

European Union Politics

SESSION 3: THE SINGLE MARKET

Degrees of economic integration and European Economic Communities '57

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 1957/8

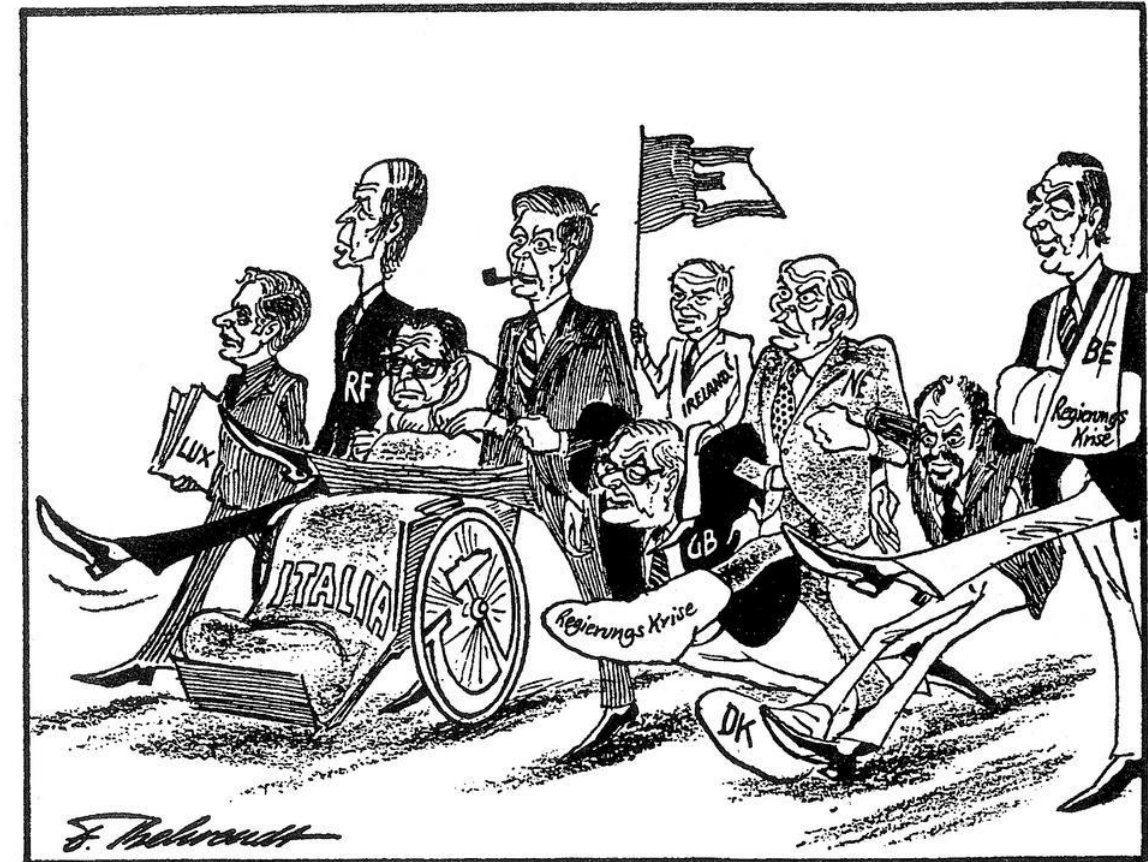
- EEC was more “advanced” than proposed European FTA
- **Customs union** (in 3 stages over 12 years; finished in 9 years)
- **Common market** (no detailed plan – took another 30 years)
 - not only removal of **quantitative** (tariff or quota) barriers
 - but creation of common rules ~ **qualitative** 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 (2003), tobacco directive (2004)

- 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

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!



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)

SEZNAM ALERGENŮ

publikovaný ve směrnici 2000/89 ES od 13.12.2014 směrnici 1169/2011 EU

1

OBILOVINY OBSAHUJÍCÍ LEPEK

pšenice, žito, ječmen, oves, špalda, karamel nebo jejich hybridní odrůdy a výrobky z nich

2

KOŘÝŠI

a výrobky z nich

3

VEJCE

a výrobky z nich

4

RYBY

a výrobky z nich

5

PODZEMNICE OLEJNÁ (ARAŠÍDY)

a výrobky z nich

6

SÓJOVÉ BOBY (SÓJA)

a výrobky z nich

7

MLÉKO

a výrobky z něj

8

SKOŘÁPKOVÉ PLODY

mandle, lískové ořechy, vlašské ořechy, kešu ořechy, pekanové ořechy, para ořechy, pistácie, makadamie a výrobky z nich

