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Conference Report 1/2014

Enlargement Ten Years On: New Europe's Contribution to Single Market

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March 2014

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Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

The International Conference “Enlargement Ten Years on: New Europe's Contribution to Single Market” was held in Prague, Czech Republic on February 27, 2014. The conference was supported by the Friedrich Naumann Foundation for Freedom.

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[Enlargement Ten Years On: New Europe's Contribution to Single Market](#), the conference dedicated to the tenth anniversary of the Eastern Enlargement, took place on February 27, 2014 in the premises of the CERGE-EI in Prague. It was organized by the Association for International Affairs (AMO) and consisted of two panel discussions that aimed to assess the ten years of participation of the Central and Eastern European countries in the Single Market as well as the challenges that have come along with the enlargement.

The program was launched with opening remarks delivered by **Vít Dostál, Director of the Research Center of the AMO**, and by **Borek Severa, Project Director at the Friedrich Naumann Foundation for Freedom**. Dostál stressed the importance of the Single Market as both the major incentive behind the European Integration, as well as the reason for its success. Severa greeted the conference and hailed it as an important contribution to the public discussion on EU issues in the Czech Republic.

The research paper [Enlargement Ten Years on: New Europe's Contribution to Single Market](#) was introduced by **Kryštof Kruliš, new research fellow of the AMO Research Center**. The paper analyses the three most significant issues regarding the participation of the new member states in the Single Market. The first topic was the **inflow of the Foreign Direct Investments into New Europe**. On one hand, Kruliš advocates the membership of a country as a significant reducer of investment risk, but on the other hand points out the vulnerability raised by dependence on foreign capital. The second issue, which may be considered the most controversial, deals with the **free movement of labor** and the transitional periods imposed by most of the old member states. These temporary restrictions turned out to be a burden for the efficient reallocation of labor, which was only averted in countries that chose a more liberal approach, such as the UK, Ireland and Sweden. New member states have had to face different levels of brain drain and a certain rise of labor costs on the domestic markets particularly in the sectors distinctly effected by the emigration of young workers. The controversy of labor market restrictions was also reflected in the third area examined, which was the contribution of the new member states to the **liberalization of the trade with services**, which is considered in some of the old member states to be a back door for the free movement of workers. All the three areas are somewhat interconnected and form a base for comprehensive discussions.

The two panel discussions were **chaired by Daniel Stach** and comprised eight distinguished guests from both old and new member states of the European Union.



Panel #1: The Look Back: Central and Eastern European Member States on the Single Market

Kryštof Kruliš, Research Fellow, Association for International Affairs (AMO), Prague

Iliya Lingorski, Founder and Executive Chairman, Vrana Economic Council, Sofia

Hans-Jürgen Zahorka, Former Member of European Parliament; Chief Editor, European Union Foreign Affairs Journal, Stuttgart

Martin Zeil, Former Minister of Economic Affairs of Bavaria, The Free Democratic Party (FDP), Munich

Discussants described the Single Market as a both **cultural and economic success of the European Integration**, underlining its contribution to European competitiveness and praising its compatibility with the European model of the social market economy. They also stressed its positive impact on the cooperation in science, advance in trans-European infrastructure and predictability for the private sector. The Single Market was in brief described as a stimulus for innovation in Europe and a great chance for facilitating its advancing digitalization, which is a key to Europe's competitiveness in the 21st century.

The first discussed of the Single Market's problems was that of regulations and bureaucracy. In spite of being developed to deregulate the economic interaction among member states, the speakers agreed on the importance of **eliminating red tape for doing business** in the European Union. The European Commission often fails to respect the principle of subsidiarity and imposes regulations in wrong direction. As a major example given, speakers mentioned the distortive steps of European politicians in bailing out the banking sector during the financial crisis.

Touching on the problems of the financial policies in the EU, the first recommendation suggested was the immediate creation and **further strengthening of the Banking Union**. According to the speakers, an international supervisor for the European financial sector would promote its transparency and efficiency and demonstrate lessons learned from the crisis of 2009. The chance for creation of a democratic authority that could effectively regulate the functioning of the Single Market was very likely missed with the rejection of the European Constitution. The discussants suggested holding referenda on changes of the primary law on a single day across Europe and also suggested further **strengthening of the position of the European Parliament** in the decision making processes.

