

Four fundamental freedoms of the eu economics essay



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The establishment of a Single Market is a key stage in the integration process of the European Community. The basis of the Single Market is the common market, which is the aim of the Treaty establishing the European Economic Community (1957). It should be achieved through eliminating the barriers for the trade among the countries (duties and quotes); establishment of Customs Union; removing the barriers to the free movement of goods, services, capital and persons; sustaining of a system guaranteeing the conditions for free competition and applying a common trade policy (in their relations with third countries) Very good . The process of creation of a common market according to the contract is defined for the period of 12 years, planned as a sequence of 3 stages, which consist of 4 years each source ?.

The Single Market is based on the four fundamental freedoms of the EU:

Free Movement of Goods - it requires establishment of Customs Union, including removing the duties among the EU states, adoption of a common customs tariff in their relations with third countries and removing quantitative restrictions between Member States (quotes). In the beginning the duties are fixed (it is prohibited to increase them) and it is planned to remove them step by step by 1970. The decrease by the end of first stage should be 25%, by the end of the second stage - 50%. During the transition period the quantitative restrictions should be removed. Source ?

Special attention is given to the agricultural products due to their high sensitivity. The Treaty provides that the regulations of the common market

are also valid for these products. However, a common agricultural policy is applied for the development of the sector. good

The Free Movement of Persons

After the end of the transition period the Treaty provides the EU citizens to have the right to accept job proposals, to move freely on the territory of the EU and in this connection to stay and live on the territory of another Member State in order to work in conformity with the national legislation. The residential right is of crucial importance and it is related to the opportunity of EU citizens to found and manage own enterprises in other Member States under the conditions of the local citizens. yes

A common transport policy is applied in order to achieve the free movement of persons and goods. This will guarantee common regulations and administrative procedures that will make easier the transport connections between the Member States.

The Free Movement of Services

During the transition period the Member States should remove the obstacles for offering services in the industrial or trade sector, craft industry, as well as the free professions. More precisely, by the end of first stage the existing obstacles should be identified and a plan for removing restrictions should be accepted. For each service category this plan should define concrete steps for liberalization. Sources?

The Free Movement of Capital

It is related to the removal of all obstacles to payments and transfers of capital by residents of a Member State during the transitional period. yes

However, the achievement of the aims of the Single Market is very difficult.

Despite the removal of tariff restrictions on trade (duties and quotas), the experience shows that in some cases, markets are completely closed or partially limiting freedom of movement. This is the main cause for some important cases in the Court of Justice (now the European Court of Justice), related to the restriction of the free movement of goods. The case under the name of The Cassis de Dijon became significant example (Atkinson and Oleson, 1994: 984). very well. It is raised by Rewe Zentral AG against the Federal Office of West Germany in the monopoly of alcohol drinks that refuse the import of French liqueur, since it does not fit into any existing categories of alcohol used in the country and hence the inability to have an appropriate excise. The decision of the Court (case court D_1 -120/78) is that the refusal to license is a measure having equivalent effect to quantitative restrictions.

Very well ! The case sets a precedent for the principle of mutual recognition of the conditions for access to the internal market of the Member States.

Good ! There are other obstacles to the single market, such as problems with taxes and charges having equivalent effect to customs duties. The free movement of workers is also difficult. For example, the Kingdom of Belgium was forced to reconsider the requirement to have Belgian citizenship in order to occupy certain positions (C-149/79). Yes ! good example

The integration process in the second half of the 70s and mid 80s of the 20th century is generally smooth. The main problems for the functioning of the

Single Market are non-tariff in nature, stemming from differences in national
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legislation (Atkinson and Oleson, 1994: 984). In 1985 the Commission provided the EU Council with the White Paper Completing the Internal Market. The document recommends the elimination of physical barriers (border control at internal borders); the removal of technical barriers (requiring substantial harmonization, including industry standards, document exchange), as well as removal of fiscal barriers (taxes and government fees, which have the effect of duty, indirect taxes in particular VAT). All this requires considerable coordination and implementation of common policies in the field of police cooperation (due to the increased risk and free movement of criminals, terrorists, etc.); introduction of common rules regarding state aid and competition, public procurement and more. Very well !

The report sets a new stage of enhanced removal of technical, legal and other obstacles. A number of directives and regulations have been adopted; the most important one is the signing and entry into force of the Treaty on European Union (1992) and practical creation of Single Market. The process continues after that and becomes the basis for the eastward enlargement after putting behind the fear of socialism. Good ! According to the Eur-Lex current regulations in the field of Internal market regarding harmonization of legislation are 1053, and in the field of Internal market: policy related to enterprises - 48. Source?

