

## **The Single Market**

### **A new approach to policy**

#### **Short overview**

- single market (SEM) programme → turning point between old and new politics (integration & regulation)
- renewal of the European market as one of the most important turning points in the policy making in Europe
- SEM: redefinition of means & ends of policy
- Made new constellations and ideas concerning the European integration possible
- SEM also important for the policy-making within the member states as the supranational level of European governance often gets into conflict with other issues on the political and economical agenda of the member states

#### **Background**

- Idea of creating a single market started with the Treaty of Rome: Common market, free movement of goods, services, capital and labour (“four freedoms”)
- trade was impeded by national rules
- tariffs among member states were removed → other barriers were revealed

#### **Harmonization and its increasing frustration**

- early 1960s commission began to work on these new national trade rules because of their negative impact
- 1. July 1968 → complete elimination of customs duties between member states
- with it the commission intended a total harmonization
- after first enlargement of the EU, the commission pursued a more pragmatic approach concerning the harmonization
- only where it could be specially justified
- only uniform rules where an overriding interest demanded it
- optional against total harmonization
- European Economic Community used Directives to realize the four freedoms
- It just outlined the political measures leaving the implementation to the member states
- Why is harmonization necessary?
- High level of economic interdependence within the EU made TBT costly and visible

- TBT are different national rules on taxations, product standards, tariffs
- They are an obstacle to free trade
- EU used existing standards for Europe wide product standardization, e.g. CEN and CENELEC
- like the better known ISO those bodies represented already accepted standards which could be merged into political measures
- ECJ jurisprudence in the 1970s added to the efforts of the commission by providing a legal basis for changing national rules obstructing free trade
- In the 1980s there was an economic crisis → led to the need for reforms (large trade deficits, high inflation)

### ***The emerging reform agenda***

- Crisis was clear, response was not → many different political interests
- It came to a convergence of national policy preferences
  - governments should interfere less in economics and instead concentrate on the removal of regulations
- 1983: European round table of industrialists (ERT) was formed to promote the finishing of the SEM

### ***The single European market programme***

- At the same time (1983) the Commission followed a new approach including mutual recognition of equivalent national rules agreeing only on essential requirements
- The development of technical standards is further delegated to CEN and CENELEC
- In June 1985 the White Paper by Lord Cockfield listing about 300 measures required to accomplish the SEM by 1992 was released
- In the same year the first Schengen agreement was signed

### ***The single European Act***

- With the Iberian enlargement in mind, the member states started to consider institutional reforms + creation of a genuine common market
- By December 1985 an intergovernmental conference agreed on terms of institutional reforms which later became the SEA:
  - changed the way of decision making in many fields of politics from unanimity to qualified majority voting (QMV)
  - enhanced the power of the parliament

## ***Squaring the theoretical circle***

- There are there are two different ways to explain the creation of the SEA: one stressing the role of supranational actors (neo-functionalism) and one focusing on the importance of the member governments (liberal-intergovernmentalism)
- Regarding history making decisions (like SEA) member states are the crucial actors
- policy-setting decisions like the road to the SEA are mainly done by supranational institutions

## ***Institutional reform***

- the SEA set the institutional framework for the single market programme
- it remained largely unchanged except for the following points:
  - treaty of Amsterdam allowed MS to adopt national rules stricter than common rules
  - the institutional reforms first introduced for single market purposes, were then extended to other areas of policy making

## ***The politics of policy making***

The SEM and SEA fundamentally changed the politics of market integration within the European Community.

1. The SEM revived „negative integration“ (the removal of national rules that impede economics exchange)
2. The SEA changed the institutional framework for „positive integration“ by reinstating QMV and enhancing the powers of the EP
3. The SEM blurred the distinction between positive and negative integration by setting only minimum requirements

## ***Negative integration***

- Negative integration is the elimination of national rules which impede economic exchange
- Negative integration occurs as the result of a national measure being found incompatible with the treaties as a result of a judicial process
- The principle of mutual recognition is at the heart of negative integration → all member government regulations should be deemed equal. → products produced legally in one member state should be considered equally safe as those produced legally in any other member state. If one member government prohibits the sale of a product produced legally in another MS, the producing firm can go to court

## ***Positive integration***

- Because different countries, for a wide variety of reasons, adopt different regulations and because those regulations serve public policy goals and usually only impede trade as a side effect, it is frequently not possible to simply eliminate national rules (“negative integration”). In such cases, in order to square the twin objectives of delivering public policy objectives and liberalizing trade, it is necessary to replace different national rules with common European ones (“positive integration”).

## ***Substance and impact*** (of the single market legislation/SEM)

- Significant economic impact
- Change in business attitudes and business behaviour
- Despite the impressive efforts, the single market is still not complete and in many respects never will be → it is an on-going project requiring constant updating
- The Commission is still not satisfied with the transposition of directives into national law, as over 8% of single market directives have not been transposed in all member states.
- There are four particular problem areas when it comes to completing the single market:
  1. inadequate implementation of directives
  2. problems with the operation of the mutual recognition principle
  3. important lasting cultural differences among the member states
  4. persistent gaps in the legislative programme

Each of these problems is likely to become more complicated in a larger EU

## ***Policy linkages***

- Now that products and services move more easily between member states, attention has shifted to the processes and conditions under which they are produced and provided.
- In addition, the single market was invoked to build up support for the two big policy initiatives that followed it: Economic and Monetary Union (EMU) and justice and home affairs
- The single market programme also has implications for the EU’s external policies. It has affected the terms on which third-country goods and services enter the EU and it has enhanced the EU’s capacity to participate effectively in international trade negotiations. It has provided a core framework for relations with the EU’s “near abroad”

## ***The single market in an enlarged EU***

- Extending the single market programme to the new member states in advance of their accession has eased their adjustment to membership
- BUT: their membership is likely to complicate the single market, both by increasing the need for positive integration and by making it harder to achieve
- New members will complicate the already delicate balance within the EU, especially with respect to the mutual recognition principle. The larger membership will complicate agreeing on common rules.

## ***Conclusions***

- The single European market programme represents a new approach to policy making → it is an explicitly regulatory mode which involves a diffusion of policy making rather than its concentration at the European level
- Consequences:
  - The SEM reduced the dependency of economic actors on national policy
  - The scope for national policy makers to control economic transactions in their territories has become more limited
- The SEM probably would not have become such a success, if industrial entrepreneurs had not been able to talk up the importance of what they were seeking to do