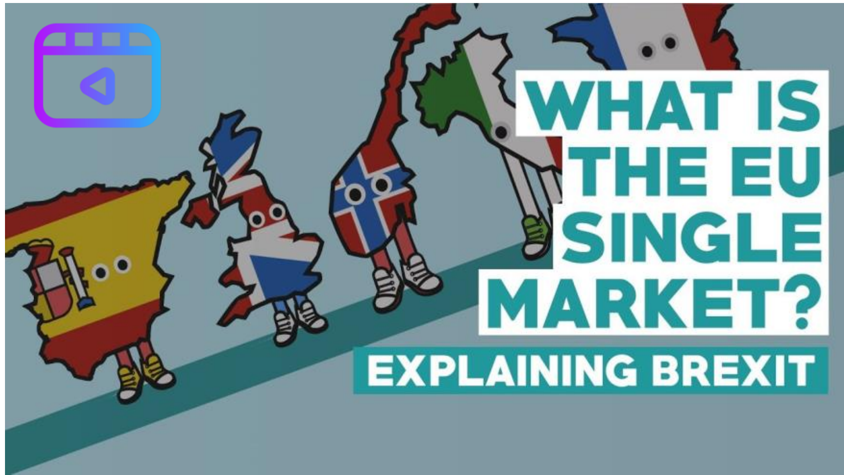
free movement of **goods, services, capital and labour**

- In 3 stages schedule **until Dec. 1992**
- 300 *White paper* measures for European Commission to legislate = directives/regulations for the member states to implement (slide 7)
- 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?

The New York Times

Business

Prospects

Toward a 'Pentagon Inc.'

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?

What Europe Buys

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 in the single market
- *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 (by 2020): 3000+ **regulations** and **directives**
  - **Goods** 82% subject to harmonized rules, 18% mutually recognized
  - **Services** account for 45% of EU GDP …but regulation remains 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

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

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” 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

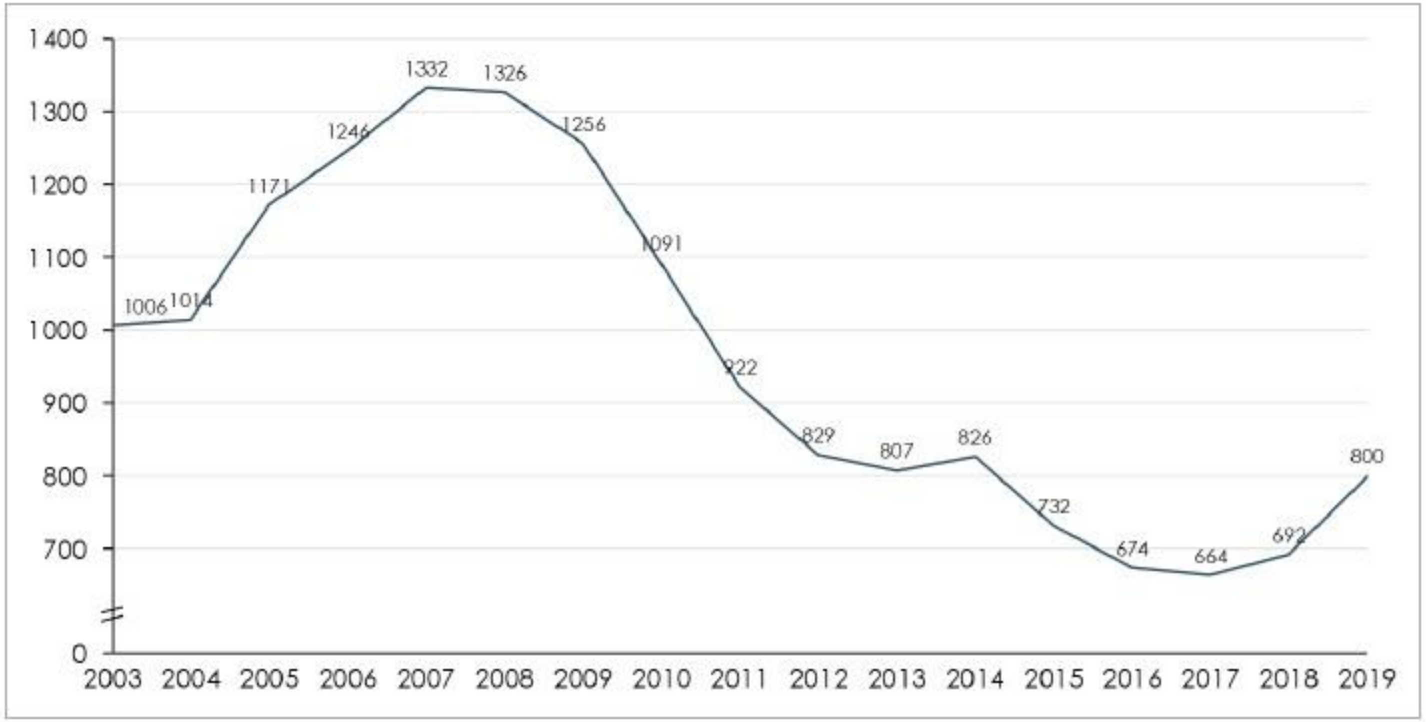
- Commission staff is **too small** to check *all* member states across all regulated areas
- It often has to rely on red flags raised by businesses themselves
- States with highest numbers of pending infringement cases: **Spain** (42), **Greece** and **Hungary** (41), **Italy** (39) and **Belgium**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