Despite these achievements, nowadays the Single Market continues to face some obstacles and problems (non tariff barriers), that are intensified in the conditions of a crisis. A new strategy for the Single Market (Monti, 2010) is published in 2010 in order to overcome the new challenges (especially the <https://assignbuster.com/four-fundamental-freedoms-of-the-eu-economics-essay/>

growing nationalism and weak political activity for improving the Single Market in terms of continuing crisis) in 2010 published report A new strategy for the Single Market (Monti, 2010). The report concludes that in many areas the Single Market is not yet sufficiently developed. Yes ! It remains fragmented which hampers the innovations and suppresses the growth potential of the European economy. Free movement of persons, goods, services and capital is not always smooth yes !, which is often a result of administrative barriers and weak enforcement of EU regulations. Among the main recommendations is the building of a stronger Single Market (including through the development of digital Single Market and providing green growth). This requires the achievement of political consensus and continuing efforts to deepen integration and improvement of the Single Market.

Existing barriers can be summarized for each of the four freedoms.

Movement of goods is hampered by problems such as licensing regimes (lack of a European patent), counterfeiting and piracy good ; national fiscal policies (in particular VAT) etc. The Free Movement of Services faces more important barriers, including lack of standardization (reflecting on the difficulty to assess their quality and effectiveness), insufficient transparency in some sectors (e. g. banks in relation to taxes and commissions) etc. good Free movement of persons is hampered by barriers to the recognition of professional qualifications, the availability of physical control of borders (airports, delaying the accession of Bulgaria and Romania into the Schengen area) etc yes . Free movement of capital is hindered mainly by fiscal and other barriers (an important issue is offshore zones, allowing evasion of tax systems - Eden and Kudrle, 2005) yes.

The efforts of the Commission to overcome the problems continue.

Commission makes 50 proposals in its Single Market Act (COM/2010/0608), which after public consultation have been reduced to 12 instruments (COM/2011/0206). Whether their practical implementation will lead to real development in the Single Market depends to a high extent on the desire for political cooperation and practical efforts towards change.

Very good !

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2) Corporate social responsibility (CSR)

The interest of the public attention to CSR should be viewed in the context of contemporary culture and in particular global interest in the protection of human rights and freedoms and the understanding of responsibility in various aspects. Yes . The promotion of human rights and fundamental freedoms in the Universal Declarations of Human Rights (1948) (no doubt influenced by Christian ethics) is the result of realizing the value of human life and equality of persons before the law. The constitutional rights and freedoms of citizens in developed societies is the basis for developing various initiatives for their actual implementation in society. Therefore, serious violations of these rights are a factor which attracts attention to CSR. Very well. Some violations of multinational corporations (MNC) are:

Injuring local community in the process of exploitation of natural resources. An important example is the activities of Shell in Nigeria. During the military regime the government did not return any or very little of the oil revenue to

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the local population. In this reason Ogoni people started a political fight to defend their rights. The attention of the international community is drawn to the problem after the execution of representatives of the Movement for Ogoni Rights (Holzer, 2007). Good example

exploitation of workers, including children. This category includes issues such as disregard for labour rights, long working hours, rest in work time, working under hazardous conditions without protective equipment etc. In many cases this is caused by imperfect legislation or lack of it in developing countries, but also it depends on cultural differences. For example, there is considerable opposition to introduce a ban on children working in the footwear sector in Brazil (Zwolinski, 2007). Good example

Another factor directing public attention to CSR is associated with the use of environmentally harmful practices. In the late 70s some MNC (especially in oil and automobile industries) are accused of serious pollution of air, ocean, soils (Eells, 1975). The activities of Shell in Nigeria have significant environmental damage to areas in the delta of the River of Niger (Holzer, 2007). The ocean oil spills also caused a significant damage to nature.

Among the worst spills in the history are those in the Gulf of Mexico after the explosion on the platform Deepwater Horizon (about 4. 4 million barrels - Griggs, 2011) and spills from tanker Exxon Valdez (240 thousands barrels poured into the Gulf of Alaska in 1989 - Bowen and Power, 1993). yes

Unchanging principle of the responsibility is that the one caused some damage is obliged to restore it or compensate proportionately it. This is one of the fundamental principles underlying the CSR. Moreover, in today's world

not “ correction” (after the damage) is increasingly important but to make efforts to prevent and reduce the negative practices good point. This promotes the use of CSR as a good practice. In opposition to the socio-economic approach of CSR is the purely economic approach to business. The most outspoken supporter of the economic approach is the monetarist Milton Friedman (1970). He sees business as an activity whose main task is to maximize wealth of shareholders. In the free-enterprise system business can not have any purpose other than profit which implies reducing unnecessary costs including those for CSR. Yes indeed. In this sense, the implementation of extraneous social work is a kind of tax on company activity which reduces economic efficiency and competitiveness. Moreover, according to Friedman (1970) the imposition of public opinion to corporations for providing CSR violates the foundations of liberal society (democracy) which values are replaced by values of socialism. An additional argument of Friedman (1970) is that the company itself is an artificial product of man, it cannot be liable “ only people can have responsibilities”. Yes !