9

CELER

a výrobky z něj

10

HOŘČICE

a výrobky z ní

11

SEZAMOVÁ SEMENA (SEZAM)

a výrobky z nich

12

OXID SIŘIČITÝ A SIŘIČITANY

v koncentracích vyšších 10 mg. ml/kg. 1, vyjádřeno SO₂

13

VLČÍ BOB (LUPINA)

a výrobky z něj

14

MĚKKÝŠI

a výrobky z nich



Official EU organic products logo



Official EU food designations

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

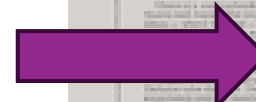
Qualified Majority Vote decision making

= breaking the Council deadlock ✓

How does the market look from outside?



From a maze to a fortress?



The New York Times
Business
 Sunday, October 23, 1988
 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?

By STEPHEN BARBERIAN

Prospects

Toward a 'Pentagon Inc.'

A study published in the *Financial Times* last week suggests that Europe is likely to see the rise of a new kind of corporate structure. The study, which is based on a survey of 100 European companies, predicts that by 1992, when internal barriers are expected to come down, many of these companies will have become so large and so powerful that they will be able to compete with the world's largest corporations.

Charles Wells Jr.

Charles Wells Jr., president of the American Chamber of Commerce in Europe, says that the study is a warning sign for the U.S. and Japan. He says that if Europe becomes a fortress, it will be able to keep out foreign goods and services, which would be a disadvantage for the U.S. and Japan.

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What Europe Buys

The top 10 items that Europe buys from the U.S. in 1987, in billions of dollars.

Automobiles	\$10.7
Office equipment	\$9.0
Apparel and accessories	\$8.7
Foodstuffs, including wine	\$8.0
Electronic machinery and parts	\$6.1
Telecommunications equipment	\$5.8
Trucks, parts and accessories	\$5.4
Paper and paperboard	\$5.3
Books and magazines	\$3.1
Plastics and related resins	\$2.1

Illustration: A detailed black and white illustration of a large, multi-towered fortress or castle. The fortress has several tall, cylindrical towers with conical roofs. In the foreground, there is a large ship, possibly a cargo ship or a battleship, with a prominent gun turret. The ship is docked at a pier. The background shows a body of water and some distant structures.

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?



