

The single market act economics essay



In April 2011, the European Commission issued a Communication on the Single Market Act, which presented twelve levers to boost growth and strengthen confidence. In October 2012, it proposed a second set of actions (Single Market Act II) (COM(2012)573) in order to further develop the Single Market and exploit its untapped potential as an engine for growth. Explain how these proposed set of actions aim to strengthen the EU Single Market.

The EU single market which is sometimes called the internal market is an EU project where member state citizens are free to trade goods, invest their finances and move for work from one member state to another without facing legal, physical or technical barriers[1]. The aim of having an EU single market is to create economies of scale, increase competition, specialisation and allow the growth for a Europe-wide commerce by enforcing same rules throughout the member states. For this to materialise the EU has to eliminate barriers such as technical, physical and fiscal, making the movement of the four freedoms between the member states easy. To regulate the single market, the Commission (CION) was granted power over areas of economic policy found in the Single European Act (SEA). Its regulations are passed down to national governments through directives which have to be transposed into national law within a given timeframe. The Single Market is considered the hub for the development of the EU and an important stepping stone for integration.

Way back in 1957 the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), had both set the goal of creating an EU market within which there would be free movement of people, money, goods and services. However the EEC had its problems to

enforce a single market during the 1960s because it lacked strong decision making structures. The member states had failed to remove the barriers to the single market and had halted this possibility until the 1986 Single European Act (SEA). In the 1980's Jacques Delors and his Commission re-launched the common market, by publishing in 1985 the Internal Market White Paper. The Internal Market White Paper is a strategy which included the legislative program to remove cross-border restrictions and restore the economic integration. The white paper was well received and had led to the adoption of the SEA. The SEA treaty reformed the decision making mechanisms of the EEC and had gradually established a single market up to the end of 1992. It proposed a vast legislative programme, almost two hundred eighty separate items of legislation.

The COM through the Single Market Act, COM(2011)206 issued in April 2011 and later the Single Market Act II, COM(2012)573 issued in October 2012, aims to strengthen the EU Single Market. Both communications proposed a set of actions designed to attain growth, employment and job creation. The aim is to increase the opportunities for citizens and businesses in helping them to move, operate and invest across the EU. Both acts play an important role in the development and integration of the EU and shall help fill in the gaps in the Single Market while presenting a framework for the Europe 2020 Strategy. Communications COM(2011)206 and COM(2012)573 have been issued to re-launch the single market after it's 20th anniversary, however COM(2012)573: The Single Market Act II stated that eleven of the twelve key action proposals mentioned in the Single Market Act are still pending by the EP and the Council[2]. This is why just after a few months from the release of

the Single Market Act the CION issued the Single Market Act II. The intention is to speed up the process and list more measures that deem important. The CION therefore highlighted other twelve set of actions, putting pressure on EU institutions and member states to act jointly together and put these actions into practice by spring 2014. Implementation of the Single Market Act and the Single Market Act II, shall open new paths towards growth, employment and social cohesion for 500 million Europeans.[3]

The two acts speak about the common market and how it needs to develop further so EU consumers can benefit from it. In the Single Market Act we come across twelve legislative initiatives called ‘ levers’. The ‘ levers’ shall boost the economic growth and strengthen the confidence within citizens, consumer and businesses. The twelve levers were identified by the CION after contributions were highlighted during a public debate together with the views and conclusions of the European Parliament (EP) and Council and the opinions of the Committee of the Regions (CoR) and the European Economic and Social Committee (EESC).[4]The Single Market however needs the support from all actors in order to become a reality and in which citizens can eventually start seeing positive results. It is a continuous challenge especially nowadays when we are experiencing part of the European population living in poverty, and facing economic and social crisis.[5]

The Single Market Act lists twelve levers including their key actions all with the aim to assist and boost once again EU’s economy. The levers are therefore set to help the EU grow stronger to find stability and confidence.

