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Universität Bremen. Authors: Kalypso Nicolaïdis and Susanne K. Schmidt

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Abstract

In his 1986 White Paper on completing the single market, Lord Cockfield hailed mutual recognition as the miracle formula for the much needed liberalization of services markets. Twenty years later, the European Union is passing a services directive where the principle of mutual recognition is conspicuously absent, at a time when effective liberalization seems ever more necessary. How do we explain this puzzle? Why has mutual recognition been put ‘on trial’? We make three interrelated arguments. First, the initial draft directive overlooked the EU’s prior experience in this area, which is one of ‘managed’ mutual recognition. Second, the political context had changed significantly, with enlargement exacerbating the distributional consequences of the adoption of mutual recognition. Third, the final compromise succeeded precisely because it recovers the spirit of managed mutual recognition, albeit in a minimalist form. Nevertheless, final agreement has come at a price: the symbolic sacrifice of the principle of mutual recognition itself.

Key Words: Liberalization; mutual recognition; services directive; services; trade; single market.

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