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Schäffer, Sebastian; Baumann, Florian

Veröffentlichungsversion / Published Version
Arbeitspapier / working paper

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Empfohlene Zitierung / Suggested Citation:
Schäffer, S., & Baumann, F. (2011). *Single Market Act - single act for the internal market or revitalisation for the whole project?* (CAPerspectives, 1/2011). München: Universität München, Sozialwissenschaftliche Fakultät, Centrum für angewandte Politikforschung (C.A.P). https://nbn-resolving.org/urn:nbn:de:0168-ssoar-374607

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C·A·PERSPECTIVES
Center for Applied Policy Research · Ludwig-Maximilians-Universität Munich · www.cap-lmu.de No. 1 · March 2011

Sebastian Schäffer / Florian Baumann

Single Market Act – Single Act for the internal market or revitalisation for the whole project?

In preparation for the 20th anniversary of the single market, the president of the European Commission José Manuel Barroso asked the former Commissioner for the single market Mario Monti to work out a program for the revitalisation of the project. On the basis of this report, the European Commission set out 50 proposals within the Single Market Act that should be implemented by 2012. One of the priorities of the Commission for the current mandate is the renewal of the Single Market project. While some of the proposals will certainly lead towards that goal, the whole package lacks coherence.

According to estimates, the single market project has created 2.75 million jobs and generated roughly 2% additional growth for the European economy between 1992 and 2006. It has led to higher cross-border investment and higher competition with positive effects for consumers. The common market grants European customers greater access to a larger variety of goods at cheaper prices. Due to market integration, it has become easier to travel, work, study, shop, or live in any one of the member states. Despite the fact that Europeans now have a broader range of choice, deeper integration is generally met with scepticism throughout the European Union. But this is only one of the shortcomings of this concept set out more than 20 years ago.

Monti Report

Although the single market is the core of the European project, its full potential as the biggest integrated market in the world has not yet been reached. According to the report by the former Commissioner for the single market, Mario Monti, the project is affected by three weaknesses: First, despite all its success, public support for the Single Market is lower than ever before. According to Mr Monti, an expanding "integration fatigue" in combination with mistrust in market mechanisms in general are responsible for the critical stance towards the internal market among politicians and European publics. Second, market integration takes place at different speeds. While some aspects, free movement of goods for instance, are already widely implemented, others, such as social or environmental issues, are lagging behind. This parallels the academic debate on the distinction between the significant progress on "negative integration" (market making) and deficits on "positive integration" (market correction). Third, Monti claims that the internal market has been perceived as completed – contrary to political and economic reality. Hence, policy attention shifted away from it and other priorities entered the agenda.

The financial and economic crisis is commonly seen as evidence for the still existing deficits in the completion of the single market. European economies have been severely affected by the global recession and a protectionist reflex spread all over Europe. But the flipside of this story are the numerous infringement procedures and directives awaiting transposition in the member states. It would be naive to blame the crisis alone for a lack of willingness among the members to implement secondary law. Free-riding is still evident in the EU and the single market remains feeble as long as political actors fail to implement their commitments.

Single Market Act

Based on the aforementioned Monti report, the European Comission released the communication 2010 (608) "Towards a Single Market Act – For a highly competitive social market economy: 50 proposals for improving our work, business and exchanges with one another". The 50-point communication details the Commission's strategy to revitalize the single market within the broader framework of the Europe 2020 strategy. Following public debate and consultation, the Commission will present to the European Parliament a final draft of measures deemed appropriate for the renewal of the single market. The Parliament and the Council plan to adopt the draft proposal as soon as this spring, subsequently implementing the measures by the end of 2012 - the 20th anniversary of the project.

It is unclear how the proposal will be located in the strategic space between the Monti Report, the Europe 2020 strategy and existing initiatives. Problematic about this proposal is how it should be located in the strategic space between the Monti report, the Europe 2020 strategy and existing initiatives: It can either become another paper tiger, like the miserably failed Lisbon strategy, or a new impetus for the ultimate completion of the internal market. Regarding the latter perspective, the Europe '92 project can hold as a role model. Of the therein included almost 300 measures a majority has been implemented rapidly and dissolved the integration deadlock in the 1980ies.

The Single Market Act includes a wide range of individual measures from the introduction of an "EU patent" for new renewable energy infrastructures, to social safeguards for workers. Positively should be valued that new sectors, such as online markets for intellectual properties, and that the still underdeveloped common market for services are tackled. On the positive side, measures are being taken to tackle issues such as the still underdeveloped common market for services, as well as regulation of new sectors, such as online markets for intellectual properties. The attempt to direct private investments towards "smart, green and inclusive growth" is also a postive step. On the other hand, the emphasis on market making is again obvious, while economic governance and the allegedly softer issues of social or environmental regulation are still somewhat disregarded. Initiatives on cross-border consumer disputes or tax harmonization are far less concrete than infrastructure projects or the review of financial reporting obligations for small and medium-sized enterprise. This is definitely owed to political realties and deference to member states' domains of sovereignty. But a serious proposal for the Single Market in the 21st century could have been more courageous.

