

# Better Economic Governance in Europe

## Intra-EU Trade in the Light of Divergent Fiscal Stability Cultures

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# About ECIPE

- A trade policy, world economy think tank based in Brussels
- Ordo-liberal and support open world economic order
- Analyse the ‘political economy’ and world trading system
- Launch a ‘Single Market Programme’ in November
- Current focus: Global Trade, EU Affairs, Single Market, TTIP, Digital Economy and the Economics of Digital Businesses
- Bring together politics, economy and law and present the conclusions to a broader European Public

# Recent Calls for ‘Better’ Economic Governance in the EU

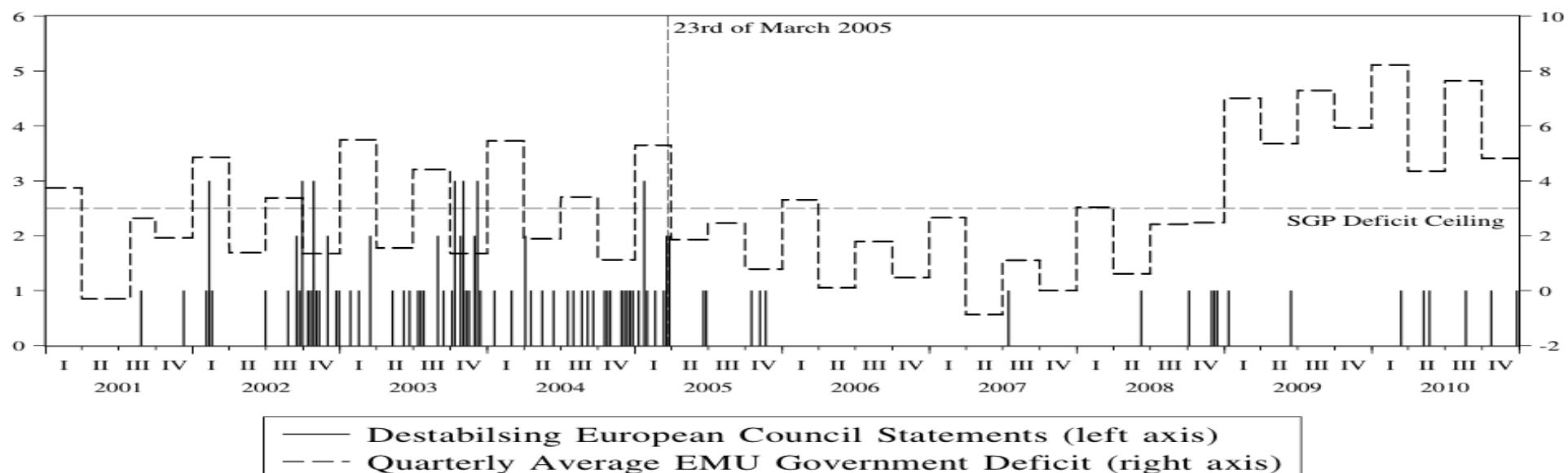
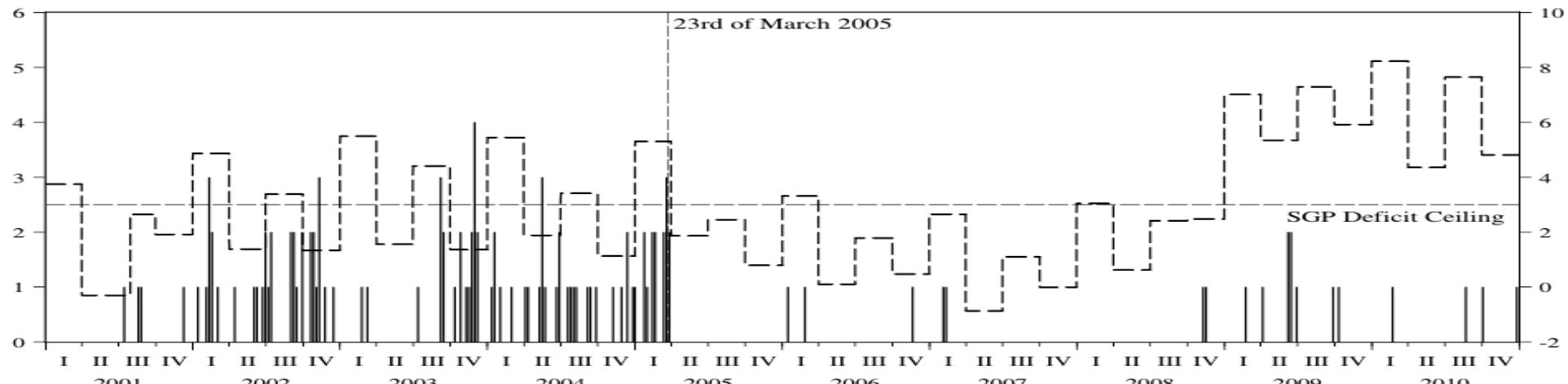
## The Five Presidents' Report:

