

The Strategy for Europe's Internal Market

Communication from the Commission to the European Parliament and the Council



EUROPEAN
COMMISSION

INTRODUCTION

On 5 October 1999, the Commission adopted a consultative Communication¹ in which it set out its thinking on a strategy for the Internal Market over the next five years. The Communication launched a short but highly-focussed debate in the Council, Parliament and the Economic and Social Committee and among interested parties.

The response was positive. There is clearly broadly-based support for combining longer-term strategic objectives with short-term, annually reviewed, target actions. An exchange of views on the consultative communication took place at the Internal Market Council of 28 October 1999. Ministers gave a broad welcome to the proposed approach. In its resolution of 4 November² Parliament welcomed the proposed structure and underlined the need for a unified approach in achieving a coherent and consistent framework for legislation and non-legislative measures, while ensuring the proper involvement of the Parliament. The Single Market Observatory, a study group operating under the auspices of the Industry section of the Economic and Social Committee, considered the Communication at their meetings of 8 October and 8 November. The Commission organised a hearing on 29 October which was well-attended by representatives of industry, trade unions, other non-governmental organisations and of the candidate countries³.

This Communication provides the Commission's strategy for the Internal Market over the next five years. It sets out four strategic objectives; the operational objectives that flow from them and, for the first time, the (annually reviewed) target actions the Commission recommends to deliver these objectives. The target actions reflect the Commission's priorities, guided and informed by the views expressed by interested parties and in particular by the European Parliament and by Member States - including the current and incoming Presidents of the Council of Ministers.

The Commission invites the European Parliament, the Council, the Economic and Social Committee and all interested parties to support the proposed overall approach and in particular the four strategic objectives. The Parliament and the Council are further invited to support the implementation of the target actions and to

ensure rapid adoption of the key legislative measures.

THE STRATEGY

This strategy for the Internal Market provides a coherent framework for policy development for the years 2000-2004. It sets out a longer-term strategic vision which should direct the identification of more immediate priorities for action. The overarching aim is constantly to improve the performance of the Internal Market in the years ahead for the benefit of citizens and business alike. The Commission recognises that the credibility of the Internal Market will depend on its delivering and being seen to deliver these benefits. The strategy has been conceived to reflect the characteristics of a more mature Internal Market:

- the need to enhance the competitiveness of the European economy as well as to improve the quality of life of European citizens. Where the interests of business and the consumer diverge, they must be equitably reconciled. Community policies on the environment, economic and social cohesion, health and safety and consumer rights need not only to be co-ordinated with Internal Market policies but integrated into them, as required by the Treaty.
- the need to involve all stakeholders in the continuing development of the Internal Market, be they citizens or business and whatever their location and circumstances. The continuing development of the Internal Market should be at the heart of bringing the EU closer to its citizens through its impact on their daily lives, as employees, employers, consumers, pensioners, students, borrowers, savers, investors and taxpayers.
- the need to remove all unjustified barriers to the free movement of goods, services, persons and capital. The new legal framework, created by integrating national markets must function optimally, in order to maximise the

¹ COM(1999) 464 final.

² B5-0204/1999

³ A full report of the hearing can be found on the Commission's website at <http://europa.eu.int/comm/dg15/en/update/strategy>. Other comments were received by e-mail and letter.

benefits to consumers, citizens and business. A proper balance will be sought between legislative and non-legislative activity and between harmonisation and mutual recognition. Wherever appropriate, the Commission will support self-regulation and ensure that it achieves results in an open and transparent way.

- the need to promote comprehensive structural reform and modernisation through the microeconomic strand of the process of multilateral economic surveillance, as established by the Cardiff European Council.
- the need to monitor and review the effects of existing Internal Market measures by using and developing instruments such as the Scoreboard and the Cardiff report⁴. The Dialogue with Citizens and Business should make full use of the opportunities created by information technology to enhance inclusive and interactive policy-shaping.
- the need to provide an adequate framework to unleash the great potential for the development of the Internal Market for information and communication technologies, including e-commerce.
- the need to prepare for the next enlargement of the Union. The accession of ten or more countries represents a major challenge to both current and future Member States. The operation of the existing rules needs to be improved and the candidate countries associated as soon as possible in their practical application.
- the need to look beyond the borders of the Union. The internet and e-commerce offer even the smallest of companies the opportunity to trade globally. The Union's experience in creating its Internal Market provides extensive experience on which discussions with its main trading partners can be based.

