



**Asociace
pro mezinárodní
otázky**
Association
for International
Affairs



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

Kryštof Kruliš

Prague 27-Feb-2014



New Europe's Contribution to Single Market

- 3 **Aim of the research paper:** an overview of the recent studies.

The perspective: ten years of the the Central and Eastern European (EEC) countries in the Internal Market: *full membership* or a waiting room *incubator*?



New Europe's Contribution to Single Market

4

Areas of interest:

- 1) FDI inflow into CEE and the state aid prohibition;
- 2) transitional periods in the free movement of workers for CEE;
- 3) role of the CEE countries in developing of the free movement with services.



FDI inflow and the state aid prohibition

5

- CEE internal market membership reduced the investments risk
- State aid prohibition and incentives schemes:
 - a) the Accession Treaties - temporary derogations approving pre-accession incentive schemes
 - b) lenient application of the exemptions from the state aid prohibition (exemptions in 161 out of 180 cases) - *Medve-Bálint (2014)*
- global recession of 2009:
 - hit the CEE export-oriented economies particularly hard
 - due to internal market membership most of the FDI did not seek an early exit and stayed in the region - *Epstein (2014)*



Transitional periods in the free movement of workers

6

- **2004 enlargement:**
 - **No transitional periods:** the United Kingdom, Ireland and Sweden
 - **Full transitional period** (till 2011): Germany and Austria
- **2007 enlargement:**
 - **No transitional periods:** Sweden, Finland (only of the EU15) + all EU10 (except for Hungary and Malta)
 - **Full transitional period** (till 2013): Germany, Austria, the United Kingdom, France, Spain, the Netherlands, Luxembourg and Malta
- **2013 enlargement:**
 - **Not introduced transitional periods:** Sweden, Finland, Denmark, Ireland and Portugal (of the EU15) + all EU10 (except for Slovenia, Malta and Cyprus) + Romania and Bulgaria.



Transitional periods in the free movement of workers

7

- Labour market restrictions:
 - did not prevent significant migration inflows from the new EU member states
 - influenced the composition of the inflow migration (open labour markets attracted more educated and younger migrants) - *Kahanec & Zimmermann (2009)*
- Migration from the EEC was primarily motivated by employment-related factors rather than attraction to welfare state benefits - *Bonin et al. (2008)*
- EEC countries with high outflows – influence over the wage level of the young workers (aged 35 and less) who stayed - *Elsner (2011)*



Transitional periods in the free movement of workers

8

- immigrants on the German labour market and native Germans of the similar education and work experience are still largely non-substitutable - *D'Amuri et al. (2010) and Brücker & Jahn (2011)*
- the incoming migrants compete primarily with the previous waves of immigration into Germany - *Elsner & Zimmermann (2013)*
- asymmetric application of the labour market restrictions prevented an optimal result of human resources reallocation



The CEE and the free movement with services.

- 9 The failure to introduce *the country of origin principle* into the EU service market in 2005 - reasons:
- 1) the fear from the suspected increased heterogeneity of the level of service regulation within the EU after the 2004 enlargement;
 - 2) the dislike to open, through service liberalization, an alternative backdoor to labour markets during the transitional periods
 - o The directive *on services in the internal market* – remote implementation deadline: December 2009;
 - o 9 of the EU15 countries did not implement the directive within the deadline;
 - o Last implementations: Germany (January 2012); Austria (April 2012) and Greece (May 2012).



Conclusion and implications

- 10
- **The three examined areas reveal a high degree of interconnectivity.**
 - **Fully functioning internal market with services may undermine the effect of the transitional restrictions on the access to the labour market.**



References

11

- For references of this presentation, please, see the reference list in the research paper, available at:
http://www.amo.cz/editor/image/produkty1_soubory/amocz_rp-2014-01_web.pdf.



**Asociace
pro mezinárodní
otázky**
Association
for International
Affairs

Thank you for your attention.