‘ Access to finance for SMEs’ – the CION highlights the importance to introduce a legislation on capital funds and facilitate the access to venture capital across the EU. If investment to SMEs is made easier they will be able to grow, increase workforce and afford to do research and development for the creation of new enhanced products and services.

‘ Mobility for citizens’ – CION proposed to revamp the existing system and support the mobility of professionals across member states. If people’s mobility is improved there will be more opportunities for mobile workers, enforce the labour market and help the EU economy to be more competitive.

‘ Intellectual property rights’ – the CION proposed a legislation to set up a unitary patent protection. The aim is to boost innovation across EU, reduce patent costs and facilitate the research through its new technologies. Having an established legislation will encourage creativity, and the distribution of information, products and services.

‘ Consumer empowerment’ – to adopt a legislation on alternative dispute resolution. The legislation will establish a simple, fast, affordable out-of-court settlement procedures with the aim to increase confidence and trust in consumers. Boosting ecommerce will generate economic benefit.

‘ Services’ – to revise the legislation on the European standardization system and create efficiency and effective procedures to help SMEs and stakeholders to participate in standard-setting processes. This will facilitate the EU level services standards, which in turn will reduce the risk of market fragmentation stemming from diverse national services standards.

‘ Networks’ – to adopt an energy transport infrastructure legislation to roll strategic projects. The legislation shall produce efficient infrastructures for transport, energy and electronic-communications networks and help speed up the free movement of people, goods, energy and data.

‘ Digital single market’ – the CION proposed the adaptation of a legislation on eSignatures, identification and eAuthentication services to create a secure, trusted digital single market to strengthen confidence in electronic transactions. Instilling confidence in citizens and businesses in using nowadays digital technology will contribute to EU economic growth.

‘ Social entrepreneurship’ – needs to adopt a legislation that facilitates the development of social investment funds. The legislation shall boost and strengthen trust in the social business market and establish a recognised EU brand for social entrepreneurship funds, which will allow investors to easily find and target them.

‘ Taxation’ – the lever proposes a review, restructure and harmonisation of the Energy tax directive. This initiative is targeted to consolidate the way energy products are taxed while taking into account the energy content of products and their carbon dioxide emissions. This update is needed to reflect the requirements of the single market and the changes that comes with it.

‘ Social cohesion’ – proposes the introduction of a legislation on the implementation of Posting of Workers Directive. The directive and legislation shall clarify the exercise of freedom of establishment with the aim to improve the social cohesion in the internal market. This lever is aimed to

assist businesses to provide their services across the EU, create more qualified jobs and protection of workers and their social rights.

‘ Business environment’ – to adopt a legislation to simplify the Accounting directives hence reducing the administrative burden for SMEs and facilitate the financial statement obligations. Simplifying the directive will also generate potential savings too.

‘ Public procurement’ – to revise, simplify and modernise the Procurement directives and make them more efficient and user friendly. The reinforcement of the eProcurement is key to reduce the administrative burden on businesses and help to boost growth.

The above levers proposed have been adopted however COM(2012)573 builds upon the first Single Market Act and puts forward twelve key actions concentrated on four main drivers:-

Developing fully integrated networks in the Single Market

Fostering mobility of citizens and businesses across borders

Supporting the digital economy across Europe

Strengthening social entrepreneurship, cohesion and consumer confidence[6]

These actions focus mainly on growth, employment and confidence and even though not all actions have legislative obligations they are still expected to be effective when implemented. The key actions are to be presented in different quarters during 2012 and 2103.

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The first driver ‘ Developing fully integrated networks in the Single Market’ has four levers all with key actions:-

‘ Rail transport’ – to adopt a fourth legislative package to help open the domestic rail passenger services to operators from EU member states and increase competition with the aim to reduce prices and improve service quality (Q4 2012).

‘ Maritime Transport’ – to adopt the ‘ Blue Belt’ package in order promote maritime transport by establishing an internal market for goods carried by ships and boost the marine and maritime growth. There are also initiatives aiming to reduce as much as possible the administrative burden incurred for (Q2 2013).