Finally, reference should be made to the separate but related Union objective of creating the area of Freedom, Security and Justice. The Treaty of Amsterdam offers new possibilities to ensure that the freedoms derived from the Internal Market can be enjoyed in conditions of security and justice accessible to all. The European Council in Tampere highlighted the importance of the link between this objective and the concerns of citizens in their daily lives. It is clear that progress towards creating the area of Freedom,

Security and Justice (for example, in relation to legal aid) will be an important element in the wider background against which this strategy is developed.

STRATEGIC OBJECTIVES

Four *strategic objectives* have been identified. They are:

- to improve the quality of life of citizens
- to enhance the efficiency of Community product and capital markets
- to improve the business environment
- to exploit the achievements of the Internal Market in a changing world

These strategic objectives provide a frame of reference for policy development. They are not mutually exclusive but overlap and are complementary. Progress in achieving them must be assessed. The Commission will identify quantitative and qualitative indicators. Sectoral policy frameworks (some, such as public procurement and the Financial Services Action Plan⁵, are already in place) are part of this wider policy picture.

OPERATIONAL OBJECTIVES

A series of *operational objectives* has also been defined. Each covers a particular policy dimension that contributes to the achievement of one or more strategic objectives. The operational objectives will provide the benchmark against which progress can be judged.

TARGET ACTIONS

Within the strategic and operational objectives, short-term priorities are identified as *target actions*. These have been precisely described in order to provide a measurable outcome. They encompass initiatives and actions both at Community and national level. In order to ensure continuity from one year to another, target actions have been established with an 18-month horizon. Some will not be achieved by the first

⁴ The Single Market Scoreboard has proved to be a valuable monitor of legal and administrative progress. The Cardiff report provides an annual assessment of the functioning of product and capital markets.

⁵ See COM(1999) 232, "Financial Services : implementing the framework for financial markets : Action Plan", 11.05.1999.

review in the May 2000 Internal Market Council, but identifying such targets will enable crucial preparatory work to begin by the successive Presidencies of the Council and by the Commission itself, thereby optimising the possibility of achieving them in the course of the next year. However neither the selection of the target actions nor the accompanying deadlines prejudices the political priority to be attached to any individual action.

THE ANNUAL CYCLE

The present annual Internal Market cycle incorporates the twice-yearly Scoreboard and the report on the functioning of product and capital markets (the Cardiff report). In addition, the Commission will present an annual review and update of target actions for discussion by the European Parliament and at the second Internal Market Council of each year. This review will examine progress and consider how well the present rolling programme meets longer-term goals. The Commission will come forward with a comprehensive set of indicators which will enable us to gauge the effectiveness of our policies and to assess how far they have contributed to the attainment of the broader objectives.

Target action: Indicators

- Commission working document setting out its proposals on Internal Market **indicators**
- Commission to publish the results of a study on **price data within the EU** based on a wide range of consumer products

The annual adjustments to Internal Market target actions will be consistent with the priorities for structural reform identified in the Broad Economic Policy Guidelines, which play a central role in the co-ordination of economic policies between the Member States. The various elements of the Internal Market Strategy, including the results of the Internal Market Council's discussion of the Cardiff report and the views expressed by the European Parliament, will provide an input to both the Commission's proposals for the review of target actions and the Commission's recommendations for the Broad Economic Policy Guidelines. The onus will be on the Commission, initially, and later on Member States to maintain a coherent approach.

