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multilateralism”? The Single European
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of consistency**

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Abstract

This paper aims at evaluating the consistency of the EU’s external relations with reference to the outward-looking dimension of the SEM. Building on Bretherton and Vogler’s conceptualization, it assesses the extent to which SEM-related policy inconsistencies affect the EU’s global trade and economic “actorness”. Firstly, the paper will address the normative inconsistencies associated to the SEM external practices and perceptions. Secondly, referring to Nuttall’s categorization¹, it will assess the horizontal, vertical and institutional consistency of the EU’s international action by means of the SEM. The paper will argue that a significant lack of consistency in the external projection of the SEM is causally linked to a latent erosion of the EU’s international economic “actorness”.

Key-words

European Union, External relations, actorness, global trade

¹ S. Nuttall, "Coherence and Consistency", in Christopher Hill and Michael Smith (eds), *International relations and the European Union*, Oxford, Oxford University Press, 2005, pp.91-112.

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Summary: 1. Introduction. - 2. The external projection of the Single European Market: inconsistent identity-based motivations. - 3. The “inside” and the “outside” of the SEM: sources of inconsistency. - 4. Conclusions

1. Introduction

On account of its external implications regarding trade and regulation, the Single European Market (SEM) largely defines the European Union’s “actorness” at the global stage². While “market access” still constitutes the most influential catalyst of the EU’s external relations, “regional policy externalities³” leading to worldwide recognition of EU standards and rules foster the SEM as a source of multilateral norm-setting, which shapes the case for a “Civilian Power Europe⁴”. However, given the close interrelation between the SEM and a composite set of EU and national-level policies, it becomes essential to tackle the issue of “coherence/consistency” in the external projection of European internal market policies.

This paper aims at evaluating the consistency of the EU’s external relations with reference to the outward-looking dimension of the SEM. Building on Bretherton and Vogler’s conceptualization, it assesses the extent to which SEM-related policy inconsistencies affect the EU’s global trade and economic “actorness⁵”. Firstly, the paper will address the normative inconsistencies associated to

² C. Bretherton and J. Vogler, *The European Union as a Global Actor*, Oxon, Routledge, 2005, 2nd edition, pp. 46-79.

³ Regional policy externalities occur “whereby developments in the single market changed the operating environment for non-EU actors”. See K. Nicolaïdis and M. Egan, “Transnational market governance and regional policy externality: why recognize foreign standards?”, *Journal of European Public Policy*, vol.8, no.3, 2001, pp.454-473, p.454.

⁴ See in particular M. Telò, *Europe: a Civilian Power? European Union, Global Governance, World Order*, Palgrave Macmillan, 2nd edition, 2007.

⁵ C. Bretherton and J. Vogler, op. cit.

the SEM external practices and perceptions. Secondly, referring to Nuttall's categorization⁶, it will assess the horizontal, vertical and institutional consistency of the EU's international action by means of the SEM. The paper will argue that a significant lack of consistency in the external projection of the SEM is causally linked to a latent erosion of the EU's international economic "actorness".

2. The external projection of the Single European Market: inconsistent identity-based motivations

As the European Commission has put it, "virtually all Internal Market policies carry to some degree an "international dimension". [...] All these policies [...] need adequate and *consistent* consideration in the negotiation of international agreements, in regulatory dialogues with third countries and in all the other international fora where the Commission takes a position on Internal Market policies⁷" [emphasis added]. Thus, the question of coherence/consistency regarding the SEM external dimension proves particularly crucial in accounting for the contradictory perceptions of the EU as an international actor.

On the one hand, in spite of international concern about the alleged emergence of a neo-mercantilist "fortress Europe", the SEM has gradually displayed an "inclusionary" liberal-biased development⁸. The completion of the SEM exceeded its constitutive objectives: *de facto*, as the EU provided "increased market access for imports from non-EU countries through both bilateral and multilateral agreements⁹", it led to liberalization in the EU's external trade. Interestingly, through the "externalization" of its multilateral market governance, the EU has globally expanded its regulatory practices and standards. Building on its internal practice, the EU benefited from a comparative advantage in relation to classic international actors less incline to multilaterally-agreed modes of market liberalization¹⁰.

A remarkable example of such "governance externalization" dynamics resides in the external impact of EU competition policies, which covered the implementation of the SEM. Indeed, the extraterritorial spill-over of EU competition rules and standards sharply impacted the transatlantic economic relationship and fostered the EU as a promoter of multilateral competition cooperation¹¹.