European Commission (and ECJ): oversight and rules 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

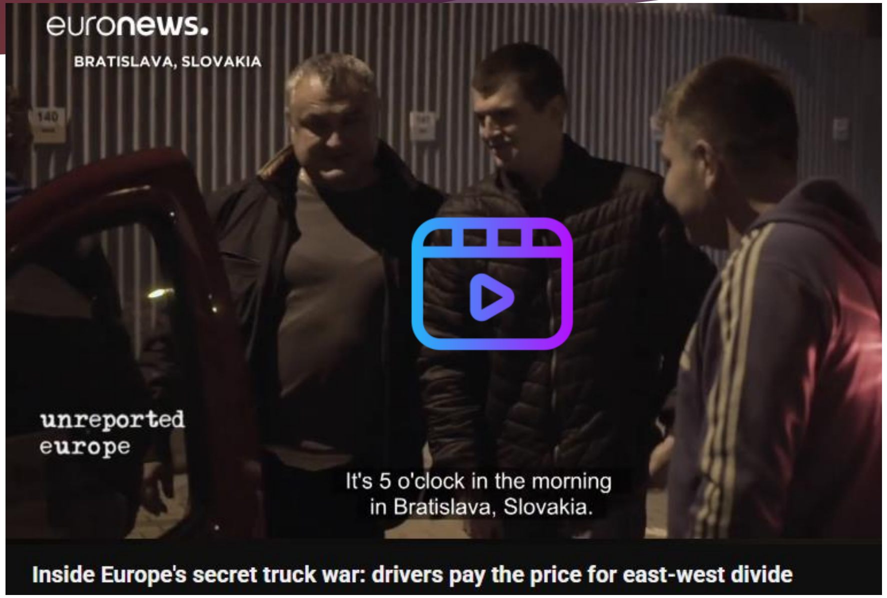
- **Obstacles**: professional qualification (akin to product standards/certification) (2013 amendment to help with recognition of qualifications)
- **Competition**: differing national health, social taxation rules (employees), general taxation rules, rules about transparency of ownership structure, legal status/form of organization
- Language barriers

“Free movement of services” or social dumping?