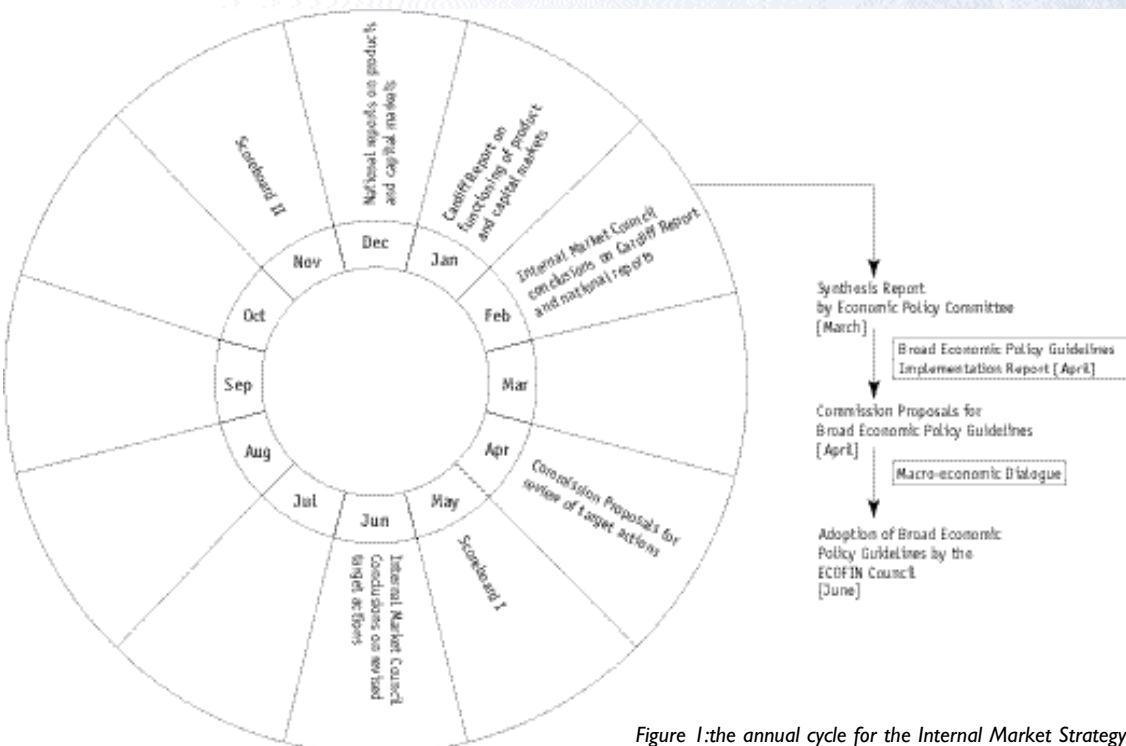


Figure 1: the annual cycle for the Internal Market Strategy

STRATEGIC OBJECTIVE 1: CITIZENS

The Community must respond to growing public expectations about the quality of life and sustainable development. Citizens benefit from truly open and efficient markets provided that they can exercise an informed choice and that effective mechanisms exist for enhancing their health, their safety or their economic interests. As employees, citizens must be confident that increased competition is accompanied by adequate levels of social protection.

European citizenship confers a general right to move and reside freely within the Union, whatever the economic status of the individual. It confers civil and political rights such as the right to vote in local and European Parliament elections in the country of residence.

Citizens expect the Union to work towards the achievement of its fundamental objectives, as set out in Article 2 of the Treaty, including the promotion of economic and social progress, a high level of employment and balanced and sustainable development. Thus, the first strategic objective should be to improve the quality of life of citizens. Within this objective, three operational objectives have been selected.

Operational objectives

Citizens I Ensure that the Internal Market contributes to sustainable and ► balanced development

Environmental protection requirements must be integrated into all Community policies. Account must also be taken of the need to strengthen economic and social cohesion by reducing disparities in regional development. Internal Market policy must take into account this goal and contribute to its achievement⁶. Sustainable

development can only come about by taking account of environmental protection, the competitiveness of businesses, employment concerns and the special needs of the least favoured regions or areas, including the outermost regions.

The Commission has already set out its approach to making Internal Market and environment policies mutually supportive and reinforcing⁷. A Community strategy to integrate environment policy and Internal Market policy is under development.

Although the available evidence suggests that the Internal Market has generally had a beneficial effect⁸ on cohesion, monitoring should continue, to ensure that appropriate flanking measures can be instigated if necessary in order to strengthen the economic structure of the regions and to enable them to benefit fully from the Internal Market.

The Internal Market has already significantly contributed to the process of job creation. But supply-side initiatives must include efforts to develop the skills, flexibility and mobility of Europe's workforce. This approach has been developed in the Employment Guidelines, particularly in the employability and adaptability pillars.

To achieve this operational objective I (Citizens I), the following Target Actions are needed (see table next page)

⁶ Articles 158 and 159 of the Treaty.

⁷ See COM(1999) 263 final, "Single Market and Environment", 08.06.1999.

⁸ cf. inter alia, First Cohesion Report, (November 1996): Single Market Review (sub-series IV, in particular, volume 2).

