



30 years of the EU Single market: doomed for further muddling through?

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The outline:

- The context and the state of the SM;
- The reasons behind the muddling through;
- Can the “relaunching of Europe” be repeated now?

The Program 1992: “relaunching Europe” but...

- The Single Market Program adopted in mid-1980s to put in place around 300 measures aimed at removing barriers to “four freedoms” by the end of 1992 was celebrated as a major achievement of European integration;
- However, soon it became evident that obstacles along national borders persist, in particular to providers of different services (as stated by Mario Monti in 2010, “the single market is far from being complete”);
- There have been a number of attempts to reinvigorate the consolidation of the SM such as Lisbon strategy (2000), Single Market Act I (2011) and II (2012) as well as launching new initiatives of sectoral integration i.e. Energy Union (2015), Capital Union, Digital Union, but they all produced modest outcomes.

The (paradoxical) effects of “Big bang” EU enlargement – who can’t withstand competitive pressure?

- EU enlargement in 2004/2007/2013 represents a second major step in the development of the SM by gradually extending it East and South;
- However, integration of diverse countries, while offering larger potential for economic gains, produced a political backlash in “old” EU member states – as in the cases of Services directive (2004-2006) and Mobility package (2020);
- Recent unilateral decisions of Poland, Hungary and some other countries to block agricultural imports from Ukraine show that similar political backlash can emerge during the process of future enlargement of the EU to Ukraine, Moldova, Georgia and Western Balkan countries.

The problem of “high hanging fruits”?

Ranking of SM obstacles (Eurochambers 2019):

Most barriers to the SM concern national differences in administrative procedures and too detailed regulatory requirements both on the national and EU levels, uneven implementation of norms across EU member states and administrative inefficiency – these obstacles are more difficult to eliminate, especially in a fast changing technological and economic environment.



The cost of non-Europe (EPRS 2014):

- “Single Market remains Europe’s biggest construction site” (BDI 2022);
- “The Single Market is in many ways a political illusion. It exists only nominally. Any company doing business in Europe faces significant barriers to cross-border exchange within the EU” (ECIFE 2023);
- But why potential economic benefits do not lead to coordinated political efforts in consolidating the SM?

Author(s)	Major gains estimated	Coverage	Time period	Dynamic Impacts	Other considerations
Cecchini (1998)	+4.25-6.5% GDP	EU-12	5-6 years	Not included	Ex-ante
Baldwin (1989)	+0.3-0.9% long-term GDP growth	EU 12	Long-term	Included	Ex-ante Provisional findings
Monti (1996)	+1.1-1.5% GDP; 300,000 - 900,000 jobs	EU-12	Impact to 1994	Limited	Ex-post – limited data
Ilzkovitz <i>et al</i> (2007)	+2.2% GDP; + 2,75 million jobs	EU-25	1992-2006	Included	Ex-post
Boltho - Eichengreen (2008)	+5% GDP in 2008	EU-25	Impact to 2012	Not explicit in numbers	Ex-post – focus on counterfactual Single Market
Decreux (2012)	4.7% GDP	EU-27	Forward looking	Not included	Trade barriers analysed
European Commission/BEP A (2013)	1.6% GDP	EU-27	Forward looking	Not included	Six key sectors analysed
European Parliament (2014)	Min. 5% GDP	EU-28	Impact to date	Not included	Update of individual studies and CoNE reports
Campos-Moretti-Corricelli (2014)	12% GDP	Enlargement member states only	Enlargements 1973 - 2004	Included	Counterfactual analysis

Which factors led to the “relaunching of Europe” in mid 1980s? Do they exist now?

Mid-1980s	2020s
Changes in international economic structures (rise of Japan, competition with the US)	Rise of China, EU lagging behind the US in terms of economic dynamism, growing use of economic sanctions and weaponization of trade, possibly enforcing the importance of the SM (nearshoring, friendshoring)
Entrepreneurship of the European Commission led by Jacques Delors	European Commission has other competing priorities (green deal, industrial policy)
Support from transnational/European business community	European business associations support SM, but generally there is “integration and market fatigue”
Convergence of economic preferences in the UK, Germany and France regarding inefficiency of protectionist policies and the removal of barriers to the SM as a source of economic growth	UK is out, Germany and France disagree on trade, energy and other policies with industrial activism back in fashion

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