

# THE SINGLE MARKET 20 YEARS LATER

## CHALLENGES AND OPPORTUNITIES

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This synthesis reviews the main ideas discussed during the conference entitled “The single market 20 years later: challenges and opportunities” organised by Notre Europe - Jacques Delors Institute and the Maison de l’Europe on 11 December 2013 in Paris. The conference focussed on two elements of the single market: growth and the social dimension.

Notre Europe - Jacques Delors Institute (NE-JDI) and the Maison de l’Europe held a conference on 11 December 2013 entitled: “The single market 20 years later: challenges and opportunities”. This synthesis reviews the key issues addressed during the conference.

The conference, introduced by NE-JDI’s director Yves Bertoncini, is part of NE-JDI’s project on “[the single market 20 years later](#)”. Yves Bertoncini pointed out that the single market continues to be the cornerstone of the European Union, but as Jacques Delors used to say, “you don’t fall in love with a single market”. The common market was not a French project at the outset; it was seen as a necessary evil, almost as a scapegoat. And in fact, people’s perception of the single market in France is particularly ambivalent. Yet it promotes growth and it creates jobs: this was true in the runup to 1992 and it is still the case twenty years later. To perceive the single market’s positive and negative aspects, we have to attempt to adopt a comprehensive, all-embracing approach. Lastly, NE-JDI’s director pointed out that the single market needs to be based on a balance between “competition, cooperation and solidarity”, as promoted by Jacques Delors.

The debate was organised around two round tables.

Sofia Fernandes, senior researcher at NE-JDI, chaired the first round table on “The role of the single market for growth within the EU”. Esther Schmidt, assistant to the director general at the DG Internal market and services at the European Commission and Riccardo Perissich, former director general of public

and economic affairs with Telecom Italia and Pirelli, took part in the round table discussion.

The second panel, chaired by Pierre Lepetit, inspector general of finances and vice-president of NE-JDI, addressed the theme of “The single market and its social dimension”. Speakers included Chantal Guittet, member of the French National Assembly’s foreign affairs committee and co-author of the report on workers’ posting, Józef Niemiec, deputy secretary general of the European trade union confederation (ETUC) and André-Luc MOLINIER, director for European affairs at the French employers’ union MEDEF.

The conference was wound up by a [presentation and a debate with Thierry Repentin](#), minister for European affairs with the French foreign ministry.

This synthesis reviews the main ideas aired and debated at the conference. The text is divided in five parts:

1. The single market, a driving force for growth in Europe;
2. A potential which has yet to be fully exploited;
3. A single market based on competition and on solidarity;
4. The social dimension of the single market in the context of the European election campaign;
5. The single market, unloved and incomplete.

## 1. The single market, a driving force for growth in Europe

Esther Schmidt began by pointing out that the single market is a driving force for growth in the European economy. It has generated additional growth in the EU's GDP to the tune of 2% to 3% overall since 1992 thanks to the abolition of trade, customs and regulatory barriers<sup>1</sup>. By the same token, the estimated rise in GDP occasioned by the cumulative impact of the single market is as high as 10% to 20% of GDP. This includes the impact of enlargement and competition which has increased thanks to competitiveness and has brought prices down. Finally, the euro has reduced the costs involved in exchange operations and considerably facilitated the search for funding.

Concrete beneficial effects can be seen, for instance, in the sphere of telecommunications, with a 73% drop in costs between 2005 and 2012. The Erasmus programme has benefited 2.5 million students and 250,000 teachers. The budget allocated to these programmes has now gone up and it is expected to benefit a larger number of teachers in the future. Though completely non-existent only twenty-five years ago, these programmes are now part and parcel of our daily lives.

Moreover, recognition of diplomas allows a person to work in another country on the strength of the academic qualifications gained in their own country. There are currently some 30,000 qualifications a year that are recognised in other member states, and roughly 300,000 French residents cross the border every day to go and work in another member state.

