



THE EU SINGLE MARKET – AN AGENDA OF CONSENSUS FOR THE POLISH PRESIDENCY?

Věra Řiháčková

The Single Market is a core activity of European Union. It is the oldest policy and perhaps the most substantial element of European Integration. Such status has been fading away as the scope of EU policies has enlarged. Recent financial crisis, Eurozone public debt problems or energy challenges have been much more in general focus than the Single Market. Nevertheless, many actors and observers reiterate Single Market is a key aspect for better performance and competitiveness of European economy and it should be back on stage, as former Commissioner Mario Monti put it.^[1] It also is very unfortunate in this regard that the Single Market has not been completely accomplished, notably in the area of services, as economic nationalism has spread all over Europe.

The Single Market has been highlighted as one of the top priorities of the Polish Presidency of the Council in the second half of 2011 even though new post-2013 EU budget negotiations, currently a hypersensitive issue, are likely to become the central agenda overshadowing other dossiers. Official Polish sources merge both issues together and insist the “Presidency will work to foster economic growth through further development of the internal market and using the EU’s budget for building a

competitive Europe”.^[2] Special emphasis should be put on electronic services and internet transactions and all major initiatives behind the Single Market Act (see below). The Polish Presidency has also scheduled the first Single Market Forum (SIMFO) to take place in Cracow in October 2011, a high-profile event organised together with the European Commission and the European Parliament is aiming at bringing together a great number of the EU Single Market stakeholders. The event is also supposed to mark the beginning of the period of celebrating the 20th anniversary of the establishment of the Single Market in 1992.

As this papers looks also at the Czech positions it should therefore be noted that the Single Market was a clear priority for the Czech Presidency in 2009, too, with the underlying slogan “Europe without Barriers”.

Undoubtedly, the Single Market is the domain of the European Commission. Not only because of the Commission’s legislative initiative monopoly but also due to its activity in this area – since 1985 the Commission has been the driving force of the Single Market construction. The incumbent Barroso Commission is particularly convinced that





time has come to re-launch the Single Market concept in the broader framework of its flagship initiative Europe 2020 strategy struggling for more efficient innovation and job creation. The Commission President José Barroso commissioned a report from Mario Monti to explore possibilities to revitalise the Single Market ("The New Strategy for Single Market").^[3] The report was delivered in May 2010 and serves as base for further Commission proposals, especially the Single Market Act. Many of those initiatives will be negotiated within the EU and its member states during the upcoming months and years – and notably during the EU Polish Presidency in the second half of 2011.

The Commission 2011 Work Programme and the Single Market Act road map outline a number of initiatives that will be put for negotiations in 2011 in the Council and the European Parliament. The list of those relevant to the Polish Presidency Single Market agenda follows:^[4]

- *Legislation enabling an access to finance through a cross-border investing of venture capital funds for SMEs*
- *Legislation modernising the system for recognition of professional qualifications*
- *EU patent legislations*
- *Revision of the legislation on the European standardisation system in the field of services*
- *Revision of Directive on Electronic Signatures*
- *Revision of public procurement legislative framework*

Besides the Single Market Act package, the Commission envisages to present a proposal on the common consolidated corporate tax base (CCCTB). The latter is a recurrent issue, inherited from the previous Commission (an initiative by the Commis-

sioner Kovacs), but it runs a risk of becoming highly controversial in the current EU political context.

The EU institutions will be also very busy with negotiations on the Consumer Rights Directive, which is supposed to be finally adopted. Many parties have voiced their differences so it will be quite a tough job for the Polish Presidency to chair those debates and represent the Council vis-à-vis adamant positions of MEPs.

Analysis of the Major Actors' Positions

The Single Market related issues usually do not cause much controversy as almost all the EU stakeholders (member states, institutions, interest groups) share the opinion that the Single Market has always been beneficial both to the EU as a whole and to their particular interests. The Single Market agenda, however, is quite complex and one can find a great variety of topics (often quite technical) under the umbrella of the Single Market. That is why the Commission considers the Single Market Act both as a flagship initiative and a slogan for a number of other proposals. Given the recent economic crisis and ongoing recovery, economy is generally assigned the number one priority. The Commission sees an opportunity in the Single Market agenda for a more rapid growth as well as for tackling unemployment.

The typical Single Market initiatives listed above are not expected to trigger politically sensitive debates. Therefore, the negotiations will be likely to focus on the more technical aspects of the proposed systems and regimes according to pros and cons for every stakeholder. France and other more protectionist countries could show more reluctance in terms of deeper recognition of qualification in the services market. Due to French and socialist (in the EP) opposition to the general directive on services in 2005–2006, any next attempt to liberalise services in the EU will be very difficult. Therefore, the Commission is not going to propose an-



other general directive but will focus more on particular issues or sectors such as recognition of qualifications.

The already planned Commission Single Market proposals should not represent a major political issue both for Poland and the Czech Republic as both countries follow a rather economically liberal approach that should correspond with the main ideas behind those proposals. Poland as well as the Czech Republic would definitely endorse the Commission's initiatives leading to a better access to capital for SMEs, as explicitly mentioned as one of the Polish Presidency priorities. Support to SMEs is much emphasized in the Czech Government Programme Statement too. The same positive situation is likely to occur as far as the Commission plans to enhance electronic services in the EU (e.g. the proposal to introduce electronic signatures across EU).

