

Is the Single Market the Core of EU Integration?

Written by Christopher Grundy

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CHRISTOPHER GRUNDY, APR 24 2013

'The Single Market Remains the Core of Economic and Political Integration.' Evaluate Whether this Remains True Given the Continued Expansion of EU Competences.

"The contribution which an organized and living Europe can bring to civilisation is indispensable to the maintenance of peaceful relations." –Robert Schuman (1950:13)

Robert Schuman's declaration on the importance of a united, organized Europe serves as a potent reminder of the original principles underlying the formation of the European Union (EU). Christopher Hill (2000:1) points out that at first "the vision was much more myopic and specific: how to deal with Germany." In the aftermath of World War II the European Economic Community (EEC), the forerunner of the European Union, was set up with the aim of reassuring Britain and France by imposing economic restrictions on Germany. However, with the Schuman Plan, the Treaty of Rome in 1957, the Davignon Report in 1970, the single European Act of 1986, and the Maastricht Treaty signed in 1991, the range and strength of economic and political integration has transformed the parochial European Economic Community into the European Union, a unique Intergovernmental Organization. This has caused integration into the EU to become a highly attractive proposition.

Michelle Egan (2011:259) highlights the establishment of normal standards of competition through the elimination of protective barriers and the harmonization of legislation as the most attractive aspects of integration. Egan goes on to assert, "The Single Market is the defining component of the European integration process." (2011:259) This interpretation is buttressed by Ernst Haas' (1958:79) influential exposition of neo-functionalism, which identifies economic reasons as the key factor for economic and political integration but recognises a phenomenon named 'spillover' as an equally influential element. Haas believes that "all parties realise that further economic gains can only be arrived at if adjacent sectors are integrated well, spurring additional integrative steps." (1959:79-80)

Helen Sjursen picks up on this point, suggesting that the additional integrative steps have allowed the member states to conduct their relations divorced from "the set of norms and rules embodied in the Westphalian system of states." (2004:84) Furthermore, Sjursen submits that this fundamental shift in relations, away from Westphalian principles, is the key motivation of integration, as it guarantees security from war between member states. Intriguingly, Michelle Cini (2010: 146) proffers that the core of political and economic integration is the ability of member states to have their voices heard on the international stage more effectively. In addition to this Cini stresses effective crisis management by the EU, on a scale impossible to individual states, such as the amelioration of conditions in the aftermath of the Balkan War.

On the other hand, scholars such as Stanley Hoffmann have identified Intergovernmentalism as the most potent analytical tool, concluding that member states only collaborate with a view to their direct self-interest and postulating that "issues of sovereignty and security are dominant" (1966:23) in explaining integration. To the contrary, Ben Rosamond (2007: 117) espouses the theory of 'new regionalism' as the crux of economic and political integration. 'New regionalism' emphasises the increase in regional blocks such as Mercosur and NAFTA, explaining this trend as a reaction against Globalization, in which "states have seen fit to pool resources in order to recapture some of the authority that globalization has taken away." (2007: 118)

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Finally, Robin Blackburn, in the essay 'Capital and Social Europe', propagates his scepticism towards the Single Market. He supports his opposition by arguing that "the EU does not have a fiscal regime adequate to the huge Challenges that its member states face," (2011:4) contradicting Egan and Haas by implying the Single Market's inadequacy as a motive for integration.

Integration thus has strong advocates and substantial evidence supporting both perspectives. It will be the aim of this essay to create a synthesis of the crucial opposing positions, conveying a distinct point of view that emphasises the historical importance of the Single Market while highlighting significant modern developments and their implications for the integration of European states.

Egan is perhaps the most compelling scholar arguing in favour of the Single Market as the key motivation for integration. Her argument builds on the contradictory economic strategies pursued by the countries of Europe prior to the EEC, which hampered growth by "preventing new firms from entering the market and taking advantage of new commercial opportunities." (2011: 260) Thus Egan points toward the abolition of high tariffs and intricate custom duties as the primary achievement of the Single Market, making it the most attractive advantage of integration. Lelieveldt and Princen (2011:277) support this claim, underlining the importance of the Financial Crisis in showing the fortitude of the Single Market. Specifically, "the lapse into protectionism and unilateralism did not occur," (2011:277) which they perceive as an essential vindication of their proposal. The ability of the Single Market to survive the Financial Crisis, and the member states' willingness to cooperate and coordinate on which steps to take in order to overcome the crisis with the Single Market intact, is evidence of its crucial role within the European Union.

