

# Special Issue Editorial Foreword

## The Internal Dynamics of the Enlarged Single European Market

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IN CONTRAST TO POLITICAL INTEGRATION, ECONOMIC INTEGRATION HAS LARGELY BEEN considered to be one of the big success stories of the European Union (EU). Successive waves of EU enlargement to include countries from Central and Eastern Europe (CEE) in 2004 and 2007 have not only opened up new markets, they have also been considered as a highly effective tool to overcome the Cold War division of the continent and ensure stability and security in Europe. Further enlargement to this region and beyond is also on the cards with Croatia, FYR Macedonia and Turkey as official candidates for membership and Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo and Iceland all recognised as potential candidates for membership of the Union.

In view of the fact that a positive assessment is very often made from a Western European perspective, Christian Schweiger – co-editor and one of the contributors to this Special Issue – organised a number of seminars which paid particular attention to the recent internal dynamics of the enlarged Single European Market. Sponsored by the ESRC, the seminars were held at Durham University, the Centre for European Reform in London, the Institute of Social Policy at Warsaw University and the Centre of EU Enlargement Studies at Central European University in Budapest throughout 2008. What distinguished the series from other initiatives in the field was the fact that much emphasis was placed on ensuring that the participants consisted not only of academics but also included political elites and practitioners and representatives from business and other interest groups and that the key focus of the analysis were primarily, though not exclusively, the new member states in Central and Eastern Europe. In this respect the series particularly examined what impact the new member state economies are likely to have on the future shape of the Single Market.

This Special Issue consists of a small selection of the wide range of papers which were delivered at the seminars. It can thus only provide a snapshot. We have, however, tried to ensure that the choice of the papers included in this volume also reflects the fact that it was academics AND practitioners who contributed to the overall success of the series. Whereas the first five contributors (Schweiger, de la Porte, Funk, Allen and Aldred, Pogátsa) examine their various topics from an academic perspective, the last two papers (Galgóczi and Medhurst/Tortolano) provide assessments of the impact of the Single European

Market on Central and Eastern European and wider EU member state economies and societies from a trade union perspective.

The article by **Christian Schweiger** examines the internal mechanisms of the Single Market arguing that the ongoing revision of the Commission's Single Market legislative framework indicates an inherent dilemma in the process of economic integration. Although in principle, member states agree with the ethos of free market competition in the Single European Market, he argues that in practice they continue to defend national economic monopolies and oppose a harmonisation of social policy standards. Schweiger comes to the conclusion that the review of the policy framework with its emphasis on a social agenda and the fact that the supervisory powers have been extended in the financial services sector is to be welcomed but in his view this does not add up to the change that is required in order to radically overhaul the ideology or internal dynamics of the Single Market. In his view the European Union should move beyond the Lisbon Strategy's emphasis on growth and jobs and focus on preserving the core common values which exist in the various economic and social models of the EU-27. Schweiger calls for a model which sees an active state facilitating open and dynamic market competition thus providing the backbone for a new European success story.

**Caroline de la Porte** looks at the specific example of the Czech Republic in order to establish the similarities and differences in the policy prescriptions of the OECD and the EU. In particular, she analyses the role that the OECD has played through its "Jobs Strategy" and the role the EU has played through its "European Employment Strategy". She examines how each of the two actors has assessed performance and adopted specific solutions. Furthermore, she examines how influential the policy models of the two actors have been. De la Porte comes to the conclusion that the OECD's approach has been characterised by clarity and consistency in meditative regulation with its de-contextualised inquisitive approach strengthening the message. Due to the continuing tension between strong economic versus weaker social interests and actors, the EU's method on the other hand has been unclear, ambiguous and even contradictory, according to de la Porte.

**Lothar Funk's** paper examines to what extent "flexicurity" provides an answer to the labour market trends and problems in the European Union's Central and Eastern European member states. According to Funk, "flexicurity" is a popular concept since it suggests a consensual approach which combines generous unemployment benefits and spending on active labour market policies with a flexible, employment-friendly labour market thus balancing the employers' needs for flexibility with the workers' needs for security. Funk's assessment is cautious. He concludes that it would be a risky strategy to promote only flexicurity in the new member states in Eastern and Central Europe. In his view, it would be much safer to embed it in the broader context of structural reforms.

The contribution of **Matthew Allen** and **Maria Aldred** to this Special Issue has two main aims. Firstly, it examines the key claim of the varieties of capitalism framework – that socio-economic institutions can help to shape comparative advantage – by applying it to some of the CEE countries. Secondly, it aims to add to existing assessments which have mainly relied on qualitative data and have focused predominantly on a small number of economic sectors. Allen and Aldred suggest that the evidence is inconclusive. Whereas some of the evidence supports the varieties of capitalism framework, much of it does not. This, they argue, raises important conceptual and methodological issues that need to be on the agenda of future research in this area.

**Zoltán Pogátsa** provides the second country case study in this volume. He examines the transition that Hungary has recently made from being the ideal type of a liberal transition

economy to being one of the laggards in the region. Acknowledging that factors such as the mismanagement by the political elites, policy inadequacy and populist policies have played a considerable part in this negative development, Pogátsa casts doubt on the sustainability of foreign direct investment based transition. In his view, the economic crisis has also highlighted the weaknesses of the foreign direct investment based dependent competitiveness model in other CEE countries. Optimistic assessments of the European Union's Eastern enlargement might thus yet prove to have been premature, according to Pogátsa.

As mentioned above, it was the explicit aim of the seminar series to establish a dialogue between academia and practitioners. **Béla Galgóczi** from the European Trade Union Research Institute for Research, Education, Health and Safety in Brussels therefore also looks at the issue of external financing such as bank loans, trade-related lending, foreign direct investment and portfolio investment and suggests that growth thus achieved has resulted in 'boom and bust' in the CEE member states rather than having created sustainable national economies. In his view the global economic crisis has made it particularly obvious how fragile the integration model, which prior to the economic crisis had helped the CEE to achieve a considerable degree of convergence towards the West, actually is. At the same time Galgóczi argues that economic integration has not been matched by deeper social, political and institutional integration and hence the crisis is being more painfully felt in the new member states.

The assessment of **John Medhurst** and **Enrico Tortolano** from the Public and Commercial Services Union is equally bleak. Arguing explicitly from a trade union perspective, they fundamentally question the current framework of economic policy within the European Union and discuss its negative effects on social cohesion. The two authors assert that the undemocratic nature of European policy-making institutions provides a key obstacle to progressive reform. Furthermore, they criticise the economic philosophy that guides the Lisbon Agenda as well as recent European Court of Justice decisions that have cemented this agenda even further. The paper goes beyond merely criticising existing arrangements, however, and ends with suggestions that would ensure a more strongly developed social dimension to European integration in the opinion of the two authors.

Finally, we would like to thank the ESRC for awarding us the funds which made it possible to establish the research network between academics and practitioners that became the basis for establishing the seminar series. In this respect we are extremely grateful to everyone who participated in the series and helped to organise individual events, particularly Simon Tilford at the Centre for European Reform in London, Maciej Duszczak at the Institute of Social Policy at Warsaw University and Peter Balazs, Anna Reich and Zselyke Tofalvi at the Centre for European Enlargement Studies at the Central European University in Budapest.

Many thanks also to Eamonn Butler, Christian Kaunert, Sarah Leonard and the rest of the editorial team at JCER for all their help and support in compiling this special issue. The seminar series network will continue its research on the future of the Single Market and is currently preparing an application for UACES collaborative research network status.

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