Target Actions : Citizens 1

Ensure that the internal market contributes to sustainable and balanced development

Legislative

- Commission proposal for a European Parliament and Council Directive amending the **insolvency Directive** (80/987)

June
2000

- Adoption by European Parliament and Council of a Directive on the **promotion of electricity** from **renewable energy sources** in the internal electricity market
- Adoption by European Parliament and Council of a Directive on **information and consultation of workers in the EC**

Dec.
2000

Non-Legislative

- Commission interpretative Communication that will clarify how **environmental considerations** may be taken into account in **public procurement**

June
2000

- Second **cohesion** report to provide an updated examination of the effects of the Internal Market on cohesion
- Commission Recommendation on how to integrate **environmental considerations into financial reporting**

Dec.
2000

- Publication of a handbook on the **application of Articles 28-30** of the Treaty to **national environmental measures**
- Integration of **environmental considerations** into the activities of **European standardisation bodies**

June
2001

Citizens 2 ► Enhance citizens' health and safety and promote their economic interests

Consumer concerns are a key element of the Internal Market's commitment to the citizen and will be a key benchmark by which it will be judged. A high level of protection and proper enforcement of the rules are essential, particularly those that deal with safety of goods and services. Cross-border commercial transactions and effective redress mechanisms must be developed, especially as electronic commerce continues its exponential growth.

Further liberalisation of services of general

interest, the introduction of the euro and the development of e-commerce all have the potential to unlock further economic benefits for the citizen. To realise this potential, these developments need to be shaped to take account of these concerns. The Internal Market should be monitored closely from a citizens' perspective to ensure that the benefits envisaged by EU laws are delivered in practice.

To achieve this operational objective (Citizens 2), the following Target Actions are needed:

⁹ Article 153 (2) of the EC Treaty now requires consumer protection to be taken into account in defining other Community policies.

Target Actions : Citizens 2	
Enhance citizens' health and safety and promote their economic interests	
Legislative	
<ul style="list-style-type: none"> • Implementation of Financial services Action Plan (see also Markets 2) • Adoption by European Parliament and Council of a proposal for amendment to the general product safety Directive (92/59) • Adoption by European Parliament and Council of Directive on the manufacture, presentation and sale of tobacco products. • Commission proposal for amendment to door-to-door sales Directive (85/577) • Commission proposal for amendment to misleading advertising Directive (84/450) • Commission proposal to amend the consumer credit Directive (87/102 as amended by 90/88) 	June 2000
Non-Legislative	
<ul style="list-style-type: none"> • Commission Communication on commercial communications and sales promotions (see also 'Business 4') • Commission White Paper on food safety • Commission Communication on the safety of services • Commission Communication on over-indebtedness • Commission Recommendation on horizontal consumer aspects of services of general interest • Commission Communication on passenger protection in air transport • Commission Communication on legal aid in civil matters • Commission Communication on priorities in EU road safety 	June 2000
<ul style="list-style-type: none"> • Commission Green Paper on access to justice and redress for Consumers • Commission Recommendation on "green claims"(environmental promotion) • Commission Communication on the reinforcement of administrative co-operation in health and consumer protection. 	Dec. 2000
<ul style="list-style-type: none"> • Implementation of a Community safety system in air transport 	June 2001

Citizens 3 ► Reinforce and promote the full use of the rights of citizens

Few citizens exercise their rights of free movement : labour mobility within the Internal Market – necessary to an adaptable economy – thus remains limited. More efficient and user-friendly application of Internal Market rights – such as the recognition of qualifications – is needed. Easy access to information on job opportunities in the different Member States is a key requirement for increased mobility. The EURES service network, which brings together national employment services, must strengthen its activities in this respect. The Union and

national administrations, working together, should develop a common administrative culture which offers a high level of service and allows problems to be quickly resolved.

Citizens need appropriate information, support and advice. The Dialogue with Citizens and Business, as well as the EU network of European Consumer Centres (the "Euroguichets") and other information networks like EURES, can be used to help citizens to take advantage of their rights.