- Freedom of establishment and **freedom to provide services**

CASE: Truck driving / transportation Western companies establish logistics companies in Eastern Europe (PL, BG, SK, HU, RO…)

- Pay **more** than East European low skilled wage, but much **less** than they would in Western Europe where they offer their services
- **Loss** of jobs in the West (Dutch truckers)
- **Social dumping**

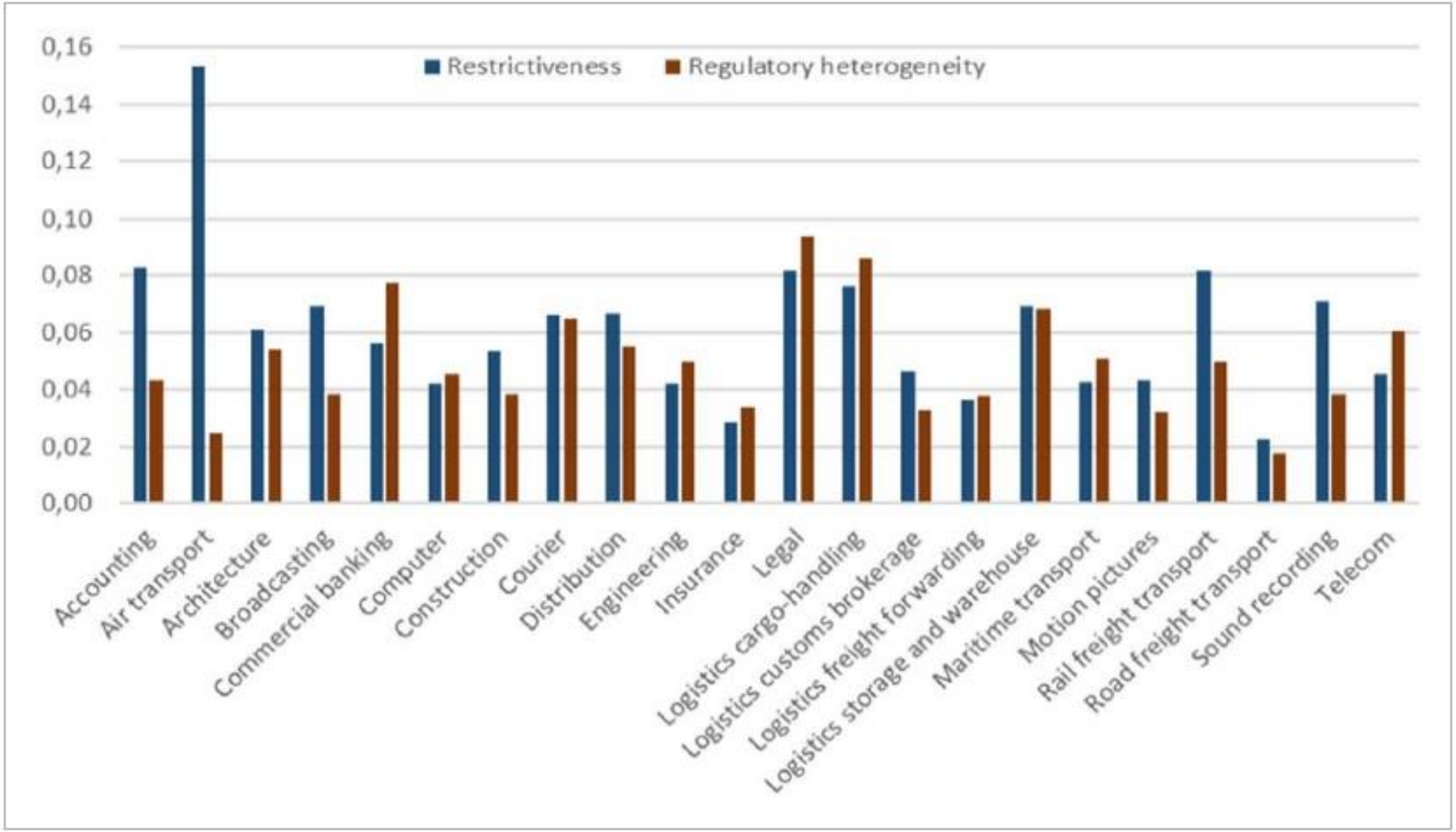


Clash:

- ECJ case law like *The Rosella case* (Viking case) upheld businesses rights to the detriment of **labour rights**
- Transnational unions like **International Transport Workers’ Federation** keep on fighting for transportation workers’ rights
- Today: delivery workers like Uber, Foodora, Wolt…