Without denying the Commission's ambitions and the need for sectoral amendments to the current market organization, the crucial points are those that remain vague in the Communication. Trust in European integration and in the EU institutions is still high among citizens, especially connected to economic issues. On the other hand, it is obvious how salient topics such as social security, economic growth and environmental sustainability are to the Europeans. The Single Market Act is not concrete enough about people's needs in regards to social, individual and environmental demands and how those can be realized within the European market. Although recognizing that the younger generations will especially make extensive use of the four freedoms, a "Youth on the Move card" and a "European Skills Passport" is not sufficient. It is therefore no wonder that this part of the Commission's proposal, "Good Governance of the Single Market", is the weakest part of the Act and the most vague one.

Recommendations

In order to overcome the shortcomings and to reach the goals of sustainable growth, foster better governance, and put the citizens in the centre of the single market, the following recommendations should be taken into account:

Although there is a clear need for the improvement of the image of the single market within the broader public, the whole effort appears symbolically overloaded. The idea to have a renewal of the project after 20 years is certainly positive. However, the fixed date bears a high risk of failing. The implementation of legislative proposals is particularly ambitious against the background of the pending older directives. Furthermore, the amount of proposals seems to be deliberately set at 50 simply for symbolic effect. A more coherent approach coupled with initiatives that will have a direct impact on the population will be taken by the broader public much more positively than any symbolism.

The EU should not finance infrastructure projects via the backdoor but should instead concentrate more on the political means to enable investment and make a more efficient use of existing instruments for financing (EIB, ERDF, etc.). The Commission should therefore refrain from issuing "project bonds" and leave that to institutions which are specialized on venture capital acquisition. The EU's budget is quite adequate for its actual purpose and could be increased if necessary through efficiency reforms or by higher contributions from the member states. But obtaining additional money through issuing specific bonds for project funding by the Commission is not an option.

Some proposals are clearly oriented towards the Europe 2020 strategy. In order to avoid becoming another ineffective strategy, an even stronger link is desirable. Furthermore, the expansion to new fields such as digital copyright and environmental governance should be encouraged. A well-functioning single market is not only a powerful tool to realize the Europe 2020 objectives, but also a precondition for regulative competition and gradual harmonization. Policy learning in an integrated market can encourage the necessary pressures for adopting best practice measures for innovation, education, efficiency and sustainability. The EU thus has to develop a stronger strategic nexus between the new single market initiative and Europe 2020.

The Single Market needs more comprehensible projects that benefit customers directly. Normally at this point lower airfares and reduced roaming costs for mobile phones are mentioned. There is still a great deal of unjustified price differences or cross-border fees, such as the high charges for withdrawing money abroad or even at cash machines of other banks. Citizens in the near future will more frequently ask the question: “What has Europe ever done for us?”The renewed single market should not only improve the economic situation of EU customers indirectly via by means of competition and thus cheaper prices and better products. Benefits have to be to the direct favour of the Europeans.

Furthermore, the idea of involving the broader public in the discussion about the Single Market Act should be welcomed. Many stakeholders are intensively involved in the consultation process, but the aim of restoring public confidence in the Single Market needs more than that. A debate about this core project of European integration is not occurring in the national mass media. In Germany and Austria the fear of the “Polish Plumber” is still present and much more discussed than the positive effects of the Single Market. This term was coined in France after the enlargement in 2004 summarizing the concerns of the French workers that cheap labour workers from Eastern Europe will migrate to France. Although countries like Great Britain or Sweden opened their labour market directly in 2004, there hasn’t been a massive increase of labour-migrants from the new member states. Nevertheless, because the restrictions for labour-migration from the new member states end in June 2011, the 'Polish plumber' debate is again the main topic when European integration is discussed in Germany and Austria. The European Commission therefore needs to continue to involve the broader public even after the consultation process has ended. Otherwise the EU is risking a loss of confidence with the citizens at the very core of its legitimacy – economic cooperation. And without that, further political integration is almost impossible.

Finally, the Single Market Act must be put into the overarching framework of common economic governance. While market and monetary integration are already well-advanced, macro-economic policies are still a patchwork of national differences. There is no need for a complete supranationalization of economic authority, but the need for firmer coordination is evident. The various EU funds and the Euro as common currency are insufficient to improve economic growth and international competitiveness in a globalized world. Therefore, harmonization and coordination of economic policies must go beyond the Single Market Act proposals. 27 different and partially counteracting policies for pensions, wages and national budgets – again linked to the Europe 2020 strategy – are not efficient. Thus tax harmonization, not only VAT but also an aligned margin for corporate taxation, as well as more macroeconomic coordination, such as retiring age, are key to bolster the Single Market with sound policies. The same is true for the mutual recognition of professional qualifications. Those steps need intensive efforts among the member states, but also have to include strong oversight and mechanisms to sanction noncompliance where the deviator cannot block decisions.

Florian Baumann
is Research Fellow in the Research Group on European Affairs.
florian.baumann@lrz.uni-muenchen.de

Sebastian Schäffer is a lecturer and research fellow at the Ernst-Moritz-Arndt University Greifswald, Institute for Political Science and Communication Studies.
sebastian.schaeffer@uni-greifswald.de

C·A·PERSPECTIVES Editors
Michael Bauer, Florian Baumann, Sebastian Schäffer
CAPerspectives@cap-lmu.de

C·A·P
Center for Applied Policy Research
Maria-Theresia-Str. 21
81675 Munich · Germany
Phone +49 · 89 · 2180 1300
www.cap-lmu.de