

McCreevy, Charlie; Rühle, Heidi

Article

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Contra: Greens ask for Alternative Approach to the Liberalization of
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DEBATING THE EU SERVICES DIRECTIVE

PRO: OPENING THE SERVICES MARKET – STANDING STILL IS NOT AN OPTION

CHARLIE MCCREEVY*

The EU Treaties – the Union's basic law – promise the free movement of goods, people, capital and services, the 'four freedoms'. These underpin the internal market and are the bedrock on which the work of the European Union rests.

The free movement of goods generally works well. If I manufacture anything from a needle to an anchor in one Member State, it is taken for granted that I should be able to offer it for sale in another one.

The same has not applied in the case of services. Despite the promise of the Treaties, serious obstacles and barriers remain. These continue to frustrate the efforts of those who wish to engage in legitimate cross-border trade.

Europeans, rightly, do not expect people to go through life without a safety net. We respect the dignity of work and demand standards in the workplace. We work for social inclusion and environmental protection. But our population is aging and the economic challenge from other parts of the world is growing. If we are to sustain our way of life we must act now.

Europe faces serious problems. While some Member States are doing well, others, among them some of the largest economies in the Union, are not attaining sustainable levels of growth. Our inability to get our economies moving and to create jobs is posing a serious challenge to the sustainability of Europe's social model.

Services make up 70% of the Union's GDP. Almost all new jobs created in recent years have come from this sector. Given the sluggish nature of the European economy and the dynamic potential of services, you don't need a higher degree in economics to put the two together. To galvanise Europe's economy, you need to do something about services.

That is where the Services Directive comes in. Controversy has come to surround this subject. Assertions of social and environmental dumping and a race to the bottom are fairly typical examples of the criticism it has faced. In a democracy, open debate is vital. I am disappointed, however, that debate in this area has been so ill-informed.

It has particularly saddened me that some of the criticism of the proposal on social grounds frequently heard in older Member States has been motivated by a wish to prevent workers and businesses in the newer Member States from enjoying the full benefits the Union offers. That these arguments are advanced in countries that have gained so much from the Union, is profoundly depressing.

We should call a spade a spade. When some people speak about the Services Directive introducing 'social dumping' – a phrase I particularly dislike – they mean that it will be made easier for businesses and workers from one Member State, including new ones, to offer services in another. And, frankly, they don't want the competition and they don't care if it will result in greater choice and lower prices for consumers.

So, let's get some facts straight. What does the Services proposal set out to do?

- Make it easier for people to set up businesses, cut unnecessary red tape. In some Member States it takes over a year to set up a company. In others, an economic case has to be presented to justify the opening of a new shop. Such unnecessary controls need to be done away with. Encouraging entrepreneurship, not killing it, is what is needed.



* Commissioner for the Internal Market and Services.

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- Strengthen cooperation between Member States so that cross-border provision of services can operate.
- Ensure that workers sent from one Member State to another are governed by the social legislation in the host Member State. This includes minimum wage levels which must be respected.
- Ensure that customers have proper information on the quality of services and the companies providing them, and legal redress if things go wrong.

What does it not do?

- It does not make it any easier, or harder, for workers to move from one Member State to another. It changes nothing in this regard.
- For example, it does not allow workers from lower wage countries to move to higher wage countries undercutting wage rates. Social legislation including minimum wage rates of the place of employment continue to apply.
- It does not prejudice or compromise the responsibilities of Member States in relation to services of general economic interest.

I have made it clear that I am open to accepting improvements to the text and will accept changes to address genuine concerns. If others regard it as helpful, it can be made crystal clear that workers' rights must be protected and that certain sensitive sectors will not fall within its scope.

But I do not think this is the real issue. It is more fundamental. I respect the views of people on the left and on the right. But no matter where you stand on the particular problem regarding the European economy, you have to conclude that standing still is not an option.

We have to find the balance that takes into account the concerns of those in employment today and the interests of the millions who will be coming on the job market in the years ahead. If we do not have a vibrant economy, there will not be enough jobs, no decent standard of living or social inclusion to defend.

I want to move this debate forward. I would like to build a consensual approach. Change needs a consensus. I will not be dogmatic in my approach and I ask the same from others. But there is a crucial challenge to boost growth in the EU. Avoiding difficult choices is not an option.



CONTRA: GREENS ASK FOR ALTERNATIVE APPROACH TO THE LIBERALIZATION OF SERVICES IN THE EU

HEIDE RÜHLE*

While the Greens strongly support the Lisbon strategy's principal aim of job creation and innovation, we oppose the Commission's proposal for a Directive on services in the internal market. It is not without reason that this proposal is criticized and disputed throughout Europe. While in general we are in favour of more freedom of service provision, social, environmental and quality standards must not be put at stake.

The Directive may lead to social and environmental dumping. The Directive establishes the country-of-origin principle as a general rule for the free movement of services. According to this idea, service providers would not be subject to the laws and regulations of the country where the activity is taking place but rather to those of the country where they have their *siège social*. When former Internal Market Commissioner Bolkestein drafted his Services Directive he may have only had the EU15 in mind. In a Union of 25, however, existing economic and social disparities are likely to create a race to the bottom in standards. Even though there is a series of derogations, without prior harmonisation service providers will tend to establish themselves in those Member States with the lowest standards. With this type of legislation the European Union would renounce harmonisation

* Member of the European Parliament.

as a central characteristic of its internal market. Especially SMEs from those countries providing high standards may be subject to even double discrimination, as they might neither be competitive on their home markets, nor have any chance on foreign markets. The Commission's proposal would probably favour the development of large transnational consortiums of service providers and jeopardise small local providers. The proposal will also lead to more bureaucracy as national administrations and judiciary systems will have to be aware of 25 different national systems in 20 different languages.

We believe, that the Directive's scope is much too wide as it includes services of general (economic) interest. Many services of general (economic) interest such as healthcare, culture, audiovisual services, social services or education services would be covered by the Directive as long as they involve at least partial economic remuneration. At the same time, in spite of strong demands from the European Parliament, there is no parallel proposal for a Directive on services of general interest. We fear, that the services (including healthcare) that are to fall under the Directive would jeopardise Member States' ability to organise adequate service provision.

There are better ways to achieve the Commission's relevant objectives. We propose an alternative approach concerning a limited number of commercial services. This alternative approach should be consistent with the objective of Community harmonisation and be based on the following principles:

- A limited scope with a positive list of sectors which should be covered, i.e. economic activities of self-employed persons (article 47 EC) which do not involve any mission of general interest.
- Concerning the issue of free movement of services: applying the host country principle instead of the country of origin principle as long as there is no full and upward harmonisation regarding the access to and the exercise of a service activity, in particular in terms of behaviour of the provider, quality or content of the service, advertising, contracts and the provider's liability.
- Concerning the issue of freedom of establishment: setting up an open coordination method, instead of a legislative approach, in order to com-

pare Member States' requirements and authorisation schemes.

- Creating one-stop shops and other administrative instruments in order to facilitate access of service providers to relevant information and improve administrative cooperation between Member States.

If there is an open debate on the issues of greatest concern, a consensus will be found that will serve consumers and providers.