⁶ S. Nuttall, "Coherence and Consistency", in Christopher Hill and Michael Smith (eds), *International relations and the European Union*, Oxford, Oxford University Press, 2005, pp.91-112.

⁷ Commission of the European Communities, "The EU Single market: the external dimension", 1/9/2008, at http://ec.europa.eu/internal_market/ext-dimension/index_en.htm.

⁸ B. Hanson., "What Happened to Fortress Europe? External Trade Policy Liberalization in the European Union", *International Organization*, 1998, vol.52, no.1, pp.55-85.

⁹ *Ib.*, p. 60.

¹⁰ C. Bretherton and J. Vogler, *op.cit.*, p.77.

¹¹ C. Damro, "Building an International Identity: The EU and extraterritorial competition policy", *Journal of European Public Policy*, 2001, vol.8, no.2, pp.208-226, p.218 and C. Damro "Institutions, Ideas and a Leadership Gap: The EU's role in multilateral competition policy", in Ole Elgstrom and Michael Smith (eds), *The European Union's Roles in International Politics*, London, Routledge, 2006, pp.208-224. Amongst the most recent contributions, see "Obama and Soft(ware) Power Europe spurns U.S. engagement on antitrust", *The Wall Street Journal*, 11/11/2009, at <http://online.wsj.com/article/SB10001424052748704402404574527264213307266.html>.

On the other hand, “exclusionary practices” within the SEM policies continue to undermine the coherence of the EU’s external trade and regulatory relations. Since its original design, irreconcilable motivations drove the SEM’s historical development. The need to foster the competitiveness of European firms through rationalization and economies of scale stood in sharp contrast with the objective of increasing welfare through liberalization and the control of anti-competitive practices.

Therefore, there is analytical evidence of incoherent and contradictory external identity-based motivations in the SEM. In particular, the double-faceted nature of the EU as both a “building block for multilateralism” and a powerful self-interested trade bargainer endangers the consistency of the European influence in shaping the agenda of multilateral trade and economy. The sources of such inconsistency are worth being retraced in an empirical scrutiny of the SEM and SEM-related EU internal policies.

3. The “inside” and the “outside” of the SEM: sources of inconsistency

Horizontal inconsistencies

“The importance of ensuring coherence between actions in the field of the internal market and other policies of the Union” has emerged as a central concern for EU policy since the end of the 1990s, in light of the increasing external impact of the SEM¹². Indeed, horizontal inconsistencies have arisen between SEM policies seeking market liberalization and EU common policies seeking market protection.

First, the gradual emergence of EU-backed industrial policy measures selectively impacted upon the single market structure. Though justified in terms of positive “technologic externalities”, EU-backed R&D programs effectively provided an appreciable degree of subsidization and concentration, namely within the European high tech and telecommunication sectors¹³, which constituted a source of international trade-competition tension¹⁴.

Second, the unachieved liberalization of relevant market sectors, such as energy and agriculture, hindered the consistency of the EU as a global trade actor, both within the WTO and within the network of interregional and bilateral trade and regulatory dialogue formats. The Common Agricultural Policy represents an oft-mentioned source of horizontal inconsistencies, not only in relation to internal market policies, but also with regard to the EU’s trade and development cooperation multilateral agenda¹⁵. Moving to the energy sector, the consistency between the SEM

¹² Council of the European Union, *Conclusions of the Amsterdam European Council on the Single Market Action Plan*, June 1997, http://ec.europa.eu/internal_market/smn/smn08/s8mn14.htm.

¹³ D. Foray at al., *The coherence of EU Trade, Competition and Industry policies in the high tech sector: the case of the telecommunications services sector*, Research Memoranda from MERIT, Maastricht Economic Research Institute on Innovation and Technology, n.8, 1995, <http://econpapers.repec.org/paper/dgrumamer/1995008.htm>.

¹⁴ C. Damro, "The New Trade Politics and EU Competition Policy: Shopping for Convergence and Cooperation", *Journal of European Public Policy*, 2006, vol.13, no.6, pp.867-886.

¹⁵ A. Matthews, "The European Union's Common Agricultural Policy and Developing Countries: the Struggle for Coherence", *Journal of European Integration*, vol. 30, no. 3, pp. 381-399.

and the EU's external energy policy faces the increasing threat of "exclusionary" geopolitical reasoning, detrimental to free-market logic¹⁶.

Thus there seems to be wide empirical evidence of horizontal inconsistencies between the SEM policies and a notable set of SEM-related EU policies covering non-integrated market sectors.