Regulatory heterogeneity remains

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

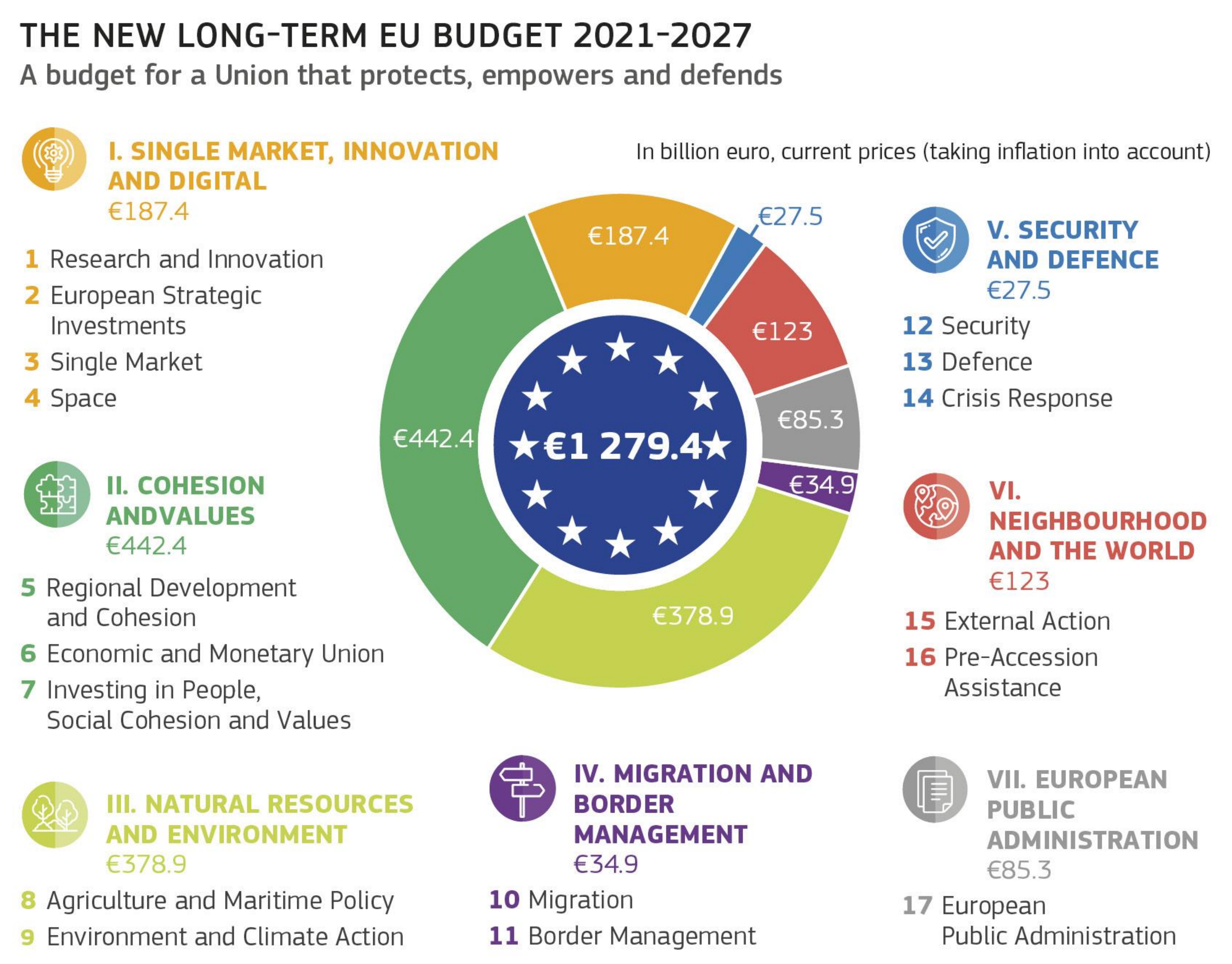


Source: OECD STRI database.

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



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* preference?
- *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?