- ‘Boost’ competitiveness and structural convergence
- ‘Completion’ of EMU
- ‘Strengthened’ of the Macroeconomic Imbalance Procedure
- Competitiveness authorities in charge of ‘wage formation’
- European Deposit Insurance Scheme (EDIS)
- A euro area treasury could be the place for such collective decision-making

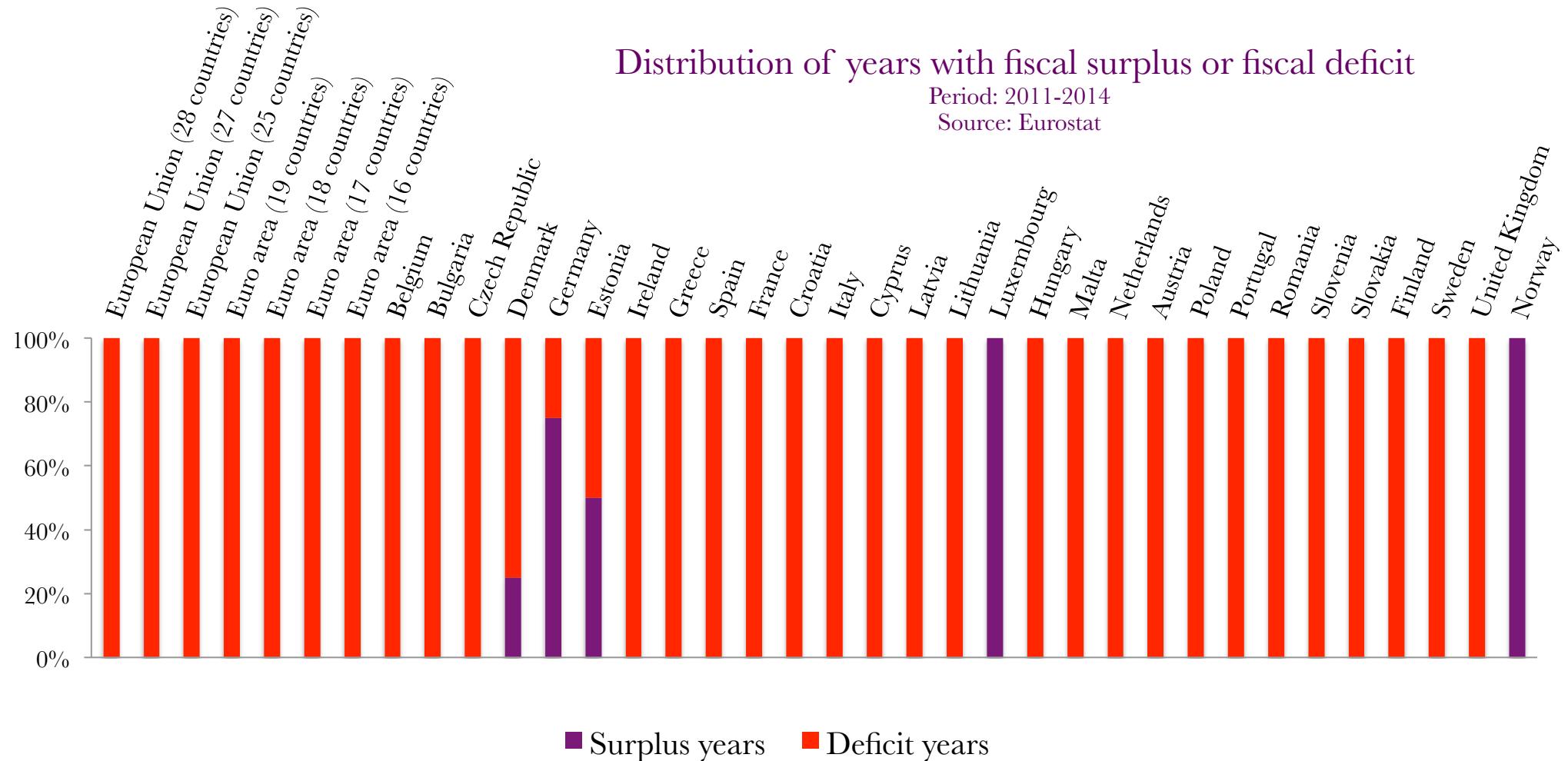
## Emmanuel Macron and Sigmar Gabriel:

