The Growth-Oriented Economic Policy of the EU

The Growth-Oriented Economic Policy of the EU

Edited by

Angelo Santagostino
and Burçak Müge Vural

Cambridge
Scholars
Publishing

The Growth-Oriented Economic Policy of the EU

Edited by Angelo Santagostino and Burçak Müge Vural

This book first published 2020

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN (10): 1-5275-5706-5
ISBN (13): 978-1-5275-5706-2

This project has been funded with support from the European Commission, Erasmus+ Program.

CONTENTS

SYNOPSIS

Chapter 1 Benefits of SEM

The common market is the highest stage of trade integration, which is characterised by a wide range of liberalisation of economic flows within a single regime of competition rules. We have thus a more efficient allocation of production factors as well as many other benefits resulting from liberalisation of economic flows. This chapter compares theoretical gains from market integration with its real outcomes in the European Union and assesses the extent to which actual effects differ from potential benefits; to identify the areas where the integration process is not complete; to explain the reasons of the EU common market's sub-optimal performance. The main obstacles to its effective functioning are: the lack of fully integrated market for services as well as of elastic labour markets, low labour mobility, less developed capital markets and low ICT-related capital expenditures as compared to the US, the lack of effective embracement of ICT technologies, fragmented public procurement markets, various tax administration burdens in member states, insufficient use of the principle of mutual recognition, underdeveloped infrastructure across the EU, but also structural problems of EMU.

Chapter 2 Brexit

The chapter discusses the impact on the EU single market of the withdrawal of the UK from the European Union, via Treaty Article 50, on January 31st 2020. The chapter explores in particular the implications for the EU single market of the potential future framework of the trade relationship between the EU and the UK. As negotiations on any trade deal cannot formally take place until after the UK leaves to become a third country at the end of January the exploration of trade options is necessarily speculative. The analysis assumes that the central scenario, following the UK government's stated position, is the negotiation of a narrow trade deal covering manufactures, but suggests that as the negotiations proceed during 2020 other, though low probability, trade options could emerge.

Chapter 3 Industrial location in the EU.

This chapter addresses the question of how the process of economic integration affected industrial location decisions within the European Union (EU). Existence and evolution of a core-periphery structure of the EU is investigated in its relationship to the dynamic integration process. An econometric estimation model, developed by Midelfart-Knarvik (2000), is employed to analyse the determinants of industrial location and evolution of concentration/dispersion patterns. Results indicate that a substantial proportion of variation in industrial structure can be explained by both factor endowments and market potential variables. Skilled labour force and R&D activities, in particular, have found to be increasingly important over time to attract skilled labour and technology intensive industries. Findings of the research also reveal that there has been loss of importance of geography in explaining the distribution of production in manufacturing in EU.

Chapter 4 Capital Market Union

The chapter reviews current progress on this flagship project of the European Commission; the principal aim is to create an EU-wide capital market for investors and at the same time to reduce the dependence of SMEs on bank finance and to provide increased access to wider capital market finance. The chapter examines the measures taken to open up capital markets across the EU and suggests that, though progress is being made, in a number of countries the focus should be on deepening individual national capital markets. In respect of reducing companies' dependence of bank loans it should be noted that banks are themselves capital market institutions and that attempting to move too rapidly to new form of alternative capital market finance, including FinTech sources, will be inappropriate.

Chapter 5 Energy Union

In this age of technology, issues regarding energy and energy policies are undoubtedly at the core of political agenda of many developed countries since it is not possible to have sophisticated technology and provide a high standard of living without energy. This is also the case for the European Union (EU) member states and Turkey. However, the EU countries and Turkey are almost completely dependent on foreign energy to meet their energy needs, which poses a serious threat for their sovereignty and economy. In addition to attempts towards creating a single market for energy union within the EU, developing innovative technologies to make use of clean energy resources more and indigenization efforts, both the EU members and Turkey seek alternative ways to diversify and secure their energy supply. At this point, Turkey, surrounded by countries having %75 of the world's energy resources, aims to be an energy hub taking the full advantage of its geostrategic location and provide the energy that the EU needs as a reliable partner.

Chapter 6 Electricity and Gas Prices

The integration of European energy markets: electricity and gas markets, has been investigated. As of the early 1990s, individual energy markets were mainly dominated by monopolists in Europe. Through some targets and actions, European Commission and the member states have taken steps towards the unification and liberalization of these markets. Since the declaration of the First Energy Package in 1996 for electricity and in 1998 for gas, the legal conditions of the integration process have been outlined and started to be enforced. This study analyzes the convergence of electricity and natural gas prices in Europe with recent data from Eurostat. Although there are differences across markets, it looks like the price differences are becoming smaller. Especially for the non-household or industrial energy consumers, the pay differentials are small and convergence in prices is slightly more. If a comparison between the two energy markets is made, the price convergence in electricity market overall is more than the price convergence in the natural gas market.