Reasoning along the same lines, Riccardo Perissich stressed that the programme establishing the single market (1985-1992) has been a success. The single market has imparted a fresh thrust to the European economy, particularly in the sphere of manufactured products. Where the free movement of goods within the single market is concerned, given that the complete harmonisation of standards and laws is impossible, the path of mutual recognition (specifying that a product which meets requirements in one member state cannot be banned from sale in another member state) has been pursued.

Riccardo Perissich argued that we must not forget the importance of the external market, which is the single market's external dimension. In this context, the current transatlantic negotiations are a good

way of imparting fresh dynamism to the export of European products. Consumers wrongly believe that the transatlantic negotiations are going to lead to US standards destroying European standards and vice-versa.

A question was raised regarding the role of the euro in stimulating the single market. While exaggerated conversions did occur when the euro was first adopted, without sufficient monitoring in certain spheres (restauring services, for example), the euro has had an extremely beneficial impact in particular in the industrial sphere, as Riccardo Perissich stressed. Yet the euro has a perverse effect: membership of the euro brought member states' borrowing rates into line, allowing certain countries, particularly Greece, Italy and Portugal, to go on borrowing at very low rates for a long time, and this had a detrimental effect on the countries because it allowed them to get further and further into debt without adopting the structural reforms required to strengthen their economies' competitiveness.



## 2. A potential which has yet to be fully exploited

The single market is undeniably a driving force for growth. In a context in which the European countries' potential for growth is fairly weak in view of their structural rigidity and of the demographic challenge, completion of the single market is a key issue for the EU and for its member states.

Several priority spheres were identified for promoting action designed to deepen the single market.

First of all, while integration in the sphere of trade in goods is fairly far advanced, numerous obstacles are still in place where the free circulation of services is concerned. In view of the fact that services account

for some 65% of the EU's overall GDP, deepening the single market in the services sphere has to be a priority. Even if important measures, such as points of single contact, have been put in place in order to simplify administrative and customs formalities, as Esther Schmidt pointed out, there are still numerous areas that need to be worked on in the future (involving matters of taxation and social regulation in particular).

Secondly, Riccardo Perissich pointed out that European industrial policy continues too often to encounter irrational resistance. While there is a need for consolidation at the European level in numerous spheres such as the motor industry, air transport and telecommunications, we are in fact witnessing a massive return to national industrial policies. According to Riccardo Perissich, member states' nationalistic approach to industrial policy prevents there from being a genuine, strong industrial policy and it leads to a fragmentation of the market, which results in differences between the member states. In the telecommunications field, for instance, there is a monopoly in each member state, often a government monopoly, so it is necessary to press member governments to accept competition. In Riccardo Perissich's view, what we have today is virtual competition among several giants and a handful of dwarfs, which is unhealthy. It is necessary to establish competition among a reasonable number of competitors, yet without any of them being national champions.

Thirdly, the digital economy is also a crucial sector which needs to be developed. There is a massive building site here which embraces, in particular, the issues of taxation and of intellectual property.

Fourthly, to help impart a fresh thrust to the European economy, we need to reform the rules regulating public markets. The regulatory environment in place today is ridden with lengthy procedures and high administrative costs that hinder fluidity in economic exchange. The rules need to be simplified in order to bring administrative costs down.

And lastly, another necessary area of reform concerns professional qualifications, in order to improve the match between supply and demand in this sphere. Where innovation is concerned, Esther Schmidt pointed out that, in an effort to make the best possible use of the single market and to encourage innovation, a project is being developed for a European

patent which will offer inventions blanket protection in twenty-five member states.

In addition to these priorities in the deepening of the single market, Riccardo Perissich stressed that there is a dearth of support for businesses towards the market as it was before. Many European businesses have turned towards markets where growth is stronger (Asia). The previous virtuous circle has been broken. When the crisis broke out, a fear of protectionism took hold, although in the event that fear was to prove unfounded. But the banks stopped lending to the real economy, and that is a problem. The EU is on the verge of achieving a banking union, but there is still a basic problem: as Riccardo Perissich pointed out, the European economy, unlike other areas of the world, depends on the banking industry.

