

# Euro-med and the Internal market

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# I GLOBAL MEDITERRANEAN POLICY c.1982

- 1982 before oil crisis – study for Charles Caporale, led by Francois Duchene
- Themes
  - side effects of EU-12 enlargement and macro context
  - stability of region
  - Agriculture – loss of market access for Alg, Mor etc and for US when Spain entered
  - Rules of origin for T &C
  - Macro context – oil revenues flowed freely and been lent in 1970s
  - Internal market issues absent from debate

# Macro context

- F Duchene predicted “1980s will not be like 1970s”
- Follow-up study on financing needs of region if credit dried up
  - Turkey world bank loans to be repaid
  - Yugoslav debt crisis clearly visible
  - EU import demand faltering as interest rates rose
- 1983 credit crisis did come

# II WHAT WAS THE INTERNAL MARKET?

- An area [without frontiers] in which the free movement of goods services persons & capital was ensured in accordance with the other provisions of the treaty
- Full implementation of 1957 commitments – ie Customs union with no loopholes
- with decision making mechanism to facilitate – end of veto – UK thought could be circumscribed
- Comparative integration studies suggest incomplete CU's and no enforcement mechanism will not work – EEA exception

# Why the Single market?

- Delors 3 plans
  - EMU
  - Defence
  - Political Union
- No support
- UK says but why not do what we said we'd do in the room Treaty?
- FCO **knew** political implications of committing to remove obstacles to decision-making, ie removing the veto

# Cecchini Report

- Cecchini visits Duchene in Sussex 1986
- French very interested HMG not!  
(But NB Cockfield and HoL Report 1983)
- Emphasis on technical barriers.
- Detailed studies showed actual costs very small.
- Experts initially very sceptical - 6%?
- Trigger a new political and oligipolistic equilibrium by changing ***expectations?***
- BIS annual report says IM > investment boom

# Downplayed

- Competition effects were in minds of authors but report did not stress falling profit margins as aim!
- External implications deliberately vague
- No regional impact
- Services played a very minor part
- Politics *implicit* – Cockfield knew!
- NB different prefaces in different language editions – but IMP meant full implementation of Rome Treaty

# 1996 Internal market review

- What was the counterfactual/antimonde?
  - Commission offered 1995 CEEC White Paper
- Services much more central
- external trade effects analysed
- Effects appeared much smaller than Cecchini predicted?
- Was it
  - due to macro-conditions -jobs squeezed out but demand and demand expectations weak?
  - Because the programme was incomplete?
  - Because the idea was overplayed?

# III 1995 THE INTERNAL MARKET WHITE PAPER FOR CEECS

- Europe Agreements very loose except on competition, close to “best endeavours”.
- 1995 White Paper set out voluntary “road map” but offered no guarantee of ending contingent protection before accession
- Distinction of product vs process standards:
- MR of conformity assessment hard to do
- Accession process and annual instructions from EU forced the pace
- Possible without accession?

# Euro med

- “Standards” (CA, etc) as NTBs or facilitators
- Harmonization to EU norms
  - Market access
  - higher quality output
  - Norms may be costly and inappropriate for local market
- But facilitator if standards regime undeveloped...

# IV CONCLUSIONS: DEEP INTEGRATION

- Expectations matter but beware exaggeration: NB be clear what is anti-mode in analysis
- IM in CEECs has succeeded beyond many expectations
- Boring but vital testing, certification & accreditation capacity matter as much as legislative approximation
- Harmonisation has costs as well as benefits, though costs may be exaggerated.
- Beware the “Toulouse Lautrec effect”
- Political dimension: deep integration requires loss of sovereignty and giving up “safeguards” – on both sides
- Big question: can you get an affect similar to IM without the political linkages – was EEA unique?