

## Regulation and Economic Integration: Introduction

### Regulação e Integração Económica: Introdução

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In any society and in any historical age, economic activities have been conditioned by the legal framework and by constraints of various kinds, first and foremost cultural ones. In a broad sense, some form of regulation of economic activities has always existed; thus, different conceptions and regulatory practices have followed each other in time or have been contemporaries in different societies with their own political-legal orders.

In a narrow sense, the regulation of economic activities is a recent framework (in historical terms) oriented towards a modern market economy integrated in multinational spaces and in need of rules. The previous endemic disorder in some economic spaces and discretionary forms of political interventionism in others have supposedly been replaced by a new paradigm of freedom regulated by specialized agencies in harmony with a limited, but vigilant, political power.

From both perspectives (the broad and the narrow) one can analyze the impact of the European Union's single market and the World Trade Organization on the economies and regulatory practices of various states after a quarter of a century framing several different states in these two integrated economic spaces, one on a European scale and the other on a world scale.

Indeed, economic integration and regulation are two inseparable concepts and the European Union (EU) may be considered as the most advanced model to this regard. As it gathers 28 Member States and more than 510 million inhabitants in a single internal market, in which the free movement of goods, services, capital and persons is assured, and in which citizens are free to live, work, study and do business, the number of regulations is massive. As an example, only in 2019 (January to October), counting Regulations, Directives and Decisions, approved by the top three institutions (European Parliament, Commission and Council), a total of 298 legislative acts were adopted, plus 71 amended.<sup>1</sup>

The current *Notas Económicas*'s thematic issue is an output of the Research Seminar "Governance, Regulation and Economic Integration" held at ISEG – Lisbon School of Economics and Management (University of Lisbon) on May 8, 2019, and gathers a selected number of papers that were delivered at the seminar, which will contribute to the study on regulation and economic governance in increasingly integrated geographical areas.

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<sup>1</sup> Source: <https://eur-lex.europa.eu/statistics/legislative-acts-statistics.html> last consulted 05/11/2019.

The purpose of that event was to gather, on an interdisciplinary basis, the results of ongoing research on economic regulation in the context of its integration into multinational spaces. Of these spaces, the EU and the World Trade Organization were the most obvious: the former, because it is one of the most relevant and structured bloc worldwide; the latter, because it is the organization that sets the normative framework for global trade, of which the EU is one of the main players.

The diversity of topics and approaches, which was also one of the aims of the seminar, as well as the complexity of regulation itself, are represented in this thematic issue. The articles prove the advantage of the multidisciplinary approach, in a topic that is simultaneously economic and normative, but that also intersects with politics and culture, unfolding in different scales of analysis – from global, regional to national/local.

The institutional impact of economic integration from the perspective of corruption is analysed by Pedro Bação, Inês Gaspar and Marta Simões in the article “Corruption and economic growth: the case of Portugal”. The authors conclude the modest progress that has been achieved in reducing corruption in Portugal between 1980 and 2018, despite the country’s EEC/EU membership since 1986. Regardless of the effects of corruption on economic growth, this particular issue allows us to question the nonlinear relationship between economic integration, institutional convergence and governance between different Member States. Based on the Corruption Perceptions Index data for Portugal from Transparency International, and using VAR and SVAR models, the authors concluded that corruption can have a marginal effect on the output; however, such result would indicate that the limits of the Portuguese standard of living’s convergence with the EU average would have to be due to factors other than corruption. Therefore, we face an understanding of regulation in which the complexity of normative, institutional and even cultural factors is called for a broad understanding of the economic phenomenon in an integrated world.

From a seemingly different perspective, focused on aspects that we could situate within the scope of the “material civilization” (infrastructures, technology), Mattia Frapporti’s article focus on “The European logistics space: on Jean Monnet and the integration of Europe”. The author argues that the establishment of the European Coal and Steel Community in 1951 is an event in the “structural continuity” of a logistical integration that preceded the major political landmarks of the European integration process. In fact, he identifies a long process of standardization of the main infrastructure networks in the European space (apparent on the railway), which took place during the two great wars of the twentieth century, and in which Jean Monnet had already played a pivotal role. Such an approach connects regulation to transport, communications and distribution networks that support the movement of people, goods and services.

Finally, the globalization of trade flows has led to a need for integration of the major trading blocs themselves such as the EU, ASEAN, NAFTA or MERCOSUR. The relationship between these complex political and/or economic organizations requires a closer look of the economic regulation focused on the political management of economic interests, public expectations and distinct normative traditions. Annette Bongardt and Francisco Torres, in their article “EU trade and regulation in today’s world trading system”, deal precisely with this from the EU’s recent experience in negotiating treaties with other trading blocs, and where all those factors interfere. The authors argue that recent experience with EU treaty

negotiation shows the need to safeguard the “European values”; and that such a need, reflected in the principles of environmental protection or consumer rights, is fundamental to the coherence and stability of the European project itself.

In fact, as the level of economic integration increases, so does complexity, which not only involves a set of numerous regulations, enforcement and arbitration mechanisms, but also political and civilizational issues, such as the abovementioned, which are at the core of the European integration project. To this regard, it will be interesting to follow the future results of both the Digital Single Market, already under implementation, and the upcoming European Commission’s “Green Deal” project and the impact that they will have on regulation.