Confidence is the key word here. It is necessary to establish confidence at a time of crisis. The euro crisis has led us into a recession which we had not foreseen. But according to Riccardo Perissich, the lack of confidence that was in place two years ago was higher than the lack of confidence felt today, which means that confidence is gradually returning.

### 3. A single market based on competition and on solidarity

Following a first round table focusing on the role of the single market in driving growth in the EU, the second round table was devoted to the single market's social dimension. Chantal Guittet began her address by stressing that, even though the gradual equalisation of progress in workers' standards of living was mentioned in the Schuman Declaration and a social perspective has always existed in the European integration process, solidarity has always been instituted with a strong financial connotation. Even though the single market and currency have had a very positive influence in social terms, they are accompanied by huge distortions which lead to social inequality, exclusion and social dumping. The National Assembly deputy highlighted the fact that, as the first panel pointed out, economic progress has not necessarily marched always hand in hand with social progress. The notion of "social progress" at the European level has been reduced to its simplest expression, namely the promotion of employment and a reduction in unemployment. The result has been a widening of the salary gap, weaker labour

legislation, greater flexibility in constraints linked to job duration and increased recourse to fixed-term employment.

Józef Niemiec espoused Chantal Guittet's position, noting the constant tension in the single market with regard to the social dimension due to competition being the primary goal of economic ambition. The ETUC's deputy secretary general highlighted the fact that the jurisprudence of the Court of Justice of the European Union does not offer sufficient support to respect for social standards at the national level in the event of repercussions caused by the single market. This jurisprudence contradicts the independence of the social partners and thus it undermines their ability, as players in the European social model, to improve workers' standard of living, salary and working conditions. Józef Niemiec also argued that, with the deregulation process involved in the deepening of the single market, we have witnessed the birth of competition among workers and the EU has not proven capable of protecting or of accompanying those workers on the social level.

Chantal Guittet, for her part, stressed the tension between competition and solidarity, citing the example of businesses' relocation. Businesses can be made to appear profitable by relocating to countries where wages are far lower but the situation worsens in countries with higher salaries, which then find it difficult to maintain their social standards. Along those lines, she added that where posted workers are concerned, the different social protection systems in force in different member states and insufficient verification on the part of national authorities have led to abuse, which has in turn triggered unfair and distorted competition.

The three speakers in the second panel agreed on the fact that a convergence in European social policies linked to the development of the single market has become more difficult with the enlargement of the EU to include the central European countries. André-Luc Molinier pointed out in this connection that the directive on worker posting was adopted in 1996 in a 15-strong EU but that the situation as it was back then is no longer the same as the situation in today's 28-strong Europe. In a 28-strong

Europe, he argued, total convergence is absolutely impossible. A similar comparison can be made where structural funds are concerned: while the creation of the Community was accompanied by very considerable budget transfers, especially to the benefit of the most deprived regions, and regional policies (European Regional Development Fund, 1975) and cohesion policies (Cohesion Fund, 1994) have gone from strength to strength, Chantal Guittet pointed out that structural funds have not been increased in parallel with the series of enlargements that took the EU from fifteen to twenty-eight members to the point where they would allow the EU to continue to pursue as powerful a regional and cohesion policy.

But over and above the challenge of enlargement, André-Luc Molinier added that the global context constitutes a second major change impacting the single market's social dimension. If we look at the list of the ten countries that carry weight in the world today, there has been an almost inevitable downgrading of the European countries that appear on the list of top ten economic powers - Germany, France, the United Kingdom and Italy - and that downgrading is only going to get worse in 2020, 2030 and 2040. In André-Luc Molinier's view, competition steamrolls over everything and increased global competition is thus another crucial reason why we can no longer think today along the same lines as when Jacques Delors was the president of the European Commission. Citing the example of Poland, the MEDEF's director for European affairs stressed the importance of recognising that it is primarily thanks to competition that certain countries are managing to offer their citizens a higher standard of living.