Chapter 7. Liberalization of Energy

We discuss the liberalization of the electricity sector in the EU, and we evaluate the recent experience of regulatory reforms in the European Electricity Markets. Europe's regulatory reforms in electricity are unique. They started in the 1980s and were part of European integration. The overarching goal of having a single market and connecting member economies were behind the reform in electricity. The single market ideal has limited the scope of deregulation. Instead, 'managed competition' has become the accepted wisdom. The advances in competition have been completed as a result of the European Commission's efforts. The difficulty influencing the decision-making process at the EU level by companies also supported the liberalization. In spite of all the difficulties, electricity liberalization has been relatively successful as there is a common market and the transmission mechanism works to a large extent. Even though local prices differ across countries, the difference gives market signals and opens the door to arbitrage opportunities. A major issue in the EU electricity markets stems from excess capacity. Moreover, the biggest challenge in front of the liberalization of the European electricity market is on how to adapt to climate change. Climate change is part of political preferences across member states. Each member state takes it seriously, yet their resources and political preferences differ substantially.

Chapter 8. Healthcare in SEM

Cross-border healthcare in the EU can contribute to the Single Market in many ways. The potential contributions have recently made it a more prominent phenomenon in the EU. However, it is still at an infancy stage, and it poses fiscal challenges to the social security systems of the Member States. Our analysis reveals that the ratio of EU citizens who got any medical treatment in another Member State in the last 12 months is only 4.5%. The findings further indicate informational problems: only 12% of people know about national contact points. Multivariate regression analyses point out that there is a relationship between patient mobility and social class of society, and this relationship is well-defined for the upper-class individuals, which may also suggest that receiving healthcare in another EU country can be seen as a social phenomenon.

Chapter 9. FDI in Health

The chapter examines the volume and potential benefits of foreign direct investment (FDI) in health care sector for the EU in the wake of the 2008 global economic crisis. The 2008 crisis brought adverse impacts on economies across the globe and put pressure on countries' budgets. EU was no exception and some EU members experienced the collapse of financial institutions, high government debts, and increasing bond yield spreads. Bailout packages and tight fiscal monitoring mechanisms implemented in order to mitigate the effects of the crisis. However, these measures worsened the difficulties of financing of health care services across EU. Our findings demonstrate that FDI volume in EU increased as a remedy after the 2008 crisis. FDI in health care services is regarded as additional funding and a means of technology transfer. Whether crisis times lead to a significant increase in FDI volume requires further empirical scrutiny.

Chapter 10. EU-USA Free trade agreement

Identifies the components of an "ideal" free trade agreement between the United States, the UK, or the European Union. The framework is generic and excludes many institutional complexities now in place. The chapter discusses the US trade negotiation strategy as "mercantilist reciprocity" in which bargaining involves “tit for tat” with “trade” in threats and imposition of trade barriers (tariffs, quotas, competition rules, domestic taxes, and regulations) within the context of strategies for “levelling the playing field,” principles of free trade agreements, substantive and procedural issues to expect, and overview foundations and integral provisions.

Chapter 11. EU’s unilateral trade policy

The chapter explains the Union’s unilateralism in trade policy from the perspective of Normative Power Europe. To ascertain areas of further research, three key questions are investigated: Why does the EU impose unilateral measures in international trade? How does EU unilateralism differ from multilateralism and bilateralism? How does ‘Normative Power Europe’ discourse shape the unilateral acts of the EU’s trade policy? In the first section, the concept of unilateralism and EU unilateralism are defined to highlight their fundamental differences. Section two provides an examination of the literature on Normative Power Europe and legal documents of the EU such as the Treaties and various reports of the European Commission and the European Parliament. The last section explains the difference between unilateralism and protectionism, a recent global trend, illustrated with cases from the EU and other global trade powers. Both quantitative and qualitative analyses are employed to demonstrate the significance of the EU norms in representative discourses and texts, and also the statistical and other data released by the World Trade Organization and the European Commission.

Chapter 12 EU’s Trade diplomacy in Asia

Trade relations between the European Union (EU) and Asian countries have seen noticeable growth following the economic rise of major Asian states. This chapter analyses EU’s trade diplomacy with the leading economies of Asia; including China, Japan, South Korea and India, which are strategic partners of the Union as well. In its trade relations with the Asian states the EU had long been an advocate of multilateralism; however, since 2006, the EU has prioritized bilateral and regional relations through negotiating free-trade agreements (FTAs) across the region. There has been a clear linkage between economics and politics in EU’s approach to FTAs in the region, as the EU has demanded signing of a political agreement before signing FTA. The initial focus of the chapter is on the main principles and evolution of EU’s trade diplomacy in Asia. Then, EU’s trade diplomacy towards its strategic partners in Asia is individually analysed. It is argued that while the EU has strengthened its trade relations with its Asian partners, contentious issues still exist. In order to overcome these limitations, the EU has to develop a new strategy on Asia.

