Bulletin of the *Transilvania* University of Braşov
Series V: Economic Sciences • Vol. 9 (58) No. 1 - 2016

Examining the recent upgrading of the European Single Market

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Abstract: *This paper aims at discussing how the Single European Market is adapting to the changing global environment, especially to the effects of the economic and financial crisis, which was a major test for the European economies and created important social costs. Based on an attentive analysis of the main Communications of the European Commission, some interesting conclusions are derived regarding the beneficial results of the continuous strengthening of the four free movements (of goods, services, capital and people) created by the Single Market in the European Union.*

Key-words: *Single European Market, global economic crisis, European Energy Union, Digital Single Market, Capital Markets Union.*

1. Introduction

The Single European Market refers to the EU as one territory without any internal borders or other regulatory barriers to the free movement of goods and services. A functioning Single Market stimulates competition and trade, improves efficiency, raises quality, and helps cut prices. The European Single Market is one of the EU's greatest achievements. It has fuelled economic growth and made the everyday life of European businesses and people easier (European Commission, 2015 a).

This paper intends to discuss how the Single European Market is adapting to the changing global environment, especially to the effects of the economic and financial crisis, which was a major test for the European economies and created significant social costs.

In order to attain this objective, the paper is organized as follows. The next section presents a brief history of the Single Market implementation and its positive effects for the European economy, including creation of jobs, increasing industrial competitiveness, lower prices for consumers and liberty to live, study and work wherever in the European Union. Then the efforts of upgrading the single Market are attentively analysed, taking into consideration the recent EU trade mark that comes into effect, the improved flexibility for service contracts and the electronic

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public procurement that will reduce administrative burden and stop unfair bidding. The last section provides the concluding remarks.

2. Evolution of the Single European Market

The objective of realizing a single market can be found in the Treaty Rome, as presented in Box 1.

Box 1. The treaty base of the single market (Treaty of Rome)

Art. 28 TEC[2] (ex Art. 30EEC[3])	Prohibition on quantitative restrictions on imports and all measures having equivalent effect
Art. 39 TEC (ex Art. 48EEC)	Free movement of workers
Art. 43 TEC (ex Art. 52 EEC)	Right of establishment
Art. 49 TEC (ex Art. 59 EEC)	Freedom to provide services
Art. 56 TEC (ex Art. 67 EEC)	Free movement of capital
Art. 94 TEC (ex Art. 100 EEC)	Procedure for the approximation of laws that directly affect the common market

The Single European Market was established by the Single European Act adopted in 1986. This allowed for over 280 pieces of legislation to be passed to pave the way for one common law for the EU based on the principle of mutual recognition for laws and regulations of member states. The Single European Market means the free movement of goods, services, capital and people.

On 1 January 1993 the internal border controls between EU countries were eliminated and the free movement of people, goods, services and capital was launched. The involved countries in that period were Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and United Kingdom.

Initially open to 345 million citizens and 12 member states, the Single Market can nowadays be accessed by more than 500 million people across the 28 member states. Restrictions on trade and free competition have gradually been eliminated and, as a consequence, the living standards have increased.

The objectives and beneficial effects of the Single Market can be summarized as follows:

- Abolishing trade barriers and physical customs controls

[2] Consolidated Treaty establishing the European Community, Revised Treaty of Rome
[3] European Economic Community

- Harmonizing national rules preventing companies trading across borders
- Changing public procurement rules for the EU
- Modifying legislation to allow Europeans to move and work in other member states
- Removing obstacles to the services sector and allowing companies to provide cross-border services.

Box 2 presents the main steps of the Single European Market accomplishment.

Box 2. Brief history of the Single European Market

1951 – The European Coal and Steel Community is established by France, Germany, Belgium, Italy, Luxembourg and the Netherlands. A treaty to tie their coal and steel industries closely together is signed.

1957 – France, Germany, Belgium, Italy, Luxembourg and the Netherlands sign the Treaty of Rome, creating the European Economic Community (EEC, later the European Union) with its "common market".

1985 – The European Commission publishes a comprehensive blueprint and timetable for welding together the fragmented national markets to create a genuinely frontier-free Single Market, by the end of 1992. The Schengen Agreement was signed, starting the process of dismantling EU internal border control.

1987 – The Single Market Act comes into force clearing the way for decisions and legislation allowing for common laws governing the Single Market.

1986-1992 – The EU adopts nearly 280 pieces of legislation to allow 12 sets of national regulations to be replaced by one common European law which would be agreed to in 12 member states.

1991 – The Maastricht Treaty is signed. It was one of the foundation stones for the establishment of the single European currency – euro.

1993 – On 1 January, the Single Market becomes a reality for 12 EU member states: Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Portugal, the Netherlands, Luxembourg and the United Kingdom.