- France & Germany to ‘fix’ the Eurozone
- Launch an Economic and Social Union
- A Eurozone budget
- ‘Harmonisation’ of corporate tax systems

# Fiscal Governance Will Never Work

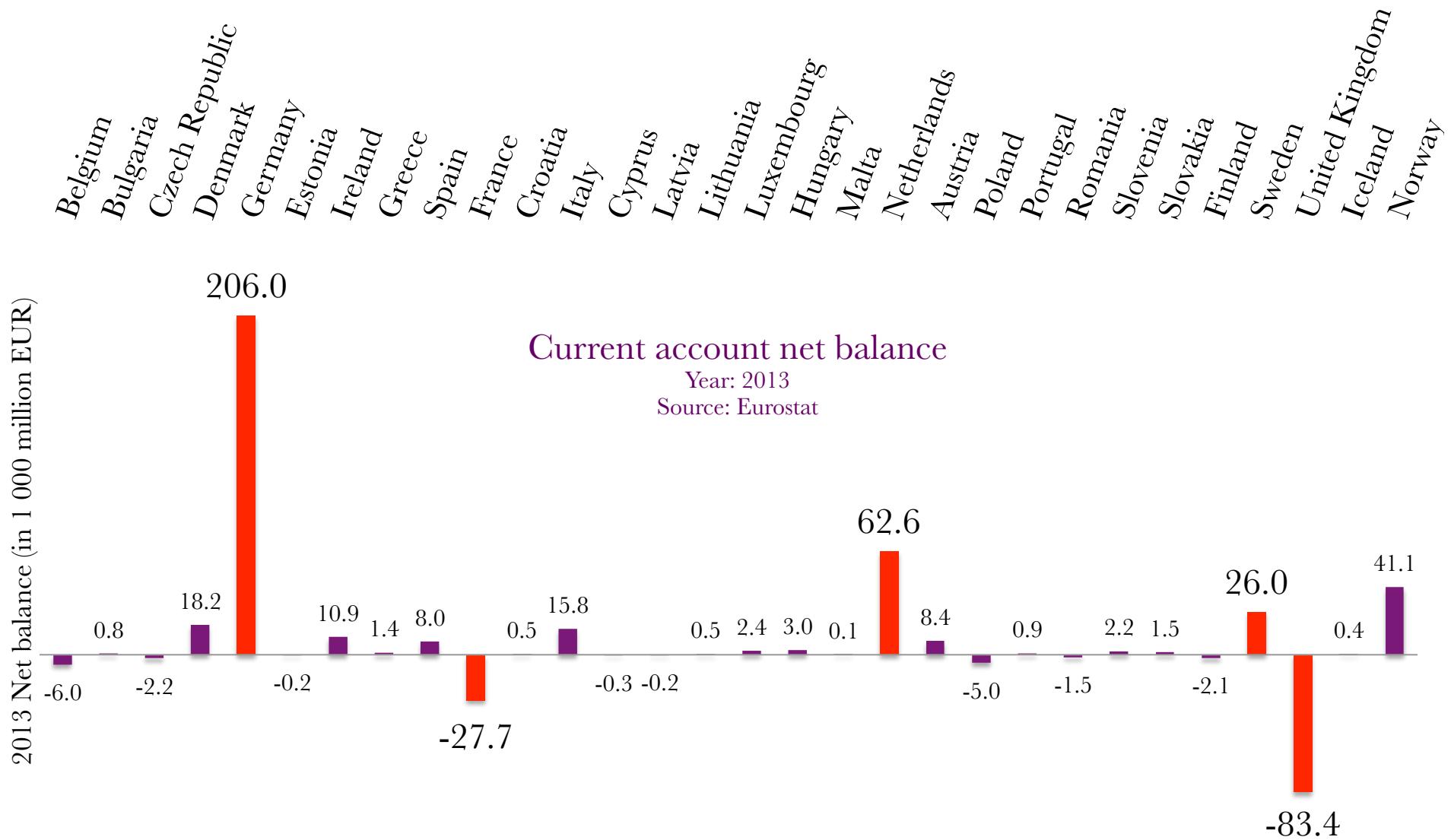