This interpretation is strongly opposed by Robin Blackburn (2011:88), who identifies the Single Market as widening inequality and relying on untenable fiscal grounds. Blackburn highlights the "high levels of unemployment in its core states," (2011:88) coupled with poorly planned enlargement, as the pivotal causes of rising economic inequalities. Thus, Blackburn's argument rests on the Single Market perpetuating the wealth of the core EU member states while leaving its smaller member states in financial turmoil. Statistics on the GDP per person released by *The Economist* (2013) seem to strengthen Blackburn's analysis. These show that Bulgaria's GDP sits at under one sixth of that of Germany or France.[1] Further evidence is provided by statistics released by Eurostat, which illustrate a year-on-year decrease of job vacancies throughout the EU area between 2006 and 2012.[2] Blackburn's inference seems justified, as statistics show a decrease in overall wealth as well as widening inequality between the richest and the poorest members.

Besides the poor economic performances, catalysed by the Single Market, Matthijs and Blyth have pointed out the 'democratic deficit' of the European Union, which allows "unelected Eurocrats" (2011:3) to run the economic affairs of Greece and Italy. Specifically, Matthijs and Blyth propound their theory of a German-dominated Single Market in which countries such as Greece and Italy are forced into financial turmoil because of "Germany's failure to act as a responsible hegemon in Europe." (2011:3) This lays bare an important feature of the European Union and its fiscal policies concerning the Single Market. Thus, the Single Market creates a dependence on what Kindleberger (as quoted in Matthijs and Blythe 2011:3) called 'one stabilizer' member, which provides five public goods, including real lending of last resort during financial crisis. This inference is supported by contemporary events, which have given rise to political and economic dependence on German markets, unimaginable in the times before the Single European Act of 1986.

Matthijs and Blyth's argument is lucidly argued, however Leonard impressively argues to the contrary, illustrating the importance of the Single Market in collapsing the GE-Honeywell merger. Leonard goes on to note that "thousands of companies around the world have chosen to adopt the standards of the European Union." (2011:24) Although denouncing sceptical analysis of the Single Market, Leonard's (2011: 14-56) central argument is concerned with 'The European Way of War,' which he deems superior to the Single Market as a reason for integration. Explicitly, Leonard cites the willingness of "a new generation of leaders" to intervene in Kosovo "without an explicit mandate from the United Nations." (2011:17) Thus, the EU's military interventions in Kosovo and Macedonia exhibit its credibility as a cohesive military force, subsequently inculcating legitimacy to the extent that joining the European Union for states such as Turkey has "become a unifying national dream." (2011:50) Leonard supports this claim by emphasising the role that prospective membership is playing in Turkish politics. "The abolition of the death penalty,

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the army-dominated security courts, and curbs on free speech," (2011:50) are identified as the key reforms undertaken by Recep Erdogan's government in order to fall into line with EU demands.

Michelle Cini, on the other hand, offers the opposite opinion by eliciting the Kosovo War as "an enormous wake-up call for the EU." (2010:246) Cini justifies her supposition by affirming "the EU's response to the genocide, displacement of populations, and imperial conquest has been widely condemned as inadequate." (2010:246) In drawing attention to the EU's weakness in dealing with events in Yugoslavia and Kosovo, she deconstructs Leonard's claim of increased organizational legitimacy after these conflicts and their relation to integration.

Further criticism of Leonard's proposition comes from Sjørusen's observations concerning the increasing alternative "understandings of security." (2004:60) This introduces a fiercely debated re-evaluation of the meaning of security, pioneered by Buzan (1983), which advocates an enlargement of the term, including more issues concerned with 'soft security.' As Sjørusen (2004:60) points out, this reconceptualization of security plays a more significant role in understanding the core of integration than Leonard's emphasis on military security. Jürgen Habermas' (1992) ideas on communicative action inhabit the centre of Sjørusen's argument, describing the vital difference between inter-state relations within and beyond the European Union. Specifically, "relations between member states are no longer organised solely in accordance with the set of norms and rules embodied in the Westphalian system of states." (2004:60) This identifies a crucial aspect of EU integration that guarantees peace between member states, therefore functioning as an obvious motive for integration. This point is picked up by Erikson and Wiegard, who underline the importance of communicative action which "...operates with dialogical actors who co-ordinate their plans through argumentation aimed at reaching mutual agreements," (as quoted in Sjørusen 2004:64) and consequently shifts the norms of interaction away from the Westphalian emphasis on military action, towards more diplomatic relations.