#### 4. The social dimension of the single market in the context of the European election campaign

André-Luc Molinier stressed that, in view of the consequences of the economic, financial and social crisis, the European election campaign demands a totally different approach compared to the campaign for the elections in 2009. If, for example, we take the unemployment situation in the EU as our yardstick — as indeed several participants did in the course of this conference — it is obviously more difficult today to sing the single market's praises in the sphere of job creation. According to Eurostat, the unemployment rate in the EU shot up from 7.1% to 10.9% between 2008 and 2013. And where youth unemployment is concerned, the figures are even more worrying, rising from 15.8% to 23.5% on average in the EU<sup>2</sup>.

Thus we are having to tackle a climate of growing scepticism. André-Luc Molinier argued that in the election campaign in 2009 it was still possible to say things like "Europe protects you", but that today that is not enough. Thus it is all the more important in this campaign to highlight what Europe's social models would be like today without the construction of Europe and its single market cornerstone. A good example is the Erasmus programme, that has permitted the free circulation of students and which is now, in the context of Erasmus Plus, in the process of expanding with the aim of increasing flexibility with regard to opportunities for training in the labour market. Also, it is necessary to stress the measures adopted to respond to the social havoc caused during the recession. In this connection, the speakers agreed on the importance of the "Youth guarantee" adopted by the Council of ministers in February 2013 to ensure that no young European remains jobless, out of training or without some form of internship for more than four months.

Yet for the role played by the social dimension in the single market project to become lastingly perceptible by Europe's citizens, Chantal Guittet and Józef Niemiec argued that it is necessary to go even further. In order to avoid a "downward-dragging" social Europe and to meet the expectations of Europe's citizens, the social dimension has become an imperative, in the National Assembly deputy's view. While Józef Niemiec, for his part, called for recognition of the fact that the social dimension contains values in

and of itself and that it is not sufficient to focus on employment by exploring the consequences of the competition sparked by the development of the single market. A solidarity-based Europe, a Europe of the people, demands respect for human rights and for workers' dignity. In this connection, the two speakers hailed the agreement thrashed out at the Council of ministers' meeting in December last year regarding a strengthening of the regulations governing the implementation of the directive on worker posting. But while the progress achieved is welcome, Józef Niemiec added, it is still no more than a lowest-common-denominator compromise which is probably not going to be sufficient to prevent all of the abuse currently linked to worker posting.

In Chantal Guittet's opinion, considering that social policies are primarily a national prerogative, it is necessary for European social questions to be addressed by using social dialogue to thrash out agreements on minimum regulations in Europe. But having said that, it is then necessary to allow a certain amount of room for manoeuvre in their implementation, avoiding economic effects which would be unwelcome for certain countries. That is why it is impossible to stipulate a common minimum wage for all of the EU's member countries. On the other hand, the two speakers stressed that the introduction of a legal inter-professional minimum wage in Germany, in implementation of an agreement adopted by the broad coalition in November 2013, is a very positive signal for strengthening the social dimension in Europe.

This predominance of national responsibility, however, does not make it less necessary to develop initiatives at the EU and EMU levels. According to Józef Niemiec, alongside structural funds there is also a European corpus of regulations that make it possible at least to continue talking about a European social model, especially with regard to social investment, by strengthening social security assistance<sup>3</sup>. Chantal Guittet, for her part, highlighted the idea of unemployment insurance at the European level, especially since such an idea would trigger social dialogue in a specific sphere. In fact, the National Assembly deputy would like the European Commission to formulate a concrete proposal in this connection. André-Luc Molinier addressed the issue in connection with 18-strong convergence among the members of the euro area: in his view, it is worth exploring the proposals for a euro area budget in greater depth, especially ahead of a new stage in European integration.