# Fiscal Governance Will Never Work

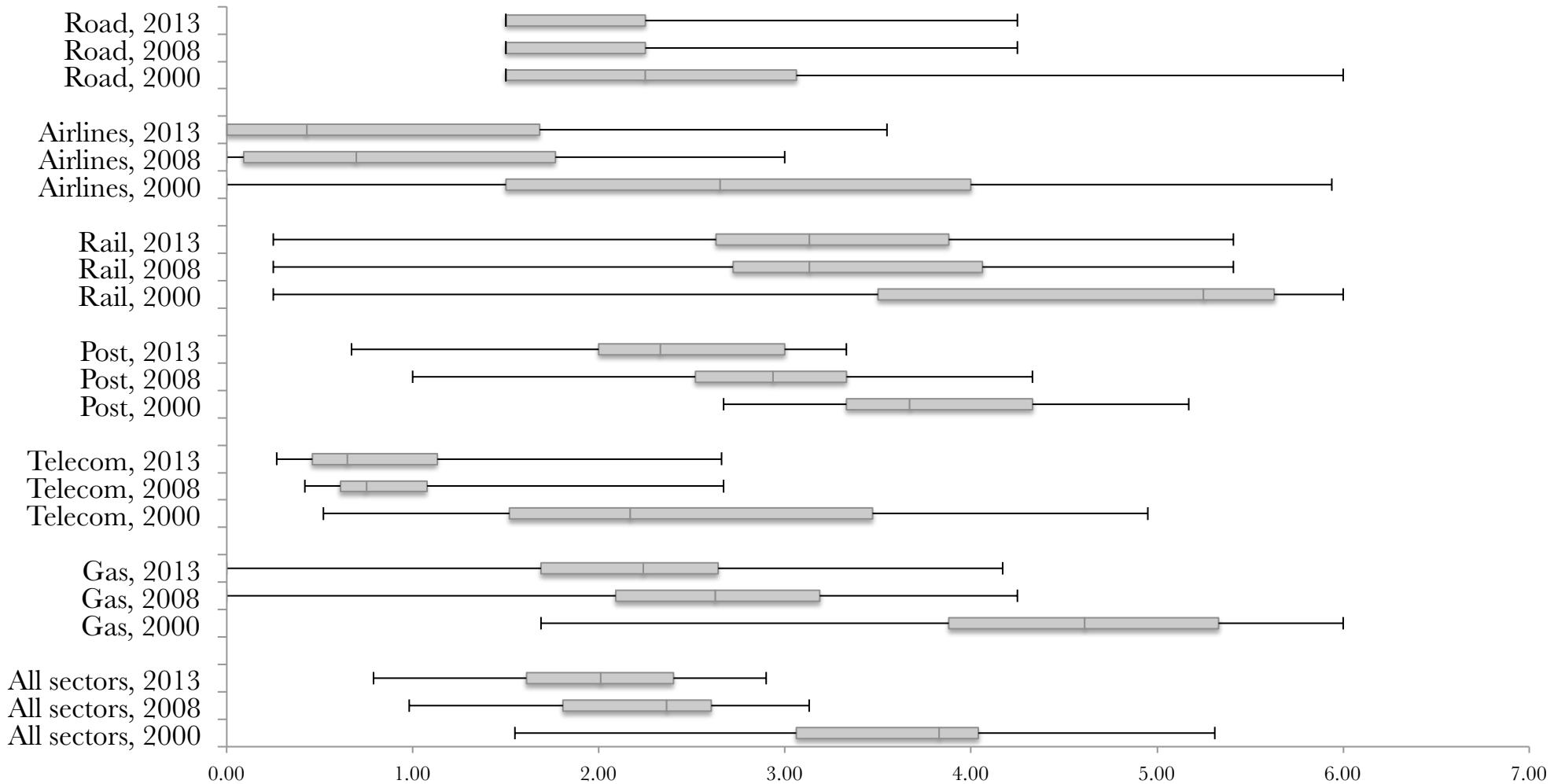


Note: government debt to GDP ratios 2014: min: 10.6% (Estonia), max: 177.1% (Greece), EU median: 68.8%, EU28 average: 86.8%, EMU19 average: 91.9%.