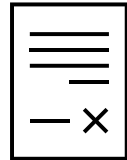
GDPR



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

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

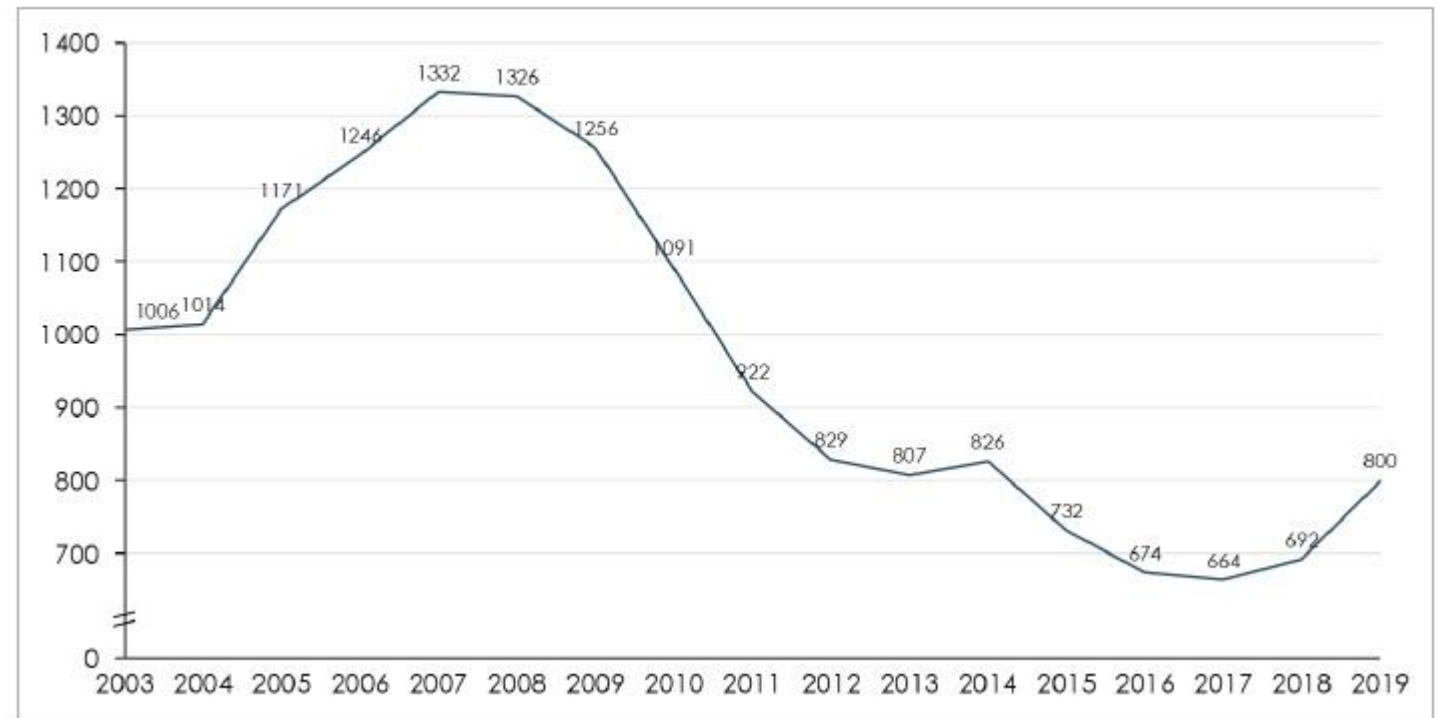
- ▶ Commission staff is **too small** to check *all* member states across all regulated areas
- ▶ It often has to rely on red flags raised by businesses themselves
- ▶ States with highest numbers of pending infringement cases: **Spain** (42), **Greece** and **Hungary** (41), **Italy** (39) and **Belgium**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

European Commission (and ECJ): oversight and 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?

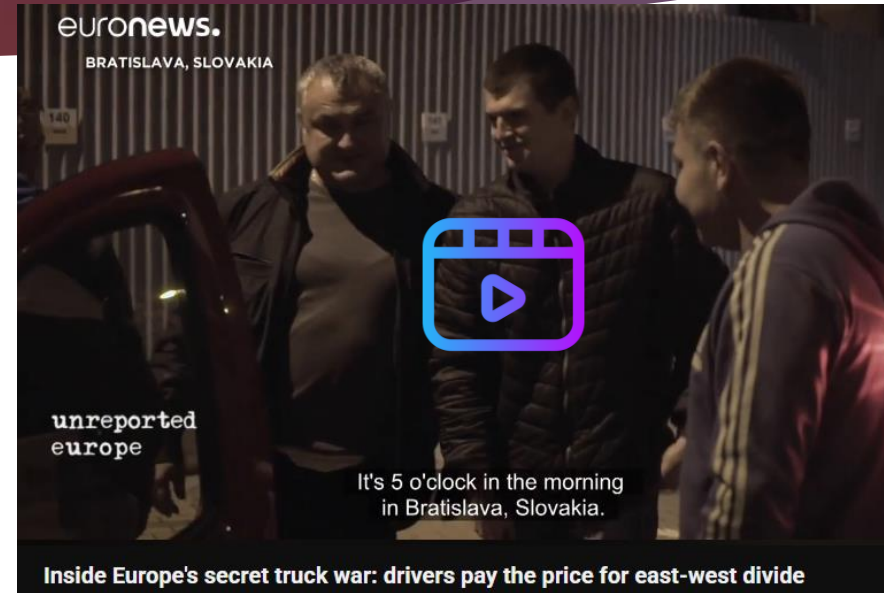
► Freedom of establishment and **freedom to provide services**