Chapter 13 EU’s trade with Russia

EU's trade with Russia creates economic ties between them, both in a regional and well as global dimension. Despite periodical declines in the value of goods flows, Russia remains the fourth largest EU's trading partner, but the EU is the major exports and imports market for Russia. The authors focus on assessing the EU's trade relations with Russia based on the following criteria: 1) the significance of trade interdependence between the EU and Russia for the process of European integration and economic development of Russia; 2) impact that differentiated dependence of EU countries upon imports of energy resources from Russia has on trade and energy policy of both parties; 3) problems resulting from the lack of compatibility of EU and Russia's economic models - liberal and controlled by the state; 4) the significance of EU - Russia cooperation on energy security against the backdrop of increasing use of renewable energy resources and approaching changes in the energy markets balance of powers as well as promoting global management of climate changes. The analysis shows that despite technological changes and their impact on the transformation of energy sector and shifts in the energy markets, the EU remains the main destination for Russia's oil and natural gas exports. By 2040 the United States will be the largest exporter of energy and Russia- the top exporter of oil and natural gas.

Chapter 14: EU’s trade with South Korea.

The chapter looks into the trade flows between the EU and Korea after the implementation of the free trade agreement between the partners. The aim is to review the main provisions of the EU-Korea FTA pertaining to the merchandise trade and evaluate the changes in trade flows and structure since the agreement entered into force. The time frame of the analysis is 2010-2018. The conclusion is that gains from trade liberalization pertained more to the EU exports to Korea than vice versa, which was not what the ex-ante evaluations expected. The positive effects for both parties exceeded pre-agreement expectations. The most positively affected sectors of bilateral trade included: automotive, electronic products and parts, chemicals and food products.

ACKNOWLEDGEMENTS

This book is a research outputs of the project funded by the European Union: Erasmus+ Jean Monnet Project: "Heart of Anatolia European Centre of Excellence, Orta Anadolu Avrupa Mükemmeliet Merkezi ANAMER", realized by the Jean Monnet Chair in European Economic Integration at the Faculty of Political Sciences (Department of Economics), of Ankara Yildirim Beyazit University, in the period 2017-2020.

It would not have been possible to finalise this book without the dedicated, timely, and always kind support of Rebecca Gladders and Adam Rummers at Cambridge Scholars Publishing, and of Sue Morecroft for valuable proofread.

The views expressed in the book reflect the perspectives and convictions of the authors.

Angelo Santagostino
Ankara Yildirim Beyazit University, August 2020

Foreword

Covid-19 and the Response of the EU

Angelo Santagostino
Ankara Yildirim Beyazit University

When preparations of the various chapters of this book were complete, the Covid-19 pandemic broke out. Therefore, this Foreword is devoted, as far as it is possible at today's date (July 2020), to the economic policies of the EU as a response to the pandemic, and especially those related with the European Single Market (ESM) and the EU's Trade Policy.

In the Introduction we discuss three of the priorities of the Ursula von der Leyen Commission: the European Green Deal, Europe fit for the digital age and Europe stronger in the world, because these are highly related with the two above mentioned policies.

Priorities have not been reformulated because of the pandemic; the strategy of the Commission having been that of looking for new instruments to cope with the economic consequences of the spreading of the virus through members states and the world.

Between March and July 2020, the EU set up new instruments and new actions to cope with the pandemic. Broadly speaking, four instruments are related with the SEM and one action is related with the Trade Policy.

SEM-related instruments

The first involves unemployment; it is the "Support mitigating Unemployment Risks in Emergency" (SURE), that provides 100 billion euros to help workers and business. This is not just a temporary measure, but the intention of the Commission is to make it structural, to allow the permanent use of similar instruments in the future.

The second deals with small and medium enterprises (SME). About 23 million of such enterprises operate in the ESM and benefit from it and from the Trade Policy. They are essential for jobs, for the free circulation of goods and services and for imports and exports with third countries, they take part in European and global value chains. In this light the European Investment Bank (EIB) established in May 2020 the new 25 billion Pan-European Guarantee Fund (EGF) to tackle the economic consequences of the pandemic. The Fund was endorsed by the European Council in April as part of the overall EU Covid-19 response package. The EGF will enable the EIB to scale up its support for SMEs, mobilizing up to 200 billion of additional financing.

The third aims to help member states as far as their Covid-19 investments and expenditures are concerned. A new credit line has been established within the European Stability Mechanism. The ESM established a Pandemic Crisis Support credit line. It is available to all euro area member states on a preliminary assessment by the European Commission and by the ECB. Access granted is 2% of the specific member state GDP of 2019. Should all 19 euro area countries draw from the credit line, this would amount to a combined volume of around 240 billion. This credit line can be used to support the domestic financing of direct and indirect healthcare, and cure and prevention related costs.