Another theory in opposition to the CSR concept is the theory of Henderson (2009) who considers the continued spread of CSR in practice as a threat. According to Henderson (2009: 11) “ The doctrine rests on mistaken presumptions about recent economic developments and their implications for the role and conduct of enterprises, while putting it into effect would make the world poorer and more over-regulated.” According to Henderson (2009) “ the true role of business” consists of four propositions. First of all, the economic progress is driven by innovative activities related to profit. Secondly, the competition should be the only tool that contributes to

development and thus improve welfare. Thirdly, the role of business units should be the engine of progress through “ private ownership and profit-directed activity” (capitalism). Fourthly, in market economy conditions and intense competition, companies make their profits by attracting customers with various offers in an innovative way. Interesting point !

Very good answer !

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3) Internationalization of the business

The company has the opportunity to expand its operations by penetration of the foreign market. Several reasons support the decision to internationalize company operations. The first factor is the successful business development in the local market (Thai and Chong, 2011). The internationalization of business is facilitated by resources, ensuring local competitiveness, such as knowledge and experience in manufacturing and marketing (to know the characteristics of demand and market segmentation which can be successfully applied in other markets particularly when demand has a similar characteristics), known brands, ability to learn and utilization of knowledge and others (Wright et al, 2007). good

Another internal factor facilitating internationalization is the availability of adequate human resources, including “ international experience of managers and entrepreneurs”, managerial competence (“ international business skills and management know-how”) (Ruzzier et al, 2007),

leadership skills, etc. The interpersonal business skills include cognitive <https://assignbuster.com/four-fundamental-freedoms-of-the-eu-economics-essay/>

capabilities and personal aptitudes, cross-cultural competence and communication skills, knowledge integration and applications, disciplinary knowledgebase and methodologies (Mughan and Kyvik, 2010). good

Other factors that influence decision for international expansion are the expectations for growth and other positive effects of the internationalization of business. The company should have adequate organizational capability securing growth in order to achieve these benefits (Thai and Chong, 2011). Some of the positive effects of internationalization are increased volume, revenue and profits. In addition, the company can expect so-called “ learning by exporting” effect (Sicoli, 2012). As a result of the internationalization of business companies could improve knowledge which leads to increased productivity (including effects due to economies of scale). Very good !

Some external factors also influence the internationalization of corporate activities such as processes of globalization and integration, liberalization of international trade and removing trade barriers (Sicoli, 2012). Other factor is price differences of manufactured products between domestic emerging market and developed foreign markets (due to existing cost differences) (Vasilchenko and Morrish, 2011). yes

There are few possible strategies for entering the foreign market. The strategy of direct export has the lowest risk and lower costs but it gives a more limited ability to control business activity yes !(Wright et al, 2007). Exports of foreign market are achieved through a sales network - agents, distributors, retailers which are generally independent business units. The relationships in the network are based on contractual agreements (Philippe

and Léo, 2011) yes !. Strategic alliances with suppliers or customers (even though it carries risks such as choosing the wrong partner or excessive dependent on them) allow the realization of cost benefits and service benefits, including taking advantage of technological advance or prior knowledge (Vanpoucke and Vereecke, 2010) yes !. The creation of a joint venture is characterized by high risk and significant investments. However, it allows far greater control over the activity and can bring all the benefits of strategic alliances yes !. Creation of subsidiaries (with the highest risk) or franchise network (with relatively low risk but here the success requires effort for standardization and control) provides the highest level of control (Wright et al, 2007) yes. In theory there is an common view that firms should enter the foreign market incrementally, first through direct export and subsequently by partly controlled network (join venture, strategic alliance) or fully controlled network (subsidiaries, franchises) taking into account the current circumstances and firms competitive advantages (Philippe and Léo, 2011) very good !. No matter which strategy will be chosen in order to internationalize the business, the firm needs to create a network. The relationship, trust and relationship commitment decisions predetermine future success because “ what happens, happens in relationships”. So success depends on the available knowledge and ability to learn; opportunities and creativity; capabilities and trust building (Schweizer et al, 2010). Good

In order to achieve successful penetration of foreign markets Wen and Arokiasamy (2011) propose firm to implement integrated business strategies in foreign market, which is separated by three groups of strategies. The first

group is the international marketing strategies, which include Market entry strategies, Diversification and Marketing mix. The second group is The International Operation Strategies, which includes Logistic Management, Oversea Subsidiaries, Oversea Production and Headquarters. The third group of strategies is International Business Strategy, which include Standardization, Differentiation, Localization and Level of Commitment. Very good !

However, to enter a foreign market successfully the company has to learn quickly (which will contribute to reduction of the risk) and keep cultural differences into account (Thai and Chong, 2011). Many cultural differences can affect the operational efficiency (increase costs or reduce revenues) such as using language, religion, behaviour standard, body language and greetings, power distance, etc. The main problem is when after the internationalization firm faces to cultural shock (stress caused by cultural change). Cultural shock can significantly worsen the working environment; negatively affect the organizational culture and performance very good ! (Grundey, 2008).