## 5. The single market, unloved and incomplete

In the view of Thierry Repentin, the single market has been a goal that has mobilised the European Union. But after customs union, the single market, and the single currency, what is the major European project today? The temptation to yield to populist rhetoric would result in our being reduced to contemplating our own navels again. This populist rhetoric is based on lies which undermine Europe. According to the minister, it is with Europe, and in fact with more Europe, that we are going to emerge from the current recession. The question is not whether the future lies with or without a single market, but whether it lies with a stronger or a weaker single market, with a single market based on more or less solidarity, particularly in the social sphere.

The minister with the European affairs portfolio argued that it is necessary to rebuild the single market in two stages. The first stage involves taking on board awareness of what the single market represents in terms of development and of progress. It is more than just a market; it has served a basic principle, the principle of freedom. It has turned everything on its head, from people's right to move, to their basic rights. The single market has a substantial regulatory dynamic which has a concrete impact on our daily lives, particularly in the field of product safety (food, medicinal drugs, toys and so forth). It is not something abstract. Ours is the foremost market in the world, but in people's imagination it is still associated with excessive, incomprehensible and threatening over-regulation. This single market is poorly known, unloved and unquestionably incomplete.

At a time when the EU is going through an exceptional crisis, we must continue to build the single market: that is the second stage. The single market is a minefield of growth, but only on condition that it is deepened in a more balanced manner than it has been in the past. By the same token, we need to strengthen the very heart of the system in order to bolster the Economic and Monetary Union (EMU), and that demands the establishment of a banking union. In order to achieve this, it is necessary to increase banks' responsibility in the way they manage their affairs, in order to ensure that a financial and banking crisis does not turn into another recession and ends up undermining the member states. That way, Europe's savers and taxpayers will be protected.

It would be necessary to set up a form of economic governance for the euro area in order to achieve greater effectiveness and clarity. Indeed, that is why France has militated in favour of the adoption of social indicators in the field of employment and training within the EMU, and for the coordination of member states' economic policies. We need to seek greater convergence, especially in the struggle against tax evasion and in the social sphere.

In the light of all this, France wishes to help redirect Europe towards sustainable growth and security for Europe's citizens. It is necessary to develop green economies. In the context of an ambitious industrial policy, the [European Energy Community](#) is a project to be canvassed. It would be a source of jobs and of security for the people of Europe. It would also be important for countries that are Europe's neighbours, especially for those that see the EU as a potential alternative.

The market must protect its citizens, particularly with regard to the directive on worker posting. Europe's efforts are mobilising in the struggle against unemployment. For the first time there is a specific part of the European budget devoted to the struggle against unemployment among young people, and the part of the budget devoted to the Erasmus programme has been doubled and opened up to all young people (young people on alternating work/study training schemes, or apprentices) so that Europe can open up to everyone, including young people who have chosen alternative kinds of education and training.



## Conclusion

The minister with the European affairs portfolio went on to answer questions from the audience, starting by explaining the handling of the negotiations on the directive concerning worker posting, noting that France insisted on social and solidarity-based responsabilisation in order to forestall any kind of abuse. He went on to explain that urban policy cannot do without Europe, especially the European Social Fund. According to Thierry Repentin, Europe is not as complicated as people think. Europe works with words that everyone understands.

With only a few months to go before the European elections, Jacques Delors' famous triptych - "competition that stimulates, cooperation that strengthens, and solidarity that unites" - does not appear to have lost any of its importance in providing the inspiration for the future of the single market. Thierry Repentin wound up his talk by arguing that it is necessary to mobilise for the European parliamentary elections on 25 May 2014 to ensure that Europe emerges the winner.

1. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "Single Market Act II. Together for new growth", COM(2012) 573 final, 3.10.2012.
2. Eurostat, [Unemployment rate by sex and age groups - annual average](#).
3. In February 2013 the European Commission issued the "Social investment package" which suggest member states to modernise their social protection systems and to give priority to social investments.

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Jérôme Vignon, *Tribune, Notre Europe – Jacques Delors Institute*, February 2014

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