The fourth and biggest is the Next-Generation EU (NGEU). After long debate, European leaders agreed a total financing of 750 billion, of which 360 billion as loans and 390 as transfers. The great novelty of the NGEU is that the Commission will borrow funds on the capital markets. The EU will use these funds to address the consequences of the Covid-19 crisis. The recovery calls for massive Europe-wide public and private investment to set the EU on the path to a sustainable and resilient recovery, enhancing growth potentialities, creating jobs and healing the immediate damages of the pandemic. At the same time, the NGEU supports the Commission's green and digital priorities.

The Single European Market (SEM), as it is addressed by the NGEU is an economic area in which the action of the EU has high value added. Therefore, the NGEU's actions under this area have a high growth potential, as regards programmes in favour of the competitiveness of enterprises and SMEs, digital transformation, research and innovation. Furthermore, the EU needs to update its infrastructure in the transport, energy and digital sectors. These connections are key for the proper functioning of the SEM, for the free movement of persons, labour, goods, capital and services.

Part One of the present book addresses several of the SEM growth related policies essential for the recovery. An efficiently integrated capital market provides new opportunities for SMEs, and more generally for the enterprises located in the SEM. A euro-wide capital market is the necessary condition for both the European Commission and the European Stability Mechanism to raise the necessary funds. Facing the challenge of the pandemic investments in the health sector becomes strategic. Consequently, smoothing the flow of intra-EU (intra-SEM) investments in the health sector is a basic contribution to set up the safety network needed to prevent and contain the Covid-19 pandemic and to minimize the risks of possible future ones. Energy is a sector where so much has still to be done to achieve a fully integrated SEM. At the same time, it is a sector where huge investments must be made to achieve the goals of the European Green Deal. The completion of the SEM for energy is indispensable to enhance the EU's growth potential.

Trade policy-related action

Protectionism is one of the biggest mistakes of economic policy, even more so in times of emergency, like the Covid-19 pandemic. For this very reason, in June 2020, the EU, sticking to its free-trade line, and with the support of other member states of the WTO, called for more transparency in respect of several measures introduced around the world in response to the pandemic. The aim is to avoid unnecessary obstacles to trade that could harm the economic recovery. The signatories (the EU as promoter and Australia, Canada, Chile, Japan, Mexico, New Zealand, Norway, Singapore, Republic of Korea and Switzerland, as co-signatories) committed to "notify all measures as early as practicable, reduce to the extent possible the number and duration of new trade measures and actively contribute to the monitoring of trade measures carried by the WTO Secretariat". This group invited other WTO members to implement the same level of transparency. In fact, between October 2019 and May 2020, WTO members implemented 165 trade-restrictive measures, most of them, linked to the pandemic.

The pandemic and the lock-down of economic activities in so many parts of the world have deeply challenged free trade, generating a huge drop in international exchanges of goods. However, both the multilateral and bilateral trading systems maintain all their importance for enhancing growth.

Part two of the present book addresses diplomatic and economic aspects of the EU's trade policy, both seen in a bilateral and unilateral dimension.

Diplomacy is an essential tool for prosperous economic and trade relations. It enforces credibility and trust among partners, it is the base for sustainable economic and trade relations. They are the pre-conditions for free trade agreements. These allow the EU to play its role as a normative power. The pandemic has shown how important the sanitary standards set by the EU have been for masks and ventilators. However, EU norms cover the whole range of traded goods. Bilateral agreements are thus a way to transfer these norms to the productive systems of the partners, for the benefit of the consumers.

The SEM and Trade Policy represent the two sides of the same coin: European integration. A successful process which has gone through a number of crises since its foundation. However, the crisis functioned as a tonic, returning a stronger Europe. We have no doubt that story will repeat itself even this time.

Ankara Yildirim Beyazit University
Faculty of Political Sciences
Heart of Anatolia European Centre of Excellence

CONTRIBUTORS

Angelo Santagostino

He has been Jean Monnet professor in European Economic Integration at Ankara Yildirim Beyazit University (AYBU), since 2013, at the Faculty of Political Sciences, Department of Economics. He firstly obtained his JM Chair in 1997 at Brescia University (Italy). At AYBU he delivers courses on Integration Theories, EU Policies and Economic Development. His research work is focused on the EU integration process and on classic liberal thought. He has taught in European and Latin American Universities. He has published his research work in books and articles in various academic journals. He is commentator of the Giornale di Brescia, where he regularly publishes columns on EU problems. He has been member of the Mont Pelerin Society since 2012 and of the American Economic Society since 2018.

Burçak Müge Vural.

She is BA in Economics from Dokuz Eylül University (DEU) Faculty of Business, MA in Money and Banking from DEU, and an MSc in European Political Economy London School of Economics where she was a Jean Monnet scholar. She has been working in DEU Faculty of Business (Economics Department) since June 1999. Ms Vural obtained her Ph.D. from DEU in June 2007. The title of her dissertation is "Comparative Institutional Stucture of Turkish Economy, and Turkish National Competitiveness against EU". She has been to Glasgow University in 2014 for 1 year as a Post-Doctoral Visiting Scholar. She earned her Associate Professorship in 2015.

