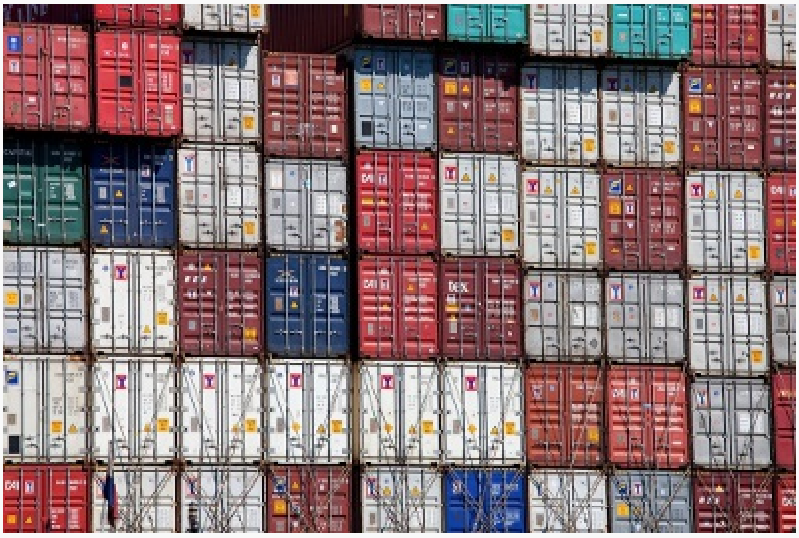
Twenty years after the completion of the EU's single market programme, member states have still not eliminated all barriers to trade.

by Blog Admin

The single market programme, launched by the European Commission in a 1985 white paper, put 1992 as a deadline for the completion of the single market. As **Michelle Egan** *writes, twenty years on from the original 1992 deadline there still remain significant regulatory barriers between member states. While the Commission has proposed a number of new reforms to deepen the single market, the reforms will only be effective if they are fully embraced by member states.*

EU summits always acclaim the virtues of the single market; yet the publication of a new single market proposal last month made few headlines across Europe. Although the EU is celebrating the twentieth anniversary of the "1992" single market program, with a number of public events across Europe, the lack of enthusiasm or endorsement for current efforts to address the remaining barriers in Europe is striking. It may be that European leaders pushed into collective action by the sovereign debt crisis have been reluctant to push for more Europe at a time of "integration fatigue." But in advancing an agenda for boosting cross-border activity, the European Commission, the EU's executive arm, has targeted energy, digital, and transport sectors as priorities for deepening market integration. They face an uphill battle as the reform proposals, which come two years after a sweeping report on the state of the single market by Former Commissioner and now Italian Premier Mario Monti, provide a mixed bag of initiatives that lack the strategic ambition of the "1992" legislative program.



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The European Commission will struggle to implement its single market plans by the proposed deadline at the end of 2014 for a number of reasons. First, they have proposed a long list of proposals bundled together. Opening up energy, transportation, digital and business services may yield important gains. It is unclear what impact social entrepreneurship will have on business growth, productivity, and employment creation. Second, trying to boost consumer confidence with initiatives such as passenger rights and transparency of banking fees is laudable in itself, but during a period of economic recession and high unemployment, consumer protection is not social cohesion. Job creation matters more. Third, as the euro crisis has escalated, member states are implementing major structural reforms and austerity measures, making it harder to push for more single market. With increased frustration and protest at the terms and conditions imposed, extremist parties as well as domestic public opinion have tempered support for unity and solidarity. All of this makes the case for more Europe difficult.

The world economy has changed significantly over the past twenty years with technology and innovation becoming more crucial elements in fostering competitiveness and growth. European companies face some real constraints if they want to leverage the single market to compete globally. There are a number of obstacles that still need to be addressed to improve the business environment and restore investor confidence. For Europe to address its economic challenges, it needs to focus on the single market for services, as a means of addressing the productivity gap with the US, and realizing the untapped potential of its greatest asset. Services remain hampered by divergent country specific rules, whether it is special licenses, professional qualifications, or constraints on use of home country inputs. The implementation of the services directive has only been partially successful. E-commerce is hindered by divergent rules on data privacy, consumer protection and on-line service provisions. A digital single market would yield substantial gains. Take e-books, for example, where different platforms and taxes result in electronic book sales of only 1 per cent compared to 31 per cent in the US. Copenhagen Economics have estimated the anticipated benefits from deepening the single market at 1 per cent of GDP.

Some progress has been made. A single European patent process can slash costs and improve innovation. Recent agreement on a unitary patent court – to be based in three locations no less – is a crucial first step towards addressing the growing gap with China, US, Japan and Korea in terms of patents granted. But two issues are important to ensure that the single market delivers its potential and regains overall public support. The first issue is enforcement of single market rules. Business has repeatedly expressed concern that single market rules need to work better in practice. In a 2011 poll 55 per cent of companies indicated they face high administrative barriers and 39 per cent perceived some discrimination against foreign businesses. Greater attention must be given to addressing business and consumer complaints through alternative dispute resolution mechanisms rather than formal litigation. The infringement cases heard before the European Court of Justice capture only a fraction of the barriers encountered in the single market, since many firms may prefer to avoid costly litigation for fear of the impact on their export markets.

The second issue is the need to address concerns of citizens and workers about the reduction of social rights. The single market proposals need to demonstrate more clearly the impact on growth, employment and social cohesion to deepen public support and legitimacy. The European Commission has shelved discussions on the relationship between social rights and market freedoms. While this has 'revived an old split that had never been healed' between the clarification of worker rights in cross-border situations and the exercise of freedom of establishment and right to provide services, the continuing legal uncertainty is problematic for the single market.

Anniversaries are meant to be important celebrations. Brussels may create a raft of measures to deepen the single market but member states need to move beyond empty rhetorical support. Much of the legislation is already in place. But it needs to be implemented in a common and consistent manner to improve the overall business and investment environment. If the conditional political and financial support for the euro area through agreements on supervisory mechanisms at the recent EU summit revealed the two-tier nature of Europe between the ins and outs, the single market proposals should be seen as the means to bridge the divisions that are emerging over budgets, banking and bailouts among member states. Monti's recent remarks about the 'potential disintegration' of the single market under the pressures of the eurozone crisis should be a warning that different facets of the single market still need to be addressed by all 27 member states.

Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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