‘ Air transport’ – needs to accelerate the implementation of the Single European Sky through a new package of actions. The new package is said to enhance the safety, efficiency and environmental performance of air transport (Q2 2013).

‘ Energy’ – needs an action plan to improve the implementation and enforcement of the third energy package. This action is said to improve the completion of the internal energy market, helping EU consumers save up to thirteen billion euro per year if they switch to the most economic electricity tariff available (Q4 2012).

Fostering mobility of citizens and businesses across borders ‘ driver has three levers highlighting their action items:

‘ Mobility of citizens’ – the CION proposed for the development of the EURES portal into becoming the EU placement recruitment tool. The EURES portal network is aimed to encourage the mobility of citizens (Q4 2012).

‘ Access to finance’ – the lever is targeted to encourage long-term investment in the real economy and provide easier accessibility to long-term investment funds hence improve the access to finance for companies in the EU (Q2 2013).

‘ Business environment’ – a legislative proposal needs to be proposed with changes to uplift the EU insolvency rules so to help facilitate the survival of businesses and entrepreneurs (Q4 2012).

‘ Supporting the digital economy across Europe’ has three levers binded to it. These are:

‘ Services’ – the CION proposed the revision of the Payment Services Directive and the creation of an interchange fees to facilitate payment services across the EU. These amendments shall support online services by making payment services in the EU more efficient. This measure will also assist to increase the percentage of internet users who wish to buy online services (Q2 2013).

‘ Digital Single Market’ – the key action is to take common rules to reduce the costs and increase the efficiency in the deployment of high speed broadband. The aim is to increase access to broadband to create innovation, competitiveness and employment (Q1 2013).

‘ Public procurement and electronic invoicing’ – CION proposed to adopt a legislative framework to establish e-invoicing as the standard invoicing mode for public procurement. This framework shall promote a paperless public administration and save billions of euro annually in public budget across the EU (Q2 2013).

‘ Strengthening social entrepreneurship, cohesion and consumer confidence’ – the last driver with two levers pertaining to it and they are:

‘ Consumers’ – this key action has to revise the General Product Safety Directive and market surveillance rules to improve the safety of products circulating in the EU by having a consistent and enforced product safety and market surveillance rules (Q4 2012)

‘ Social Cohesion and social entrepreneurship’ – To take up a legislative initiative to grant all EU citizens access to a basic payment account, ensuring transparency and ease of use. This shall aim to improve participation in economic and social life, ensuring that the bank account fees are transparent, comparable, and user friendly (Q4 2012).

The joint involvement of the EP, the Council, EESC the CoR and other stakeholders in the first Single Market Act had led to a widely shared political vision for a further development of the Single Market. It focused political attention, creating a sense of urgency to fast-tracking key actions[7]. The focus is needed all the more today as the effects of the crisis are still hitting the EU hard. The economic growth needs to be revived, unemployment is high especially among young people, and a part of the European population is considered to be living in poverty[8]. Modernising and deepening the

Single Market is however a continuous exercise and this is why the Single Market must respond to a constantly changing world where social and demographic challenges, new technology and climate change must be incorporated in policy thinking[9]. The CION however says that the changes that have been introduced so far have meant a steep fall in mobile phone calls and air travel.[10]This is why the Single Market is currently seen as one of the EU's greatest achievements and a solution for today's economic crisis, recession and high unemployment in many EU countries[11]. However the EU Single Market is by no means complete. The Single Market Act together with the Single Market Act II is another push to try to make it effective in areas which have proved resistant. Such areas have been the transport and energy sectors because they are still subject to national laws. If the Single Market Act and the Single Market Act II are implemented EU member states shall be opening new horizons towards growth, employment and social cohesion of 500 million Europeans.[12]A quote which is good to mention is that of Mario Monti, who had served as an Internal Market Commissioner from 1999 to 2004 and who is currently Prime Minister of Italy: ' A fully robust and fully operational single market is the main vehicle for economic union'.