Mert Akyüz

He is Research/Teaching Assistant in the Department of Economics in the Faculty of Political Science at Ankara Yıldırım Beyazıt University (AYBU), Turkey. He graduated from Ankara University, Faculty of Political Sciences, Turkey. He received graduate scholarship from Ministry of National Education, Turkey and obtained his Master of Arts (MA) degree in Economics from Tulane University, Louisiana, USA. He is currently a

PhD candidate in European Union Economics and Public Finance program at Ankara University, Turkey. His research interests include European Union, International Economics, and Health Economics.

Irem Aşkar Karakır.

She is B.A. in International Relations from Koc University in 2002. She then received her M.A. degree in Middle East Studies in 2005 from Middle East Technical University and Ph.D. degree in International Relations from Dokuz Eylul University in 2012. Since 2004, Askar Karakir has been working in the International Relations department at Dokuz Eylul University. She is the author of two books: "New Actors on the Stage: Rising China and India in Global Governance" and "Political Reform in the Arab Gulf Monarchies". She is also the author and co-author of a number of book chapters and articles published in the fields of Middle East politics, European Union's foreign policy in the Middle East and rising powers in world politics.

Tomasz Białowąs.

She is Assistant professor in international economics in the Institute of Economy and Finance, Faculty of Economics at Maria Curie-Sklodowska University in Lublin, the author of about 60 research works. His scientific specialization is international economics, especially: international trade, economic growth and structural changes within the Asia region and individual countries, global value chains and international fragmentation of production, transnational corporations as well as trade policy and regional economic integration. His interests focus also on international transport, logistics and geography of transport systems. In December 2019 he became a habilitated doctor in economics. He is the participant of the international research project concerning the EU-Korea economic relationships: Establishing a Europe-Asia Research Network on Strategies for Promoting Europe-Asia Connectivity.

Gordon L. Brady.

He is Ph.D., M.S.L. has applied economic analysis to a wide range of economic and policy issues. His work builds upon microeconomic and macroeconomics with emphasis on Public Choice, the economic analysis of law and regulatory institutions. His education includes a Ph.D. in Economics, (Virginia Tech) and a Masters in Law (Yale Law School). He held political appointments in the administrations of Presidents Carter, Reagan, Bush, and Clinton. He held endowed chair at Ottawa University, served as director Law & Economics Center, George Mason University, and taught at Virginia Tech, Yale, Sweet Briar, George Mason, and UNC-Greensboro, Elon, and High Point University.

Asuman Çukur.

He is Assistant Professor of Public Finance at the Ankara Yıldırım Beyazıt University, Faculty of Political Sciences. Prior to this post, Dr. Cukur earned her Master of Arts in Economics from University of Nebraska-Lincoln. Following her graduation, she worked as a financial analyst at health insurance companies in USA. After returning to Turkey Dr. Cukur obtained a PhD in economics from Mugla University. Dr. Cukur has published research in health economics and health policy, public economics and public finance. Dr. Cukur is currently carrying out much research on health economics and health policy, focusing on the relationship between economic status and health status in childhood, economic status and mortality and morbidity and health inequalities in Turkey.

İbrahim Demir.

He is Associate Professor in the Department of Economics in the Faculty of Political Science at Ankara Yıldırım Beyazıt University (AYBU), Turkey. He was previously a Research Assistant Professor in the Department of Health Services Policy and Management, Arnold School of Public Health, at University of South Carolina, USA. Prior to his position in University of South Carolina, he worked as Assistant Professor in the School of Economics and Business at Benedict College, South Carolina, USA. Dr. Demir received his PhD in Economics from the Clemson University, USA, specializing in Applied Microeconomics and Health Economics.

Abdulkadir Develi

He has been working in the academic staff of Ankara Yıldırım Beyazıt University since 2012. Having completed his Master and PhD in economics at the graduate school of social sciences at Selçuk University, Abdülkadir worked as an assistant professor at Bayburt University for one year. The title of his master's thesis was *Regulation and Regulatory Institution: Example of Natural Gas in Konya* and the title of his PhD thesis was *Energy as integration tool for EU and the role of Turkey*. He studied at Universita degli Studi di Brescia for six months during his PhD in Italy. He obtained the title of associate professor in 2017. In addition to be the vice president of the graduate school of social sciences at AYBU; he is the head of the department of Social Policy. Abdülkadir has studies in energy economies and policies, economic integration policies and international economics.

Mustafa Erdem

He is lecturer at Gazi University in Ankara since 2001. He also worked as a language consultant and an editor in the "Academic Writing Centre" of the same university. He is a PhD candidate in Social Policy at Ankara Yıldırım Beyazıt University. In addition to sociology, Turkish political history and voting behaviours of Turkish voters, Mustafa is also interested in research areas of Social Policy such as energy policies of EU countries and Turkey, green economy policies and implementations, policies regarding NEETs and wellbeing economy practices and policies in the world. Mustafa is currently working on a project on environmental migrants, climate refugees, the relationship between migration and climate change. Further, he is planning a study on silver economy with a special emphasis on health tourism for silver tourists in Turkey.