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**

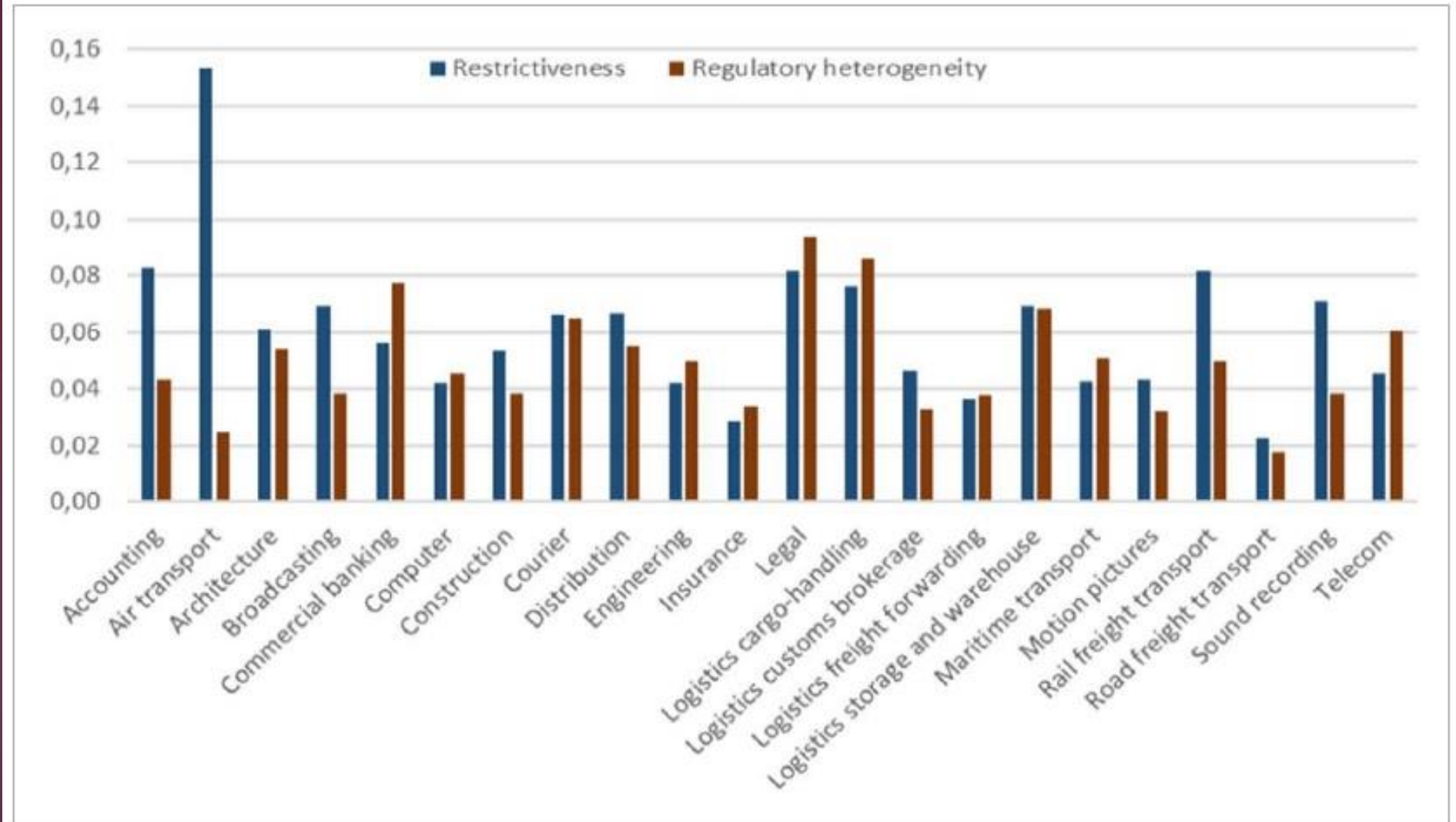
Clash:

- 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

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

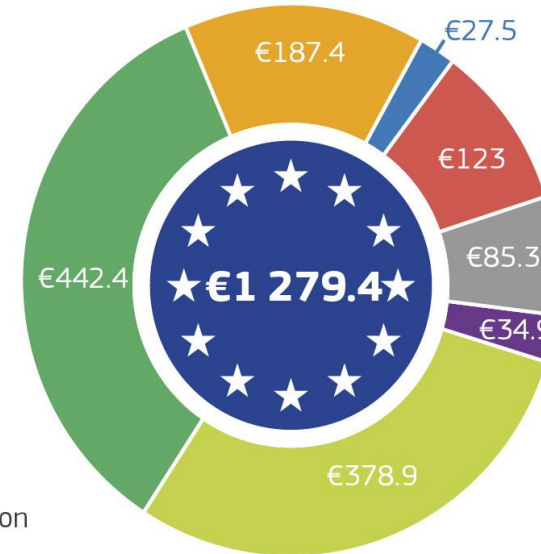
- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



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* 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?