To achieve this operational objective (Citizens 3), the following Target Actions are needed:

Target Actions : Citizens 3 Reinforce and promote the full use of the rights of citizens	
Legislative	
<ul style="list-style-type: none"> • Adoption by European Parliament and Council of a proposal to extend Regulation 1408/71 on the co-ordination of social security schemes to non-EU nationals • Adoption by European Parliament and Council of a proposal to replace Regulation 1408/71 on the co-ordination of social security schemes by a new simplified and modernised Regulation. • Commission proposal for a Regulation on a common format for the EU passport 	June 2000
<ul style="list-style-type: none"> • Commission proposal to amend the Directive on the second General System for the recognition of professional qualifications (92/51) 	Dec. 2000
<ul style="list-style-type: none"> • Commission proposal for a Regulation recasting Directives on rights of residence (90/364,90/365, 93/96, 68/360) • Commission proposal for a Regulation on a common format for residence cards 	June 2001
Non-Legislative	
<ul style="list-style-type: none"> • Dialogue with Citizens and Business: <ul style="list-style-type: none"> • Promotion campaign to be launched in early 2000 • Publication of Guide on exercising rights in the Single Market • Commission Communication on Feedback from Dialogue • Launch of new "citizens" web-site on rights and opportunities in the Internal Market • Publication of Dialogue guide on data protection 	June 2000
<ul style="list-style-type: none"> • Commission Communication on the future of recognition of professional qualifications • Provide a complete self-service package for job seekers and employers on the EURES internet site supported by the personalised service from the Euroadvisers • Provide a complete and up-to-date database for the citizen on living and working conditions and on labour markets in the Member States 	Dec. 2000

STRATEGIC OBJECTIVE 2: MARKETS

In order to enhance the competitiveness of its economy, the Union needs efficient goods, services and capital markets. The development of the economic reform process agreed by the Cardiff European Council will help to achieve this. The Member States and the Community institutions must respond to that process by actively implementing the necessary changes. Comprehensive structural reform and modernisation of markets is an integral part of the process of economic co-ordination in the Union, as expressed through the Broad Economic Policy Guidelines.

A properly co-ordinated and coherent enterprise policy across the Community is increasingly important, special attention being paid to the needs of small and medium sized enterprises, to ensure that their full potential for innovation, growth and job-creation is realised.

For these reasons the second strategic objective should be to enhance the efficiency of Community product and capital markets. Within this objective five operational objectives have been identified.

Operational objectives

Markets 1 ► *Encourage economic reform in the interests of market efficiency*

The process of economic reform instituted by the Cardiff European Council which is now one of the three pillars of the European Employment Pact, pinpoints areas where action is needed at Community or national level and incorporates a micro-economic dimension into the preparation of the Broad Economic Policy Guidelines. The question is not only whether Member State regulation is legally compatible with the Internal Market, but whether it is both conducive to securing the maximum benefit from integrated markets in terms of competitiveness and employment and attains its public policy goals in the most efficient way.

The process of joint evaluation whereby national reports are examined in the framework of the Internal Market Council must be further developed into a peer-review exercise to allow this new instrument to deliver its full potential.

To achieve this operational objective (Markets 1), the following Target Actions are needed:

Target Actions : Markets 1 **Encourage economic reform in the interests of market efficiency**

- Annual adoption of Commission Communication on **Economic Reform** – Report on the functioning of product and capital markets in the EU (Cardiff Report)
- Implementation annually by the Member States of the country-specific **recommendations on product and capital market reform** contained in the Broad Economic Policy Guidelines

Markets 2 ► *Ensuring financial services deliver their full potential*

Financial services represent a key sector which will significantly contribute towards making the Internal Market a reality for consumers and industry. The benefits to financial services of the introduction of the euro need to be reinforced in order to give consumers access to a greater choice of competitive retail financial services products in which they can trust, to give industry (especially SMEs) easier access to a single deep and liquid market for investment capital and to ensure the continued stability of financial markets. Implementation of the May 1999 Financial Services Action Plan, which specifically centres on these issues, is therefore an important element in the Internal Market Strategy.

The result should be to boost employment, by facilitating investment in innovation, especially by smaller companies, and to ensure a greater choice of quality services to meet consumer demands, particularly with the growth of electronic commerce. To facilitate progress on agreeing and implementing the necessary measures, the Commission will be working in close co-operation with Member State officials, market practitioners and users.