However, despite the political will, it might be difficult for both countries to cope with the due implementation of the technical measures adopted in relation to the Single Market and keep the high standards in those areas, e.g. electronic signatures, efficient public procurement etc. It is also questionable how Poland and the Czech Republic will apprehend further EU patent initiatives. Neither Poland nor the Czech Republic took part in the enhanced cooperation of 10 countries that launched the EU patent regime at the beginning of 2011, and it is not clear whether their administrations are ready to embrace a pan-EU enforceable system in this regard.

The CCCTB issue is going to be much more sensitive and controversial in almost all EU countries as views diverge across the continent and the dossier might turn into a real challenge for the Polish Presidency. The European Commission has long sought to harmonise national corporate tax systems, claiming this will contribute to boosting competitiveness of the EU companies.^[5] The idea has been on the table since 2001 and it used to be advocated by the former taxation Commissioner Kovacs. The plans immediately met vigorous opposition from a number of countries including the UK, Ireland and

some new member states. Germany and France pushed the idea through in the February 2011 "Competitiveness Pact", inviting the EU countries to establish a closer economic coordination group within the Euro Plus Pact. Poland finally joined this initiative – in regard to its upcoming Presidency – in order to be part of the process and possibly influence it. Unlike its northern neighbour, the Czech Republic decided not to participate. One of the main reasons stated by the Czech politicians was "a possibility to be forced to harmonize taxes". The common corporate tax base may be pushed through an enhanced cooperation and the Czech Republic risks being isolated from a series of other economic governance agendas.

The Polish Presidency is supposed to moderate the final phase of one of the major EU battles – Consumer Rights package. There is also a long story to it, dating back to 2008. The new horizontal Consumer Rights Directive (merging four existing directives) is now on the table; it has been negotiated in the Council and the European Parliament during the period of 2009–2010, including the Czech Presidency. It is, in fact, a very important piece of legislation with regards to the Single Market as it should foster cross-border sales by increasing consumers' rights and confidence in such transactions. The directive is now in the second reading within the ordinary legislative procedure and is very likely to end up in the conciliation process under the Polish Presidency. Debates on the Directive have been very lively so far as many parties, especially in the European Parliament, have voiced their major differences. German rapporteur Andreas Schwab (EPP) proposed very radical changes to the text that other stakeholders, including the European Chambers of Commerce and Industry, could not agree on. However, it is difficult to define positions towards the directive according to political or national cleavages. Partisans and opponents of the proposal can be found within all camps (the Czech Republic is rather supportive of the proposal) as there are many technical details which might be welcomed or completely dismissed. The main dispute concerns the extent of the actual harmonisation with the centre-right politicians who paradoxically advocate more har-



monisation whereas the socialists or the greens are in favour of less harmonisation, claiming that unification at the EU level would lead to the lower consumer protection standards and would deprive member states of the right to define their own higher standards. MEPs were rather divided on the report and one can expect intensive negotiations in the Council that will pose a difficult task for the Polish Presidency.

Recommendations

Czech and Polish views overlap in a great number of issues related to the Single Market. Both countries share liberal views regarding the EU economic integration and the Single Market represents a major added value of the EU to them. To a great extent, the Single Market is an agenda driven by the Commission and its proposals; thus a successful Council Presidency cannot do without intensive consultation and cooperation with the Commission in this area.

The Polish Presidency should keep emphasising the importance of the Single Market for the overall EU economic performance and competitiveness. Together with other like-minded, economically more liberally oriented countries (including the Czech Republic), Poland should advocate an approach of removing the remaining barriers, especially in the area of free movement of services. The Commission will not oppose further initiatives aiming at liberalisation of the service sector although any substantial revision of the General Service Directive is very unlikely.

Poland is likely to hold an ambitious Presidency which will be worth remembering and will show Polish importance within the EU. The Czech Republic should use this opportunity and seek deeper coordination within the Visegrad context. It is in the Czech interest to contextualise the Polish activities within the V4 framework and thus increase its leverage over the proposals. However, it could be just as beneficial for Poland as it can act as the leader of the four country block and speak on their behalf.

The Czech Republic should definitely assist the Polish Presidency with regards to the Consumer Rights Directive. As this legislation was being negotiated under the Czech Presidency, too, the Czech “know-how” in that area may be useful.



[1] EU Must Put Single Market 'Back on Stage', Says Monti, Euractiv.com, 14/05/2011, <http://www.euractiv.com/en/priorities/eu-must-put-single-market-back-stage-says-monti-news-494013>

[2] Polish Presidency of the EU Council, 31/05/2011, <http://prezycjencjaue.gov.pl/en/what-is-the-Presidency/430-the-priorities-of-the-polish-Presidency-of-the-eu-council>

[3] A New Strategy for the Single Market, Report to the President of the European Commission (Monti Report), May 2010 http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf

[4] For complete list, see Annex 1: Commission Work Programme 2011 http://ec.europa.eu/atwork/programmes/docs/cwp2011_annex_en.pdf

[5] Brussels to Unearth EU Plans for Corporate Tax, Euractiv.com, 14/02/2011, <http://www.euractiv.com/en/enterprise-jobs/brussels-unearth-eu-plans-corporate-tax-news-502110>



This paper has been developed in the framework of project "The Polish EU Presidency 2011: Expectations of the Czech Republic and possibilities of cooperation" supported by the Czech - Polish Forum.



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