1995 – Austria, Finland and Sweden join the EU and become part of the Single Market. The first abolition of border controls in accordance with the Schengen Agreement comes into effect between Belgium, Germany, Spain, France, Luxembourg, the Netherlands and Portugal. Over time the Schengen area has expanded so that it now includes 26 countries.

1997 - The Amsterdam Treaty abolished physical barriers across the Single Market.

1999 – A market works better when everyone is using the same money. On 1 January 1999 the euro was created for financial (non-cash) transactions.

2002 – The euro is a reality for the citizens of Europe as its notes and coins become legal tender from 1 January 2002.

2004 – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia join the EU and become part of the Single Market.
2013 – Croatia becomes the 28th member state of the EU.

3. The Single Market confronted with the recent economic and social challenges

The global economic and financial crisis constituted a severe test for EU economies and created immense social costs. Unemployment remains stubbornly high across Europe and low economic growth have affected people's confidence in Europe. Unsatisfying levels of investment and barriers in goods and services markets have decreased productivity levels and the European economy competitiveness. Businesses often feel stifled by outdated and excessively burdensome regulations and unable to find the information they need (European Commission, 2015b).

EU's response to these challenges includes:

- an Investment Plan for Europe
- the European Energy Union
- the Digital Single Market Strategy and
- the Capital Markets Union.

The European Commission that came into office in 2014 launched its Investment Plan for Europe and the European Fund for Strategic Investments (EFSI). The Investment Plan focuses on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources. To achieve these goals, the plan is active in three areas:

- mobilizing investments of at least €315 billion in three years
- supporting investment in the real economy
- creating an investment friendly environment.

This plan has already started to counter the investment decline and to drive the economic recovery. The European Investment Bank (EIB) estimates that by March 2016, the European Fund for Strategic Investments (EFSI) triggered around €76 billion of investment in Europe.

The European Energy Union will ensure that Europe has secure, affordable and climate-friendly energy. Wiser energy use while fighting climate change is both a spur for new jobs and growth and an investment in Europe's future (European Commission, 2015c). The state of the Energy Union shows progress made since the Energy Union Framework Strategy was adopted to bring about the transition to a low-carbon, secure and competitive economy.

As Jacques Delors remarked (see Foreword in Andoura and Vinois, 2015), the EU currently implements common policies in key fields such as trade, agriculture and transportation, to name but a few. The EU has also created an economic and monetary union, a banking union regulated by the European Central Bank, and an area of free movement that is unique in the world. Why then, asked Jacques Delors, could energy not be promoted to this level, and take its logical and necessary place in the European project, in line with what European citizens have been demanding for several years now?

The internet and digital technologies are transforming our lives. But existing barriers online mean citizens miss out on goods and services, internet companies and start-ups have their horizons limited, and businesses and governments cannot fully benefit from digital tools. In these conditions, it is the right time to make the EU's Single Market fit for the digital age, tearing down regulatory wails and moving from 28 national markets to a single one. This could contribute €415 billion per year to the European economy and create hundreds of thousands of new jobs.

The Capital Markets Union represents a key pillar of the Investment Plan of the new European Commission and it aims to tackle investment shortages by increasing and diversifying the funding sources for Europe's businesses and long-term projects. Alternative sources of finance, complementary to bank-financing – including capital markets, venture capital, crowd-funding and the asset management industry – are more widely used in other parts of the world and should play a bigger role in supplying financing to companies that struggle to get funding.

4. Conclusions

While the Single European market was ostensibly complete by the end of 1992, it remains a project in continuous creation. It advanced a long way between 1987 and 1992, but the notion that it is now complete is hard to sustain.

The recent EU package of measures for upgrading the Single European Market tries to solve the challenges of the new global context.

Recognizing Europe's investment gap and the reduced capacity of investors to take risks, the Investment Plan for Europe will help to direct money to economically viable projects. The European Energy Union project reminds that energy was at the heart of European integration. The present problems include adapting the European energy transition to a challenging international environment, assuring a sustainable economic development and building a resilient and strategic Energy Union for EU relationship with the rest of the world. The Digital Single Market Strategy could open up digital opportunities for people and business and enhance Europe's position as a world leader in the digital economy. In other words, a Digital Single Market in the EU means bringing down obstacles to unlock online opportunities. And finally, as regards the Capital Markets Union, removing barriers to investment will significantly contribute to deepening the Single Market. It will help European businesses and SME's in particular – by having a wider range of funding sources. The consumers will also be given more options for investing their money. Through the Capital Markets Union it will be much easier for capital to flow freely across all 28 member states.

5. Acknowledgement

I express my gratitude to Professor Angelo Santagostino, Ad Personam Jean Monnet Chair at Yildirim Beyazid University – Ankara, Turkey, for involving me as a co – author in a book envisaged to be published at Oxford University Press entitled *EU Single Market and Commercial Policy*. This short paper represents a preliminary step of the documentation for my book chapter "How the Single European Market is contributing to EU growth".

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