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Article

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Introduction to the Issue on

Thirty Years of the European Single Market – Achievements and Future Challenges

Chang Woon Nam

Since its creation in 1993 and the subsequent accession of more EU member states, the Single Market has made people's and businesses' daily lives easier and promoted jobs, growth, and welfare throughout the EU. It is undoubtedly one of the EU's greatest achievements. Over the past decade, however, a series of crises have prevented the realization of the ambitious original goals, namely the creation of a Europe-wide, flourishing free market ensuring the free movement of goods and services, capital, and labor: the global financial crisis of 2008, the Great Recession of 2009, and the euro crisis of 2010. Ten years later, Brexit and the Covid-19 crisis shook Europe in 2020/21, followed by the energy crisis caused by Russia's invasion of Ukraine in 2022.

The 30th anniversary of the European Single Market provides an opportunity to systematically review what has been achieved and, more importantly, what remains to be done. Today, the Single Market continues to be the EU's driving force in addressing new challenges, which can help find solutions to tackle climate change, build a clean and secure energy supply, and support innovation and the digitalization of Europe's economy. The EU internal market will also continue to play a crucial role in guiding the substantive development of national welfare states on the basis of general social standards and common goals, leaving the means and ways of social policy to the member states. In this context, there have already been some approaches in the past, but increased integration through the opening of labor markets in the course of enlargement and the introduction of a common currency posed and continue to pose new challenges for the EU. Furthermore, the Single Market will remain the cornerstone of Europe's resilience, enabling it to emerge stronger from the Covid-19 pandemic and the current energy crisis by helping companies diversify their supply chains and seek new business opportunities.

This issue of EconPol Forum brings together several articles that address important aspects related to the future opportunities and role of the European Single Market in a new geopolitical era with a rapidly changing economic order. They also critically examine the main challenges currently facing the EU and propose common strategies and cooperation measures needed not only for the EU but also for its member

states to make the European Single Market more successful and resilient.

Stefano Micossi notes that while the European Single Market has made impressive progress over the past thirty years, the completion of the internal market for services has generally been rather slow. In addition, national policies have been insufficiently supportive of the goal of market integration, leading to the little progress made in market opening over the past decade, e.g., in areas such as natural gas and electricity. Furthermore, he argues that the European Single Market aims to create more growth and better employment prospects. Without such higher growth, as we have seen time and again in recent years, it is unlikely to gain sufficient support among European citizens, which in turn increases the risk that protectionism will return, and that the EU will enter a phase of regression.

According to *Giuseppe Bertola*, Europe must manage the decline of globalization without sacrificing growth, cohesion, or stability, but this will be a difficult task for two reasons. First, the crisis has given Europe new common policies, but it has also shifted policymakers' focus away from the well-regulated market interactions that can achieve these goals. The EU no longer lacks policy tools, but it must use them in the interest of the common good and help markets achieve the growth needed to satisfy citizens and service the debt accumulated during the crisis. Second, pursuing longterm goals with coherent policies is very difficult when policymakers face unprecedented challenges, and the electorate is unusually deeply divided.

Marek Dabrowski criticizes that the European Single Market project is not only far from being completed, but also in constant danger of falling apart. In addition to the further elimination of crossborder legal and administrative obstacles to the free movement of goods, services, capital, and people, some measures are needed to solve these problems: (1) existing rules should be regularly updated to keep pace with innovations and new challenges; (2) the enforcement powers of the European Commission and the European Court of Justice should be strengthened to minimize cases of non-compliance; (3) further liberalization of foreign trade and defense of global WTO rules against increasing protectionist pressures will strengthen the competitiveness of the European

Single Market; and (4) increasing the EU budget and strengthening EU competencies in accompanying social and economic policy areas such as direct taxation could help eliminate tax loopholes and hidden state aid and ensure a level playing field within the European Single Market.

For *Mehtap Akgüç* and *Philippe Pochet*, it is time to prepare an internal market 2.0 with an eco-social model that meets the new challenges. This project should revolve around three axes: the dual digital and green transitions, the environmental, and the social and the geopolitical (strategic autonomy) dimensions. The two authors are also optimistic about finding a new European social pact to support this project, involving employers interested in quality products, workers, and trade unions concerned with the quality of work, as well as all NGOs and citizens committed to a better quality of life.

According to *Lucia Quaglia* and *Amy Verdun*, the Single Market in financial services has increasingly been used for geoeconomic purposes, that range from incipient geoeconomic use to outward weaponization. During the post-2008 regulatory disputes between the EU and the US, the EU mostly acted as a market power and sought to externalize its internal rules. During the Brexit negotiations, the EU maintained unity with the UK to protect the integrity of the Single Market. In contrast, when sanctions were imposed on Russia, the Single Financial Market was used to constrain Russia for geopolitical reasons. The authors also note the possibility that the unity of the EU's geopolitical deployment of economic power could be threatened if the coalition of supportive EU member states falls

apart or if the EU deploys other financial instruments (e.g., the euro or the banking union) against Russian aggression.

Iulia Siedschlag demonstrates that the European Single Market has significantly increased the attractiveness of EU countries for foreign direct investment (FDI), which has boosted productivity and employment growth and provided host countries with additional benefits through knowledge spillovers on the productivity and trade performance of domestic firms. Removing regulatory barriers at the EU and member state levels in the area of services could strengthen the integration of business services in key manufacturing sectors and lead to more efficient integration of firms into European and global value chains.

The existence of serious supply chain risks in the EU is demonstrated not only by the coronavirus pandemic and the economic consequences of the Russian invasion of Ukraine, but also by the critical economic dependencies on China. In this context, *Andreas Baur* and *Lisandra Flach* suggest questioning the extent to which more protectionist EU policies would lead to a more resilient European economy. A key objective of European trade policy should be to identify external dependencies and systematically manage the associated economic and political risks. Moreover, diversification of trade relations seems essential for these purposes: the EU should continue to advocate strongly for WTO reform, as a strong multilateral trade regime is the best prerequisite for well-diversified external economic relations.

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