Single Market

Introduction

The single market (sometimes called the internal market) describes the EU project to create free trade within the EU and to mould Europe into a single economy. It is one of the most wide-ranging and significant symbols of European integration, encompassing many of the policy areas where the EU is most influential. These include the European Customs Union, the single currency, the Schengen Convention and many other policies and laws designed to unite the diverse national economies of Europe into a single unit. Although it has been developing ever since the European Community was founded in 1957, the single market has only taken off in recent years and continues to develop.

History

The Treaty of Rome (1957) set out four economic freedoms that it wanted to create in Europe: free movement of goods, free movement to provide services, free movement of capital and free movement of people. The first of these was established relatively quickly with the creation of the European Customs Union in 1968. A further step forward was made in 1979 with a European Court of Justice (ECJ) ruling that created the principle of ***mutual recognition***. Progress on the other areas was much slower. It was not until the Single European Act, SEA (1986) that a deadline of 1992 was set for the full completion of the single market. This involved: the removal of barriers to movement of people and capital; the harmonisation of national standards; rules on how governments buy services and goods; the liberalisation of financial institution; the setting of more standard ***Value Added Tax (VAT)*** rates, and European business laws. In 1992, the Maastricht Treaty began the final leg – Economic and Monetary Union. This came into being in 1999. Since then, the Commission has focused its efforts on liberalising the market for services and improving competitiveness through the ***Europe 2020 strategy***. The Commission is also aware that some areas, such as energy, have not yet been liberalised, and regulations, such as those covering patents, are yet to be harmonised. In April 2011, the Commission adopted the Single Market Act, which consisted of twelve projects to boost growth, competitiveness and social progress for 2012, dealing with issues such as worker mobility and consumer protection.

How does the single market work?

A single market can describe any area where people are free to trade goods, invest their money and move to look for work without facing legal, technical or physical barriers. The EU single market is designed to create ***economies of scale***, allow the establishment of Europe-wide commerce and enable faster growth by setting the same rules across the EU. For example, the EU established a single 'Eurotariff' to limit the cost of using a mobile phone within the EU. And, since July 2010, to stop customers inadvertently running up huge phone bills, mobile phone operators must warn customers when they are spending over £35 on data roaming, and cut customers off after they spend more than £42 in one month (unless the customer has previously agreed to pay a greater amount). To regulate the single market, the EU Commission has authority over a range of areas of economic policy under the SEA. Its regulations are most often passed down to national governments via directives that are then adopted into national law. It also has a significant role in ensuring fair competition between European companies, for example the EU Commission fined 17 bathroom equipment makers €622 million for price-fixing in 2010.

However, the EU cannot be described as a true single market because it doesn't have a unified taxation or welfare system, the single currency is not used by all members of the EU and some countries have opt-outs from rules such as the Schengen Convention.

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Facts and figures

- The EU single market has the largest GDP of any economy in the world, with a GDP per head of €25,000 in 2014.
- Initially open to 345 million people in 1992, it now encompasses 500 million people in 28 EU member states.
- In November 2014, the EU Commission had 826 pending infringement proceedings against the member states in relation to the single market. The number of pending infringements is increasing after six years of decline.
- Italy has the highest number of pending cases (67, over twice the EU average).

Arguments

For

- By standardising national regulations, the single market makes it easier to do business in the EU and contributes to faster economic growth.
- Economic ties are good for European stability because they make conflicts like World War II unthinkable today.
- A single market helps ensure an open, liberal Europe.

Against

- National governments continue to resist single market measures, so the system can't work properly.
- A single market can never operate across an area with such different cultures and levels of wealth.
- The single market hasn't removed regulations – it has just moved them to a European level.

"A fully robust and fully operational single market is the main vehicle for economic union…"
Mario Monti, Internal Market Commissioner, 1999-2004

"That the… single market is not yet delivering growth and jobs at its full potential can in large part be put down to the successful defence of established interests to the detriment of society at large."
José Manuel Barroso, EU Commission President, 2004-09

"The single market is more and more necessary and less and less popular."
Michel Barnier, EU Internal Market Commissioner, November 2010

Technical Terms

- ***Free Trade:*** international trade when there is no restriction on the import or export of goods.
- ***Customs Union:*** a group of economies with no internal barriers to trade and a common external tariff.
- ***Mutual Recognition:*** the principle that goods sold in one part of the single market cannot be excluded from another.
- ***Value-added tax (VAT):*** an indirect tax on most sales of goods and services.
- ***Europe 2020 strategy:*** underpins all EU policy regarding the Single Market. It particularly aims to create jobs and an inclusive society.
- ***Economy of Scale:*** the increase in profit made by a business when it can produce and sell more without increasing costs.

Links

- http://ec.europa.eu/internal_market/index_en.htm

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