The EU Single Market and Enlargement

The Single Market

The Single Market of the European Union, which came into existence on the 1st January 1993, aims to make the whole of Europe the 'home market', of all businesses operating within the European Union.

The Single Market has been developing since the original establishment of the EEC (the old name for the EU), and is still being refined and improved upon today. It is expected that firms competing in the single market, will because of increased competition, increased economies of scale, and improved access to resources, be able to compete on the world stage. The size of the economies making up the Single Market, is in total comparable to that of the USA, and the 'home markets' of Japan. So world class and competitive companies should grow out of the rigours of operating in the Single Market.

Main Features of Single Market

- No barriers to trade or transfer of resources between member states. This means no quotas (limits on number, value or quantities) on imports and exports, and free movement of capital and labour between EU member states.
- No tariffs (taxes on imports and exports) on goods and services traded within the single market.
- Free transfer of resources from one country to another - these resources include capital and labour
- Consistent standards from one country to another - a good or qualification that is valid for sale or for use in one member state, is free to be sold or used in all member states. For example a Doctor who qualifies in Greece is licensed to operate in Germany, or a radio that has passed UK safety standards, has automatically passed safety standards in France.

The Advantages of Single market – for businesses.

- Increased levels of Demand. This will result from access to a larger market place. This increased demand will of course only happen if firms are more efficient than their competitors.
- Lower costs through increased economies of scale. Larger markets = larger scale production, lowering average costs of output.
- The freeing of Capital Markets. Firms will be able to access the best finance and capital raising deals throughout Europe.
- Greater employer access to labour markets - workers from all member states are potential employees – just take a look at the Premier League!

The Advantages of Single market – for consumers

- Increased wealth as trade and competition increases. Lower prices means higher 'real income', and increased economic activity leads to more employment.

- Increased consumer choice. There will now be access to all manufacturers and service providers. Why not take out a mortgage or loan with a German bank if the interest rates offered are lower?

- Greater employment opportunities. For those with 'marketable skills', employment anywhere in Europe is now available.

Why is the Single Market not yet complete?

More than 15 years after the 'official opening' of the European Single Market, there are still barriers to trade and free movement of resources within the EU. There are a number of reasons for this:

Protection of industries for political or economic reasons. Protectionism is still being practised throughout Europe. Subsidies are paid by governments to uneconomic and non-competitive industries. For example some German coal miners are subsidised to the value of £30,000 per head per year, and throughout the last decade the French Government has injected billions of Francs and Euros into Air France to keep it flying. The recent arguments between Britain and France over beef and lamb exports are partly a result of French attempts to protect it's beef industry.

Problems with harmonisation of standards. Harmonisation means the bringing together of different standards that exist within Europe. This is a difficult and complex task, made more so by countries fighting to protect their national interests. The main problems seem to be occurring in the labour market. For example arguments continue about whether professional qualifications achieved in one country are usable in another member country.

Cost Implications. For many industries there are high costs to be met in trying to achieve the harmonised standards set by Europe. It is often argued that standards applicable to one country have no relevance in another country. We have seen an example of these costs occurring recently in the meat slaughtering industry. Recent rules set by Europe now mean that veterinary costs to some small slaughterhouses have increased 10 fold, making them uneconomic and potentially forcing them out of business

Conclusion.

There is no doubt that we have moved a long way towards a free market in goods and services throughout the EU, and that the UK has been one of the greatest beneficiaries of this single market. After all, many, if not all of the Asian and American companies that have established production facilities in the UK, have done so to gain free access to the rest of the EU.

Our exports to the EU have increased both in proportion and in total since the Single Market was established, and many of our largest businesses have benefited from access to European markets and cost economies of scale.

But there are still problems. Smaller UK firms have lost out to European competitors, the new members of the single market with their lower costs for business has encouraged some disinvestment in the UK, with jobs moving to eastern Europe, and there are still many instances of barriers to free trade existing preventing fair competition. Good examples of these barriers are found in the Airline Industry, where national carriers are still given favoured treatment by their governments, and in the professional labour market, where free transfer of labour between member states is still limited by many restrictions, encouraged by those wishing to protect their jobs and incomes.

Enlargement

Enlargement simply means the growth of the number of countries who are part of the EU The accession of Bulgaria and Romania on 1 January 2007 completed the fifth enlargement, following the EU's biggest single expansion - by 10 Member States - in May 2004. From 2013, all workers from these two countries have the right to try and find work in the UK and other EU states.

Who can join?

Article 49 of the Treaty on European Union states that: "Any European state… may apply to become a Member of the Union".

What are the criteria for joining?

There are three basic standards, that all countries must meet before the can become members of the EU, these are:

- The existence of a functioning market economy and the capacity to cope with market forces and competition within the EU (the Economic Criteria)
- Stable institutions that guarantee democracy, the rule of law, human rights and respect for and protection of minorities (the Political Criteria)
- Adoption and implementation of the entire body of EU law and adherence to the aims of political, economic and monetary union.

There are currently 27 members of the EU.

Austria, Belgium, Bulgaria, The Republic of Cyprus, The Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

Impact of Enlargement

There are of course both advantages and disadvantages to current member states, individual and firms of the enlargement process.

Advantages

- Immigration helps drive economic growth, increasing the resources of a nation, and reducing inflationary pressure that may arise from skill, and labour shortages.
- Cheaper labour is good for the economies of richer European nations, keeping firms costs down, and increasing domestic and international competiveness. -
- The richer member states gain more from being members of a larger single market than they pay out to the EU to help support the new members who are the poorer countries within the EU.

Disadvantages

- Enlargement could lead to mass immigration, pressure on domestic social services and education systems as well as an increase in organised crime

- Workers from poorer countries take jobs from workers in richer ones, and companies may relocate to countries with lower labour costs and lower costs of social protection
- The richer member states cannot afford to pay huge subsidies to the poorer states especially when they are running large fiscal deficits
- The EU will grind to a halt, because with so many members the politicians will never be able to agree on anything (some may see this as a good thing!)

Notes