

FOR A NEW RELAUNCH OF THE SINGLE MARKET

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While the relaunch of the European single market is on the EU agenda, Jacques Delors, the initiator of the "Objective 1992", gives his view on the current situation and on the perspectives for this major project.

Already countenanced in the Treaty of Rome, the actual implementation of the "single market" was the only major project in the 1980s that attracted broad support both from the Member States and from the European parliamentarians. It is worthwhile reviewing the current situation and the future prospects of this project at a time when important decisions need to be taken in order to give it fresh impetus in what is a difficult economic, social and political context.

1. A strategy combining competition, cooperation and solidarity

The Single Act adopted by the European Council in December 1985 translated the member countries' wish to impart a fresh boost to European integration after a long period of crisis and stagnation. Then, as now, Europe needed to sustain economic growth and convergence simultaneously, and the single market offered a major and widely under-exploited potential for achieving that.

In adopting the Single Act, the national and European authorities gave themselves the wherewithal to establish a space for the free movement of goods, services, capital and people in the short term: in particular, they agreed to introduce important changes to the treaties, including a sweeping move over to qualified majority voting in the Council in connection with the adoption of measures concerning the single market.

The pursuit of "Objective 1992" was also accompanied by measures designed to strengthen the synergies between economic effectiveness and social progress in a spirit of cooperation and solidarity. In particular, the Single Act introduced three innovations in the treaties: legal bases providing for the improvement of working conditions; ambitious goals in the sphere of economic and social cohesion; and lastly, the institutionalisation of European social dialogue, which proved to be so dynamic that its role was actually strengthened in the social component of the Maastricht Treaty. The budget "packages" adopted in 1988 and in 1992 made it

possible to seal this commitment, combining the implementation of the four freedoms of movement with a strengthening of cohesion and convergence in Europe.

Thus the Member States forged a global compromise based on a vision combining "competition that stimulates, co-operation that strengthens, and solidarity that unites". It was in this same spirit that they went on to opt, in Maastricht, for the creation of a common currency designed to allow the single market to function more effectively by facilitating price transparency, by reducing currency exchange costs and by putting a stop to competitive devaluation.

2. A successful project, but yet to be completed

The European single market today is larger than that of the United States, covering 175 million jobs, 21 million businesses and 500 million consumers. "Objective 1992" fostered a change in the political and economic climate and perspective which spawned millions of jobs and half a percentage point per annum in growth between 1985 and 1992. The opening up of national borders subsequently created 2.7 million jobs in the EU and it led to 2.13% extra growth between 1992 and 2008. Over that same period, competition among national operators led to a broader choice of products and services and to some fairly remarkable price decreases – the price of air travel, for instance, dropped by 40%. And lastly, the functioning of the single market made a major contribution to the development of less advanced countries – for example Spain and Portugal, or the central European countries today – while providing major new markets for the older Member States' products and services.

Nevertheless, the current record of the single market is far from perfect: on the economic level, because certain forms of deregulation have failed to produce the results expected (in the energy sector, for instance); on the social level, because the relocation of certain businesses has fuelled protests whose legitimacy is nothing if not highlighted by the fact that the

EU has delayed the adoption of a compensation fund for the affected workers ; and also on the political level because, while still hugely popular in numerous countries, the single market has occasionally been used as a convenient scapegoat, as shown by the pitiable row over "Polish plumbers" that broke out during the referendum in France in 2005.

While the challenges involved in strengthening economic dynamism and social cohesion need to be addressed primarily at the national level, the single market can still make a substantive contribution in those spheres. The level of trade in services, for instance, is still far too low, due to directives that are either not ambitious enough or badly implemented. According to the Commission, completion of the single market could lead to a 4% growth in Europe's overall GDP by 2020. In this period of weak - not to say negative - growth, therefore, it is important to impart a fresh thrust to this project on the basis of a balanced strategy, as recommended in Mario Monti's report dated 2009.

Lastly, the completion of the single market is crucial to the proper functioning of the EMU. As the Padoa-Schioppa Group's report¹ points out, this completion would allow improved better adjustment of the "real exchange rates" in the euro-zone member countries and it would reduce the pro-cyclical influence of the ECB's monetary policy.

3. Implementing the "Single Market Acts"

The measures enshrined in the two "Single Market Acts" adopted by the Commission provide an excellent road map which should be translated into concrete actions without delay. Eleven of the twelve key actions of the "Single Market Act I", proposed well over a year ago, have still not been approved by the European Council and the European Parliament.

Yet there is a great deal that needs to be done in order to stimulate the sectors that can contribute to new, strong and sustainable growth: for instance, guaranteeing the free movement of services, developing

the digital economy, increasing the efficiency of public markets and making the deregulation of the network industries a success. In this latter case, in particular, it is a matter of embracing *Notre Europe's* suggestion to establish a fully-fledged "European Energy Community"² combining the objectives of achieving lower prices, protecting the environment and ensuring security of supply.

A great deal also remains to be accomplished in the construction of the trans-European energy and transport networks, which were identified in the "White Paper" published in 1993, yet whose implementation has been prevented to date both by a lack of cooperation among Member States and by European funding constraints. It is to be hoped that the implementation of the "Connecting Europe Facility" will make a useful contribution to this project, although input from the Member States will continue to be crucial.

And finally, there is still a great deal to be done in order to diminish the undesirable secondary effects caused by competition in the social and fiscal spheres, a phenomenon which flies in the face of the European spirit of solidarity. Naturally, the member countries often have different social models, but common ground rules must be strengthened in order to better protect those differences, certainly not to push them into a "race to the bottom". If such convergence cannot be achieved at the EU level, then it needs to be promoted through enhanced cooperation. The initiative on financial transactions launched in the taxation sphere has the merit of paving the way for this. Now we need to move forward with the same energy in the fields of corporate taxation and of minimum wages, in order to emerge from the deadlocks caused in part by technical difficulties but also by a lack of political will.

The single market is still, indeed more than ever before, the cornerstone of European construction process. It must be safeguarded for the precious asset that it is, including in the context of welcome progress in integration within the euro zone.

¹ Tommaso Padoa-Schioppa Group, "Completing the Euro. A road map towards fiscal union in Europe", *Studies and Reports No 92, Notre Europe*, June 2012.

² Sami Andoura, Leigh Hancher and Marc van der Woude, Policy Proposal by Jacques Delors, "Towards a European Energy Community: A Policy Proposal", *Studies and Reports No 76, Notre Europe*, March 2010.