To achieve this operational objective (Markets 2), the following Target Action is needed :

<p>Target Actions : Markets 2 Ensuring financial services deliver their full potential</p>
<ul style="list-style-type: none"> Implementation of the Financial Services Action Plan
<p>Many actions in the Financial Services Action Plan can contribute to the achievement of other operational objectives, such as those relating to consumer interests, the digital age, the multilateral trading system, company law and the fight against criminal activities in the Internal Market.</p>

favourable environment for electronic commerce, based on Internal Market principles, is essential. It will be an integral part of the "e-Europe" initiative being prepared for the Helsinki Summit¹⁰. It offers business access to new cross border markets at relatively low-cost, particularly for those trading in intangibles (financial services, insurance) or low bulk/high value consumer products (CDs, branded goods). E-commerce also allows consumers to seek the best value across the Internal Market and world-wide. Further Community action is necessary to ensure that the benefits of electronic commerce are not offset by divergences between national rules and to ensure that consumers feel confident in shopping on-line. The Community's objective must be to create an appropriate regulatory environment; to restrict regulation to the minimum necessary to offer legal certainty to service providers; to provide consumers with a high level of protection and simple, low-cost redress mechanisms and to prevent the use of the Internet as a vehicle for criminal activity.

Markets 3 ► Maximise the benefits to the Internal Market of the digital age

Over the coming years, technology and information will transform Europe's economy, its workplaces and its society, affecting business as much as citizens. The development of a

¹⁰ The "e-Europe" initiative ("Information Society for all") to be presented at the Helsinki European Council will pave the way for the Commission's contribution to the March 2000 Lisbon Summit on "Employment, Economic Reform and Social Cohesion – Towards a Europe of Innovation and Knowledge".

To achieve this operational objective (Markets 3), the following Target Actions are needed :

<p>Target Actions : Markets 3 Maximise the benefits to the Internal Market of the digital age</p>	
<p>Legislative</p>	
<ul style="list-style-type: none"> Adoption by European Parliament and Council of electronic commerce Directive Adoption by European Parliament and Council of Directive on copyright and related rights in the information society Commission proposal for a Directive on the patentability of software 	<p>June 2000</p>
<ul style="list-style-type: none"> Commission proposal to ensure that the existing VAT system is compatible with e-commerce 	<p>Dec. 2000</p>
<p>Non-Legislative</p>	
<ul style="list-style-type: none"> Commission Communication on rules on access to cable for broadcasting and information society services Action to support initiatives for on-line out of court redress 	<p>June 2000</p>
<ul style="list-style-type: none"> Establish a dialogue with industry and consumers as part of the development of the integrated framework for electronic commerce 	<p>June 2001</p>

Markets 4 ➤ *Encourage creativity and innovation by adequately protecting industrial and intellectual property rights*

The markets for industrial and intellectual property are constantly evolving, stimulated by technical developments, new marketing strategies and consumer/user behaviour. Adequate protection of industrial and intellectual property rights is essential to ensure a climate that is

conducive to innovation, creativity and investment. Internal Market rules in this field should foster a pro-competitive environment and at the same time achieve a careful balance of all the interests involved. The proposal for a Community patent will support the innovative capacity of Community enterprises.

To achieve this operational objective (Markets 4), the following Target Actions are needed :

Target Actions : Markets 4	
Encourage creativity and innovation by adequately protecting industrial and intellectual property rights	
Legislative	
<ul style="list-style-type: none"> • Commission proposal for a Regulation on the Community patent • Adoption by European Parliament and Council of Directive on utility models • Adoption by European Parliament and Council of Directive on artists' resale rights 	June 2000
<ul style="list-style-type: none"> • Adoption by Council of proposal for a Regulation on Community designs 	June 2001
Non-Legislative	
<ul style="list-style-type: none"> • Commission Communication as follow-up to Green Paper on counterfeiting and piracy 	June 2000

Markets 5 ➤ *Securing effective market-opening legislation in the utilities and transport sectors, whilst preserving universal services*

Liberalisation in telecommunications, electricity and air and road transport is already producing benefits in terms of reduced prices and higher quality. Liberalisation of rail freight is a current priority. The recent completion of the liberalisation of maritime cabotage is expected to have similar results. The Commission is also addressing the problem of delays in air transport resulting from inadequate air traffic management systems and will come forward with initiatives to establish common rules for managing air traffic at European level.

Uniform application of Community law by national regulatory authorities must be assured whilst procedures for strengthened co-operation between national regulatory authorities need to be urgently developed. Competition law will be the primary tool for managing these markets, although the objectives of universal service, consumer rights and interoperability may continue to require specific regulation. Liberalisation of telecommunications should ensure that all citizens have affordable access to a universal service and, in particular, access to Information Society services.