Michael Lloyd

He was eeducated at Oxford and Cambridge and is a Senior Research Fellow at the Global Policy Institute, London. He has written extensively on the political economy of the EU and on political and economic federalism. During 1998 Michael was Economic Adviser to the European Parliament on Economic and Monetary Union, and in 2010 he published a book on 'The Euro and the UK - The Political Economy' (Forum Press). As a Visiting Fellow at Newcastle University in 2017/2018 he delivered a series of lectures on the subject of Brexit. He also the co-authored a book published in 2018 by the Global Policy Institute on 'Federal Central Banks'. He is current working on a book for Agenda Publishing on 'British Business Banking' to be published in May 2020.

Magdalena Kąkol.

She is PhD in economics, assistant professor at the Faculty of Economics of Maria Curie-Sklodowska University in Lublin. She graduated from the Faculty of Law and the Faculty of Economics and from the beginning of her professional career she has been an employee of the Chair of World Economy and European Integration at MCSU. In her research work, she specializes mainly in the economics of European integration, in particular in the issues of the single market and EU competition policy as well as the functioning of Economic and Monetary Union. She is the author or co-author of around seventy publications in this field. In 2009-2012 she was also a member of the EuroTeam expert group organized by the European Commission for the promotion of knowledge about the euro area.

Gamze Kargın Akkoç

She is research Assistant and Instructor in the Department of Economics in the Faculty of Political Sciences at Ankara Yıldırım Beyazıt University (AYBU), Turkey. She received her Master of Arts (MA) degree in Economics from Ankara Yıldırım Beyazıt University. PhD in Economics from Ankara Yıldırım Beyazıt University, specializing in Regulated Industries and Institutional Economics. Her doctoral studies were financially supported by TUBITAK national scholarship programme

Bogumiła Mucha-Leszko.

She is Professor of international economics, Jean Monnet Chair in Economics of European Integration at Maria Curie-Sklodowska University in Lublin. She held scholarships inEuropean countries and in the United States. Her scientific interests lie mainly in economics of the European Union, US and global economy. She is the author of around 200 research works and is the scientific supervisor of thirteen PhD dissertations. In 2018 she got the Best Paper Award for the paper Extent of the crisis and post-crisis consolidation of public finances in Greece, Italy, Belgium and Portugal in 2009 – 2018 at the 5th International Multidisciplinary Scientific Conference on Social Sciences & Arts SGEM in Florence. In 2009-2012 she was a member of the EuroTeam Network - the group of experts organised by the European Commission.

Fatih Cemil Özbuğday

He is B.Sc. degree in Business Administration from Başkent University, Master of Arts degree in Economics from Bilkent University, Master of Science degree in International Economics and Finance, and a Research Master's degree in Economics from Tilburg University. In 2008 he worked as a research associate at a private consultancy company (Economics, Strategy, and Valuation department). From 2009 to 2013, Ph.D. researcher at Tilburg University. In 2011-2012, visiting researcher at the Centre for Competition Policy of the University of East Anglia. He was also a member of Tilburg Law and Economics Center and an external researcher at the Office of the Chief Economist of the Netherlands Competition Authority between 2009 and 2012. Dr. Özbuğday worked as an assistant professor in Ankara Yıldırım Beyazıt University between 2013-2018 and he still serves at the same institution as associate professor of economics. His primary research area is industrial organization, energy economics, and health economics. His recent academic work focuses on long-term care, resource efficiency and cultural economics. He is a board member of the UNESCO National Commission of Turkey (UTMK) and the head of the Expert Committee for Sustainable Development 2030 Goals.

Fuat Oğuz

He is professor of Economics at Yildirim Beyazit University, Ankara. He graduated from Ankara University. He earned his master degree from the American University in Applied Economics. He completed his Ph.D. at George Mason University. His main research areas are law and economics, regulatory economics, infrastructure industries and Austrian economics. In economics of regulation, he worked mainly on electricity and telecommunications regulations and legal issues surrounding regulatory policy. His work on Austrian economics focuses on theory of knowledge and the role of tacit knowledge in economic processes. Dr. Oğuz currently works on the relationship between institutional analysis of the rule of law, how social norms, and their change affect economic development with an emphasis on regulatory policies.

Fatma Özgü Serttaş

She is assistant Professor of Economics at Ankara Yıldırım Beyazıt University, Ankara, Turkey, since 201. She received her B.A. and M.A. in Economics from Bilkent University, Ankara, Turkey and received her PhD. in Economics from Iowa State University, USA. Specialization in time series and applied econometrics, macroeconomics and energy economics. She has published in internationally and nationally (in Turkish) acknowledged books, journals and conference proceedings. She has national and international project experience as an econometrician, one of which was a nationwide project which was funded by TUBITAK (The Scientific & Technological Research Council of Turkey) under the Software Technologies Research Institute to develop the conceptual framework of a scoring formula to determine the social aid beneficiaries in Turkey. Her recent research focus on energy economics, especially on the integration of European energy markets.