Haas' classic analysis of the European Union stands in stark contrast to this interpretation. With the development of Neo-Functionalism, Haas (1958) concludes his meticulous study of the early stages of European integration. Neo-Functionalism posits that "the process of integration and its results reflect the relative success of different groups in advancing their interests." (Lelieveldt and Princen 2011:128) Principally, the ability of groups to escape national boundaries and forge international associations in order to advance their cause represents the crux of economic and political integration. The group Haas (1958) examines most closely is the political elite, which he identifies as the prime cause of integration. More specifically, Haas (1958) underscores the elites' success in establishing a supranational authority that necessitates further integrative steps so that increased financial gain may be secured. According to Neo-Functionalism, this process will lead to 'spillover' of integration into other areas. In sum, integration is fostered by individual groups seeking financial gain, thus establishing transnational networks that further catalyse integration, and setting in motion a process of self-perpetuating coalescence towards a supranational state, through the phenomenon of 'spillover'.

Haas' inference is reinforced by Lelieveldt and Princen (2011:128), who cite the European Commission's failure to pass the proposed Services Directive in 2004 due to the power of opposition offered by various interest groups. Explicitly, "labour unions as well as more specialised interest groups approached MEPs, European Commissioners and national governments" (2011:129) in order to block the proposal. Although this example undermines Haas' accentuation of elite groups, it draws attention to the efficacy of interest groups in shaping policies and decision-making in the EU. More importantly, Lelieveldt and Princen strengthen the neo-functionalist conception of integration, understanding the activities of interest groups as a primary cause of integration by playing "important roles in EU policy-making." (2011:129)

Perhaps the most prominent attack on Neo-Functionalism was launched by Sweet and Sandholtz (1998:18), who reformulate Haas' arguments into a theory highlighting the role of supranational governance. Here, the authors point out the primary flaw in neo-functionalist theory: its linear conception of integration. By pointing towards Charles de Gaulle's veto of British membership, Sweet and Sandholtz (1998:23) elucidate the historically complex process of integration, which cannot be understood in linear terms. Thus neo-functionalism believes integration to be a self-perpetuated process of enlargement, focusing on an ever increasing network of interest groups, a claim which Sweet and Sandholtz effectively deconstruct. They set about doing this by propounding the moves of the European Union

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as a supranational actor, such as “the court rulings by the Court of Justice”, which “may give the integration process a dynamic of its own.” (Sweet and Sandholtz 1998:23) A verifying example of this argument can be found in the Court’s ruling on patient rights in the ‘Luisi and Carbone’ case of 1984, which necessitated “new European legislation requiring insurers to provide coverage.”(Sweet and Sandholz 1998:24)

Although Sweet and Sandholtz argue compellingly, Intergovernmentalism has emerged as an oppositional theory that stresses the importance of the individual state in constraining integration so that power and resources remain safeguarded. Stanley Hoffmann for example argues, “sovereignty and security are dominant in explaining the behaviour of countries.” (1966:17) Hoffman’s claim derives its potency from the power of Governments to protect politically vital issues, whilst dismissing economic concerns as secondary. Subsequently, Intergovernmentalism conceptualizes power as “a function of size and resources,” (Slapin 2008:5) of individual states within the EU. This stands in stark contrast to neo-functionalist conceptions, which see non-governmental groups as pivotal in understanding the integration process. Evidence for Hoffman’s assertion can be gained from *The Economist*, which highlights the impact of EU reforms on its member states. Statistics of Youth unemployment, for example, show Germany’s superior ability to deal with the problem in comparison to smaller, weaker EU states. Intergovernmentalists identify Germany’s aptitude in dealing with grievous political issues as reflective of its greater capacity to manipulate EU reform in its favour.