To achieve this operational objective (Markets 5), the following Target Actions are needed :

Target Actions : Markets 5	
Securing effective market-opening legislation in the utilities and transport sectors, whilst preserving universal service	
Legislative	
<ul style="list-style-type: none"> • Follow-up to review of existing telecommunications legislation: Commission proposals for framework Directive and four specific Directives • Adoption by European Parliament and Council of Directive establishing rules on airport charges • Adoption by European Parliament and Council of Directives modifying Directives 91/440 and 95/18 and replacing Directive 95/19 (rail revitalisation package) 	June 2000
<ul style="list-style-type: none"> • Commission proposal for a European Parliament and Council Regulation amending Council Regulation 1191/69 (public services in inland transport) 	Dec. 2000
<ul style="list-style-type: none"> • Adoption by European Parliament and Council of Regulation updating TENs guidelines 	June 2001
Non-Legislative	
<ul style="list-style-type: none"> • Timely transposition and full implementation of Directive 97/67 on postal services liberalisation • Timely transposition and full implementation of Directive 96/92 concerning common rules for the Internal Market in electricity¹¹ 	June 2000
<ul style="list-style-type: none"> • Timely transposition of Directive 98/30 concerning common rules for the Internal Market in natural gas • Commission Interpretative Communication on concessions 	Dec. 2000
<ul style="list-style-type: none"> • Commission Sixth Report on the implementation of the Telecoms Regulatory Package • Implementation of the Communication on the creation of a single European sky 	June 2001

¹¹ Deadline for implementation in Greece is 19th February 2001

STRATEGIC OBJECTIVE 3: BUSINESS

Action aimed at deepening market integration by removing sectoral barriers in goods and services markets and by improving the functioning of the acquis will have its full effect only if the overall environment in which business is carried on is favourable. This too requires a shared commitment on the part of Member States and the Community institutions to eliminate anti-competitive practices, tax obstacles to cross-border activity and unfair tax competition, while respecting sectoral policies. Both at national and Community level, continuing and reinforced efforts are also required to achieve a less burdensome regulatory framework and a high quality of regulation. Small and medium-sized companies in particular will benefit from reduced compliance costs and an administrative environment which encourages entrepreneurship. The third strategic objective is therefore **to improve the business environment**.

Operational objectives

Business 1 ► *A shared determination to ensure that market integration is not undermined by anti-competitive practices*

Neither anti-competitive behaviour by businesses nor aid granted by Members States will be allowed to obstruct further integration or

improved efficiency in the Internal Market. Vigorous application of Community and national rules is needed to ensure that producers and distributors cannot re-segment the market or maintain prices at an artificially high level through restrictive agreements or abuse of a dominant position. The Commission's White Paper "Modernisation of the rules implementing Articles 85 and 86 of the EC Treaty"¹² raises the prospect of further changes to the regulatory architecture. It is essential that national competition bodies and the Commission work together to secure free and fair competition at all levels of the market.

Although overall levels of state aid are declining, they remain a major threat to market integration and efficiency. The individual assessment of notified aids should be complemented by a consideration of the cumulative impact on the Internal Market of state aids which constitute distortions of competition. Member States should redirect remaining state aid away from ad-hoc and sectoral aid and towards aid designed to pursue horizontal policy objectives of Community interest.

¹² 1999/C132/01. Articles 85 and 86 have been renumbered as Articles 81 and 82.

To achieve this operational objective (Business 1), the following Target Actions are needed:

Target Actions :Business 1	
A shared determination to ensure that market integration is not undermined by anti-competitive practices	
Legislative	
<ul style="list-style-type: none"> Commission proposal for a Regulation on the modernisation of the rules on competition for the application of Articles 81 & 82 of the EC Treaty Adoption by the Commission of block exemption Regulations for state aid to SMEs, for training aid and on the "de minimis rule" Commission proposal for a European Parliament and Council Regulation amending Council Regulation 1107/70 (state aids in inland transport) 	Dec. 2000
Non-Legislative	
<ul style="list-style-type: none"> Adoption by the Commission of Guidelines to the block exemption Regulation for vertical restraints 	June 2000
<ul style="list-style-type: none"> Review of the Commission's policy on horizontal co-operation agreements Follow-up to the Commission notice on the application of state aid principles to measures relating to direct business taxation 	Dec. 2000

Business 2 ► Eliminate tax barriers to the Internal Market and unfair tax competition

Since the informal ECOFIN Council in Verona in April 1996, the focus has been on the need for co-ordinated action at European level in order to:

- stop the erosion of certain classes of tax revenues;
- remove fiscal barriers to the smooth functioning of the Internal Market;
- make tax systems more employment-friendly.