Abdullah Tirgil

He is Assistant professor in the Department of Public Finance at the Faculty of Political Sciences at Ankara Yıldırım Beyazıt University. Graduate of Boğaziçi University, where he received a BS in Management Information

Systems. After graduation he launched his career in the USA, where he finished an MA in Economics and MS in Mathematics specialized in Statistics at Western Illinois University. Afterward, he completed his Ph.D. in Applied Economics at Northeastern University. His research interests lie in the areas of health economics, labour economics, and applied microeconomics. He has published several articles in international journals related to the health care utilization of low-income households, out-of-pocket health care expenditures of the most disadvantaged groups in a middle-income country context, and the effects of anti-tobacco policies on tobacco consumption.

Monika Vojtas

She is assistant professor at World Economy and European Integration Chair, Faculty of Economics, Maria Curie-Skłodowska University in Lublin, Poland. MCSU employee since 2004. She graduated from the Faculty of Economics at MCSU in Lublin and obtained a PhD in economics in 2012. The theme of the PhD dissertation was: "The functions of the World Trade Organization". Published nearly 40 papers in journals as well as monograph chapters. Main scientific interests include global trade policy, regionalisation of trade policy, activities of the World Trade Organization, international trade flows, international organizations, EU policies (agricultural and trade in particular). Her recent papers deal with changes in trade and trade policy in the 21st century, with special focus on the trade slowdown since 2012 and trade war between the United States and China.

Zühal Ünalp Çepel.

She is assistant professor in the Department of International Relations at Dokuz Eylül University. She is the vice chair of the department and Erasmus coordinator for the graduate students. In 2008, she received Finnish state scholarship (CIMO) for PhD research, and studied in the University of Eastern Finland for three months. She received her PhD from the Department of European Studies, Dokuz Eylül University in 2013. The thesis is titled with “Civil Society, Europeanization and Democratization in Turkey: Changing Role of MUSIAD”. She has presented papers in different international conferences and workshops (IPSA, ECPR, ICSER, CINEFOGO) in Turkey, Italy, Lithuania, Belgium and France. In 2016, she was awarded with academic promotion from Council of Higher Education. Currently she is working as a project staff of a Jean Monnet Network Project namely Powers Network. Her research interests are civil society, migration, democratization, Europeanization and Turkey-EU relations.

INTRODUCTION

WHY THERE IS THE EU RATHER THAN NOTHING: SINGLE MARKET AND TRADE POLICY

ANGELO SANTAGOSTINO
ANKARA YILDIRIM BEYAZIT UNIVERSITY, AYBU

To understand the growth potentialities of the EU's single market and trade policy it is useful to start with an apparently abstract or even otiose question: Why is there the European Union rather than nothing?

This question paraphrases a fundamental question of philosophy: Why is there something rather than nothing? Around this question, minds broke, from Leibnitz to Spinoza, from Einstein to Russel. No definitive answer has been provided.

However, at a more specific and therefore easier level, the paraphrase of this question provides a way to understand why that small universe, which is what we now call the EU, came to exist, does exist and will exist in the foreseeable future.

To answer our question, we just have to go back to the origins of the European construction, to the Big Bang of "Little Europe", a curious contrast, as this process was called when the European Coal and Steel Community (ECSC) was set up in 1951, followed by the European Economic Community (EEC) in 1957.

Although different definitions are possible for the Single European Market (SEM), it basically refers to a single market that ensures the free movement of the "four freedoms" which are goods, capital, services, and labour within the EU. Internal Market is another commonly used term to refer to the SEM, while the term Common Market is more apt to describe the making of the Customs Union. Following Brexit, 27 EU Member States are currently part of the SEM. However, the number could change because of the enlargement negotiations with candidate countries such as Turkey, Albania, North Macedonia and Serbia. But it is not a close perspective.

Moving and trading freely in the EU today seem to be activities which are often taken for granted. Brexit indicates that things are not like that. Nothing is guaranteed, but everything can be enhanced. The SEM is a process. It can be compared to the construction of a cathedral, never-ending.

For this reason, it is of crucial importance to know the historical milestones towards establishing a single market and how this dream was realized, in order to understand the gravity of the SEM. As we mentioned, discussions regarding the need for a common market came to fruition in 1957 when Belgium, France, Italy, Luxembourg, the Netherlands and West Germany signed the Treaty of Rome. This treaty laid the foundations of the Common Market whose construction started on 1 January 1958, reached a first finishing line on 1 July 1968 with the implementation of the Customs Union and was "completed" as the SEM by the end of 1992. Inverted commas are necessary because the SEM for goods and capital movement was completed, but not the SEM for services.