Vertical inconsistencies

Despite the homogenous application of the internal market regulatory and competition standards is enforced at the EU-level by supranational authorities-driven judicial and quasi-judicial procedures, the EU is still far from embodying the ideal-type of a centralized "regulatory state"¹⁷. Vertical inconsistencies linked to the SEM external projection are powerfully illustrated by the energy sector case.

Energy market liberalization has gradually been included among the objectives of EC primary law, as well as in the successive EU Energy Single Market packages¹⁸. However, "lack of transparency, insufficient market-based pricing and inadequate regulatory action at member states level"¹⁹ persist and generate inconsistency in the governance of the European energy market, which shapes uncoordinated external energy supply policies by member states. National initiatives to secure energy supply, namely through a privileged relationship with Russia, as in the case of "South Stream" and "North Stream" gas pipelines projects, strikingly impinge on the EU's market-based approach and energy diversification programs²⁰.

Thus, vertical inconsistencies between EU and member states policies affect the EU's external projection through the SEM, particularly in the fields where the internal market integration is not yet completed.

Institutional inconsistencies

It is a much harder task to apply to the SEM external dimension the category of "institutional consistency", which refers specifically to the "inter-pillar" relationship between intergovernmental and Community's external relations' apparatuses and legal instruments²¹. Nevertheless, just as the SEM evolved through variable approaches to economic integration, the EU's external trade and regulatory relations are shaped by a composite mixture of bureaucratic actors and decision-making procedures.

Even in the framework of the "Community method", if intergovernmental bargaining within the Council occurs, then the regulatory outcome tends to be more trade-restricting, given that member states with stricter internal regulations enjoy the lowest cost of no-agreement. As Alsdair Young has pointed out, the emergence of "regulatory peaks" within the SEM is intimately connected to the

¹⁶ R. Youngs, Europe's External Energy Policy: Between Geopolitics and the Market, Energy CEPS Working Document, November 2007 at <http://www.ceps.be/book/europes-external-energy-policy-between-geopolitics-and-market>.

¹⁷ G. Majone, "The rise of the regulatory state in Europe", in W.C. Muller and v. Wright (eds.), *The state in Western Europe: retreat or redefinition?*, Ilford, Frank Cass, 1994, pp.77-101.

¹⁸ Commission of the European Communities, "An Energy Policy for Europe", http://ec.europa.eu/energy_policy.html.

¹⁹ Commission of the European Communities, "Communication on the Inquiry pursuant to Article 17 of Regulation (EC) No 1/2003 into the European gas and electricity sectors", <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do>.

²⁰ V. Feklyunina, "The 'Great Diversification Game': Russia's Vision of the European Union's Energy Projects in the Shared Neighbourhood", *Journal of Contemporary European Research*, 2008, vol.4, no.2, pp.130-148.

²¹ S. Nuttall, op. cit. pp. 98-103.

EU's institutional set up, which shapes the external perception of the EU as an "incidental fortress"²².

More closely linked to Nuttal's definition of "institutional consistency", cross-pillar measures such as economic sanctions, making use of market access as an instrument to foster EU global actorness still require better coordination between CFSP and EC measures. Interestingly, the rationale for the creation of the European External Action Service, envisaged by the Lisbon Treaty, lies in the necessity to assure institutional consistency to the EU's "inter-pillar" external relations.

4. Conclusions

This paper assessed the coherence/consistency of the EU's external relations, with reference to the SEM external dimension. Two main submissions arise. Firstly, an intrinsic tension between "inclusionary" and "exclusionary" SEM-related practices and motivations hinders the coherence of the EU's international projection as a "building block for multilateralism".

Secondly, the external dimension of the SEM is still characterized by horizontal and vertical inconsistency between internal market policies and EU- and national interest-driven protectionist policies, particularly when non-integrated SEM sectors are concerned. To a lesser extent, sources of institutional inconsistency lie in the overlap of foreign policy concerns with SEM-related policy-making.

Thus, there is evidence of a causal relationship between policy inconsistencies affecting the external projection of the SEM and a potential erosion of the global trade and economic "actorness" of the EU. Indeed, the contrast between the EU's claims to posit itself as a "champion of multilateralism" and the persistence of protectionist practices within the SEM is attracting widespread international criticism. This is why, given the "inextricable link" between the EU's internal and external policies in an increasingly globalized world, it is fair to expect that the issue of coherence/consistency will remain a central challenge to the external projection of the SEM.

²² A. Young, "The Incidental Fortress: The Single European Market and World Trade", *Journal of Common Market Studies*, 2004, vol.42, no.2, pp.393-414.