# Macroeconomic Imbalance Procedure (Theoretically) Implies Massive Intervention

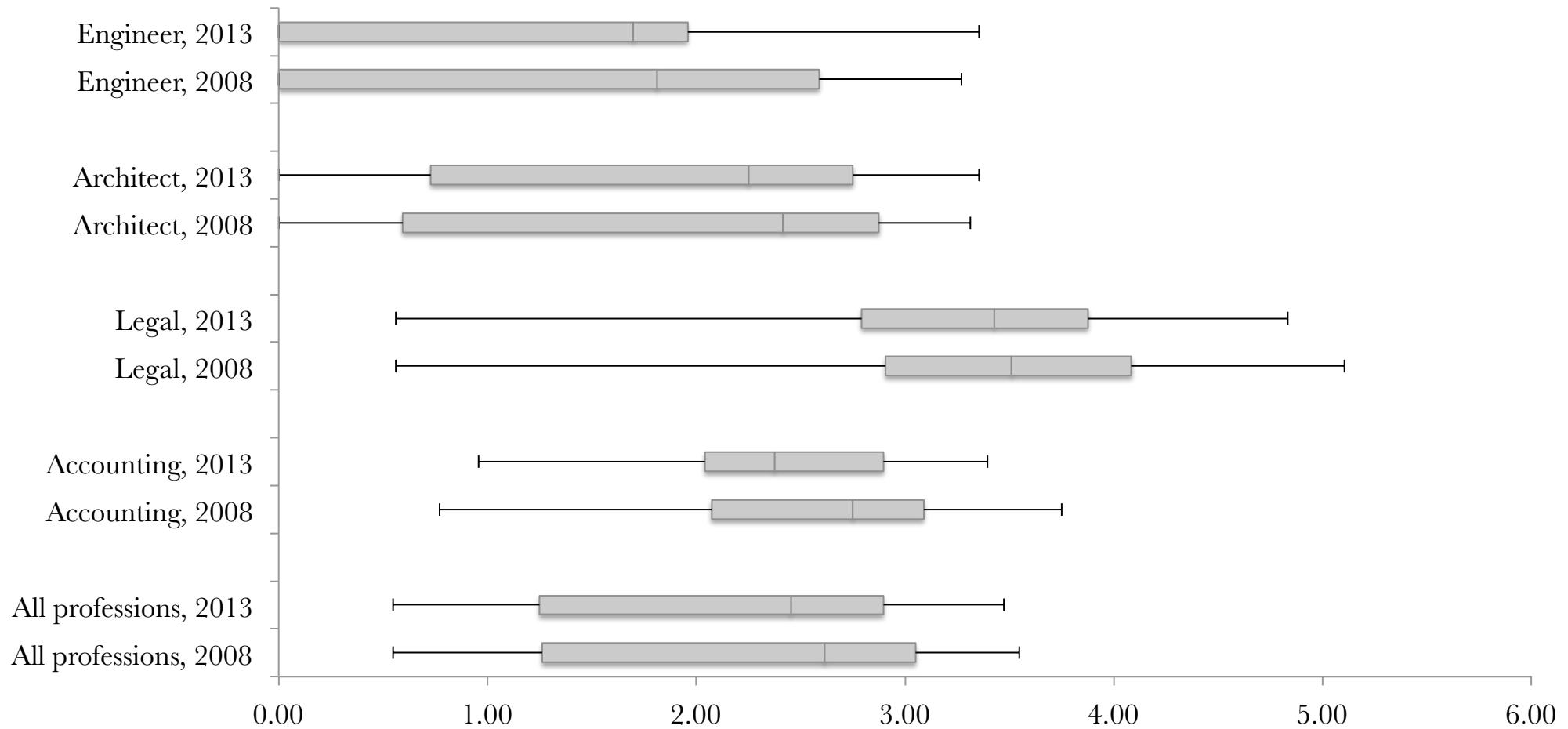


# Regulatory Heterogeneity: Network Markets Severely Fragmented



OECD Indicators of Product Market Regulation in network industries, 2013. The box plot shows the minimum, first quartile, median, third quartile, and maximum regulatory restrictiveness levels.

# Regulatory Heterogeneity: Professional Services Severely Fragmented



OECD Indicators of Product Market Regulation in network industries, 2013. The box plot shows the minimum, first quartile, median, third quartile, and maximum regulatory restrictiveness levels.

# 2006 Services Directive (2006/123/EC)

- 43 per cent of EU GDP – yet many services not traded across borders
- Does not aim to harmonise national ‘objectives’
- Lingering barriers ‘within’ Services Directive: severe regulatory heterogeneity
- 51 types of authorisation (plus ‘within measures’) for commercial establishment, 33 types for trade of services
- Manifold barriers ‘outside’ Services Directive: electronic communications, transport (all six modes), healthcare (national insurance schemes), subsidised education, social services

# Bold Political Measures Needed...

## **The Single Market Needs a Charm Offensive.**

1. Political leaders: dare? to abstain from collective measures
2. High! level leadership at EU and Member State level: investment of political capital in ‘on the ground’ economic integration
3. Hard! work on the ground: persuasion citizens across EU

# Bold Political Measures Needed...

Thank you for our kind attention.