Although the visible objective of establishing a liberal single market was to pave the way for free trade and other economic activities between Member States, the main idea behind the foundation of the EEC was to prevent forever the possibility of a war in Europe by establishing not only a common system of law but also making the economies of the members completely interdependent. However, trade liberalization did not come immediately. It was a gradual and slow transition which took a long time. To illustrate, while the liberalization process for agricultural products has been in force since 1962 through the Common Agricultural Policy, the liberalization for industrial products was completed, as we mentioned, on 1 July 1968.

On the way to give Europe a new push and to take integration to a higher level by facilitating the free movement of goods, services, capital and people, 1968 is an important date, as internal tariffs and quota barriers in the EEC were fixed, 18 months ahead of the official schedule. However, due to the lack of robust supranational decision-making mechanisms and institutions, which were still working on the unanimity principle, not much progress was made in terms of the four freedoms. Besides, some global issues such as the oil crises during the 1970s reinforced the protectionist actions of European countries, which delayed the realization of the SEM. As the economy of the EEC began to fall behind the rest of the developed world, a strong political will towards the single market aim was needed. Subsequently, Francis Arthur Cockfield wrote a White Paper in 1985 addressing around 300 issues to be dealt with in order to realize this goal (Barnard, 2013). The White Paper was very well received and paved the way for the adoption of the Single European Act. It is a treaty reforming the decision-making mechanisms of the EEC and setting 31 December 1992 as the deadline for the completion of the SEM. This treaty enabled the gradual removal of internal barriers and borders, harmonizing national standards and rules that determine the way that governments need to purchase commodities produced in the EEC. Based on the Maastricht Treaty, also signed in 1992, it was also the first step towards creating the Euro. Thanks to these legal actions, treaties and hard work to achieve the single market dream, the physical borders between EU states were abolished completely and the SEM became a reality for the member countries as of 1 January 1993.

To return to our initial question (Why is there the EU rather than nothing?), the common market is for the EU, what the Big Bang is for the universe. Not only would we have nothing without the Common Market, but today we could not conceive of the EU without the SEM. The SEM also represents an illuminating verification of the neo-functionalist theory.[1] It is an endogenous process in which current levels determine future levels; at the same time this dynamic process produces spill-over effects as a result of which cooperation in one field creates pressure for cooperation in other fields.

The common market for the coal and steel of the ECSC, put in evidence the need for a general common market not only for goods, but extended to services, capital, labour and enterprises. The initial form of this common market was the customs union, implemented between 1958 and 1969 and consisting of the abolition of tariff barriers to trade. Once this was done, the need for the elimination of non-tariff barriers emerged. This was the last long step which led to the implementation of the SEM for goods in 1993. In this long period stretching from 1958 to 1993, although not always in parallel with the creation of the free circulation of goods, the free circulation of labour and capital was initiated. After 1993, the existence of a single market for goods, labour and capital, put in motion the process for the creation of a single market for services, including financial services, and for the completion of the single market for capital, the so-called Capital

[1] See for all: Ben Rosamon, Theories of European Integration, MacMillan, 2000, Chapter 3.

Markets Union (CMU). In these last years, technological progress, within the single market for services, created the need for a digital single market, which is one of today's biggest challenges facing the EU. This, in a nutshell, is the internal dynamic that was put in motion by the initial spark on the common market for coal and steel. But things do not end here, as what we have synthetized is just the endogenous process by which a determinate present level determines the next level. Neo-functional theory includes, as we have already mentioned, spill-over effects, namely integration in one field, calls for integration in other fields. At the end of the 1980s the single market perspective determined the spill-over effect for which the Economic and Monetary Union (EMU) was created, because in a single market, a single currency is needed. Once implemented, the EMU put in motion the endogenous process that led to banking supervision and banking union. In other words, the SEM trunk has generated the EMU branch, which has progressively grown by its endogenous force and has created new branches through its spill-over effects.

Competition policy is another example of the spill-over effects generated by the SEM. In a free market economy, such as the SEM, enterprises compete on a level playing field. This level playing field ensures that economic agents can compete, on equal ground, to catch the opportunities offered by the SEM. No privilege is admitted in the SEM. Any existing privilege alters its functioning. Competition policy must ensure the maintaining of a level playing field, sanctioning, or expulsing from the market, those economic agents whose market conduct is the outcome of some acquired privilege. Cartels, for instance, are an attempt to illegally modify the working of the market mechanism. The same can be said for State aids and grants. Competition policy is thus a necessary spill-over, as it is functional to the working of the SEM.

But what about trade policy? We can look on the SEM and Trade Policy as Siamese twins. They have grown together. Trade Policy was progressively created alongside the making of the SEM. The Customs Union of 1969 not only implied the abolition of internal tariffs and other visible trade obstacles, but the simultaneous implementation of the Common External Tariff. The TEC was thus one of the first manifestations of shared European sovereignty, as Member States could no longer change unilaterally their duties towards third countries. Trade Policy was implemented because of the Common Market, the latter could not have existed without a common trade policy.