Criticism of Hoffmann’s elucidation is readily available in the works of Garrett, Tsebelis and Slapin, who affirm, “States do not monopolize the links between domestic and European actors.”(Slapin 2008:11) Andrew Moravcsik offers perhaps the most significant critique of Hoffmann’s ideas. Moravcsik’s (1998) argument established liberal intergovernmentalism, which disagrees with neo-functionalism and classic intergovernmentalism in key respects. Thus Moravcsik (1998:38) understands economic and political integration as reliant on the bargaining power of member states, and considers the European Union as of secondary importance for the integration process. The vast increase of environmental protection pursued by member-states is used as an example to show the importance of relational bargaining power, as it harms already industrialised countries less than pre-industrialised ones, exhibiting asymmetrical capacity to shape policies on the side of wealthy nations.

On the other hand, Brian Hocking (2006:74) draws attention to the effects of globalization that have animated states to seek membership in supranational institutions. Furthermore, Hocking posits that “enhanced economic interdependence has helped to redefine the very nature of what is ‘inside’ and ‘outside’ the state.” (2006:98) He substantiates his claim by referring to the “the emergence of a global agenda epitomised by issues such as climate change and AIDS,” (Hocking 2006:98), which require highly organized cooperation. Hocking (2006:101) goes on to proffer the growth of regulatory diplomacy, inherent in the EU, as having furnished small member-states with greater power on the international stage. This is evidenced by the EU’s ability to successfully defend essential concerns against other nations and trading blocs, “as represented in the EU-US conflicts over hormone-treated beef and genetically modified foodstuffs.” (2006:101) Here Hocking raises a problematic issue however, as numerous European countries such as Great Britain, Latvia and Hungary have no desire for further integration and regularly express deeply held euroscepticism.

In sum, it appears evident that contrary to Egan’s assertion, the European integration process is a highly complex matter with no evident factor being solely accountable. It remains undeniable that the Single Market, through liberalization and harmonization, offers attractive benefits for integrated member-states, however Sjusen’s (2004) emphasis on peace and security is by no means misplaced. The EU is indeed a refuge from the Realpolitik suffusing the Westphalian system and thus offers new rules, norms and conventions, in line with Habermas’ theory of communicative action, guaranteeing peace between member states. Cini (2010) and Hocking’s (2006) contrasting accentuation of collective action, facilitated by integration, is an equally potent inference. Here, both scholars lay bare compelling case studies, such as the Kosovo War or conflicts over hormone-treated beef to underline the ability of the European Union to act for the benefit of its members. Haas’ (1958) account of neo-functionalism cannot be discarded however, as his conception of ‘spillover’ remains a valuable analytical tool with which to understand the integration process. Furthermore, his underlining of the interests of an elite group in perpetuating the enlargement of the EU, is equally as intriguing and remains one of the few studies focusing on class issues. Undoubtedly, New Regionalisms’ emphasis on regional blocs such as Mercosur and NAFTA, is an invaluable addition to the debate, as

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its advocacy of a requirement to be included in an Intergovernmental Organization conveys serious doubts with alternative interpretations. More specifically, New Regionalisms' doctrines are incompatible with Blackburn's sceptical approach to the EU's policies of enlargement. Lelieveldt and Princen (2011), on the other hand, draw attention back to the Single Market, in light of the financial crisis, subsequently proving the strength of the EU and its attachment to the Single Market. Statistical evidence provided by *The Economist* cannot simply be discounted, however, and vast differences of prosperity between member-states persist. This feeds into the beliefs of eurosceptics such as Matthijs and Blythe (2011), who point out the democratic deficit inherent in the institutional framework of the EU, and asymmetrical dependencies that further benefit strong states at the expense of weak states. Perhaps most compellingly, Leonard's (2011) advocacy of 'The European Way of War' showcases the EU's military potency and infers this to be the core of economic and political integration. Finally, this essay has attempted to convey the essential theories concerning the hotly debated and equally intriguing question of integration concerning the European Union. It seems apparent from the evidence given above; that the Single Market plays a vital role yet numerous factors have grown prominent in the last decade and are now of equal importance.

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[1] Economist <http://www.economist.com/blogs/graphicdetail/2013/02/european-economy-guide>

[2]Eurostat http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Job_Vacancy_Rate_EU_EA_20

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