The labor market integration was perceived by the old member states as an opportunity, rather than a threat. The discussants found themselves agreeing that countries accepting workers from the new member states benefited from efficient reallocation of labor. They also mentioned **the new division of Europe**, which is transferring from the East-West gap to a growing North-South rift.



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The major obstacle for the functioning of the Single Market in New Europe is lack of knowledge about its benefits or even ignorance of its existence by the private sector. Even though awareness has been growing for the past decade, **Central and Eastern Europe still haven't learned how to fully profit from the economic integration.** The panel concluded with a very positive appraisal of the EU Single Market which may set a good example for the rest of the world. Having several times mentioned the revolution in Ukraine, the future of the Single Market should be, according to the speakers, characterized by its openness to other potential members.

Q & A Issues:

- How to promote the opportunities of the Single Market to the public in New Europe?
- What steps shall be taken to achieve further liberalization of trade in services

Panel #2: Single Market in the Uncertain Times: Prospects and Expectations

Anna Maria Darmanin, Chair of the Single Market Observatory, European Economic and Social Committee, Brussels

Aleš Chmelař, Researcher, Centre for European Policy Studies (CEPS), Brussels

Atilla Marján, European Research Director, Hungarian Institute of International Affairs, Budapest

Zilvinas Silenas, President, Lithuanian Free Market Institute, Vilnius

The second panel, dedicated to the particular challenges that the Single Market now faces, brought up different points of view on the future development of the European economy. According to the speakers, the EU currently finds itself at a certain step of recovering from the crisis. However, they disagreed on whether the right way for the future necessitates more central regulations or rather a somewhat stronger emphasis on the free market.

The speakers appreciated the **role of the Single Market during the crisis period.** The increased movement of labor force and intensified trade with goods softened the impact on economic dynamic and employment in Europe. Nevertheless, the competitiveness of the European Economic Area in the global context is still at a standstill with new challenges, such as youth unemployment or the questionable sustainability of the concept of the welfare state.

The discussants questioned the public opinion on the functioning of the Single Market, which many European citizens interchange with the problem of the Eurozone crisis. In fact, the facilitation of economic interactivity inside of the Single Market optimizes the economic



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realities of the common currency area. The real issues affecting the daily life of European citizens and businesses are based on the unfinished areas of the Single Market. Along with the first panel, the second one recommended increased cooperation in **regulation of the financial sector**. In addition, the need to discuss the common corporate tax rate was brought up as well.

The panelists disagreed most in the discussion on the liberalization in trade with services, namely the regulation of prices in telecommunication sector. The European Union has already taken certain steps to limit **the prices for roaming inside of the Single Market**, which most of the discussants advocated as deepening of the economic integration and tackling the lack of competition on this particular market, which is crucial for transnational business. Nevertheless, differing opinions were raised on the distortion of the market by artificial intervention.

The panelists also touched on a broad range of other challenges for the Single Market, such as the future of the energy market, mobility of knowledge, and intellectual property rights. Similarly to the first panel, discussants of the second panel expressed their concerns about the clash of political interest in the EU between the national and supranational levels. One of the particular suggestions mentioned was the reform of the **electoral system to the European Parliament**. Unified multinational ballots created by the EU political parties could encourage the MEPs to emancipate from the national political scenes and act in common interest of the Union, being accountable to all of its 500 million citizens.

Q & A Issues:

- What smart regulations increase market efficiency without distorting it?
- How to increase the efficiency of the decision making about the Single Market policies?



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ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)

Association for International Affairs (AMO) is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGO's can interact in an open and impartial environment.

In order to achieve its goals AMO strives to:

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

RESEARCH CENTER

Founded in October 2003, the AMO's Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes [research and analysis](#) of foreign policy issues and comments on [AMO blog](#); and second, it fosters dialogue with the policy-makers, expert community, and broad public.

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