This prompted the Commission to put forward the "tax package" which was endorsed by the Council in December 1997. In this framework of greater co-ordination, a balanced and more comprehensive approach is needed to provide the taxpayer with an Internal Market-friendly tax system. Particular attention will be paid to the

elimination of discriminatory provisions. At present, taxpayers – individuals and companies – may suffer from double taxation, delays in obtaining tax refunds and other fiscal barriers to the full exploitation of the "four freedoms".

Existing taxation rules need to be applied efficiently. Business surveys consistently point to the complexities of VAT procedures as a major disincentive to cross-border trade. The Commission has already made proposals to simplify these issues in the short term (abolition of tax representatives and replacement of VAT reimbursement by a real right of deduction). VAT rules and procedures will require modernisation to take account of the evolution of business and especially of e-commerce.

To achieve this operational objective (Business 2), the following Target Actions are needed:

Target Actions :Business 2	
Eliminate tax barriers to the Internal Market and unfair tax competition	
Legislative	
<ul style="list-style-type: none"> • Adoption by Council of Directive on taxation of savings • Adoption by Council of Directive on interests and royalties • Adoption by Council of Directive on energy taxation 	June 2000
<ul style="list-style-type: none"> • Commission proposal for consolidation of the 6th VAT Directive (77/388) • Commission proposals for modernisation of VAT legislation in the Internal Market • Commission proposals for measures to modernise the system of excise duties and make it more Internal Market friendly. • Commission proposals for measures against tax provisions restricting full access of taxpayers to the Internal Market 	Dec. 2000
Non-Legislative	
<ul style="list-style-type: none"> • Unfair tax competition code of conduct: agreement on roll-back or amendments of harmful tax measures under the code • Commission report on company taxation in the EU 	June 2000
<ul style="list-style-type: none"> • Commission report to Council on the system of excise duties in the Internal Market on mineral oils, tobacco and other goods 	Dec. 2000

Business 3 ► Improve the effectiveness of the legal framework

The fundamental precondition for a fully integrated market that commands the confidence of its stakeholders is a shared body of rules uniformly applied by Member States. The failure to transpose agreed directives therefore remains a focus for urgent attention. All Member States should now be able to reach the levels set by the leading countries.

The new legal order also requires a shared understanding of the meaning of the rules and the development of agreed strategies for enforcement including enhanced administrative co-operation. National officials must work together to deliver a uniformly high level of enforcement and the efficient resolution of problems encountered by businesses and individuals. The primary responsibility for enforcement lies with the Member States. They

should seek to develop an Internal Market mindedness within their administrations. The Commission will initiate and facilitate joint exercises and the exchange of good practice, and will continue to monitor progress. It will also continue to pursue infringement proceedings diligently whilst Member States should ensure that all letters of formal notice and reasoned opinions are dealt with promptly and appropriately.

Access to information and advice plays a critical role in helping businesses to make the most of the Internal Market and to resolve any problems. In addition to using the existing European Information Centres, the Commission will give a high priority to the further development of the Dialogue with Citizens and Business and the Euroguichet network.

To achieve this operational objective (Business 3), the following Target Actions are needed :

Target Actions :Business 3 Improve the effectiveness of the legal framework	
Non-Legislative	
<ul style="list-style-type: none"> • Launch of pilot project offering Community support to national initiatives in the field of administrative co-operation 	June 2000
<ul style="list-style-type: none"> • All Member States to reduce their transposition deficit to less than 1,5 % 	Dec. 2000
<ul style="list-style-type: none"> • Commission Communication on a comprehensive EU strategy on administrative co-operation to promote enforcement 	June 2001

Business 4 ► Eliminate the remaining obstacles to cross-border trade

The Internal Market has proved an effective means of integrating goods markets, despite some remaining problems. The Community's objective must now be to eradicate any remaining obstacles to cross-border trade,

particularly in the service sector and to prevent the emergence of new barriers. In particular, the application of the mutual recognition principle needs to be improved, even though harmonisation must not be ruled out.

To achieve this operational objective (Business 4), the following Target Actions are needed :

Target Actions :Business 4 Eliminate the remaining obstacles to cross-border trade	
Legislative	
<ul style="list-style-type: none"> • Commission proposal for a public procurement legislative package 	June 2000
<ul style="list-style-type: none"> • Adoption by European Parliament and Council of Directives on EC services provision card 	Dec. 2000
Non-Legislative	
<ul style="list-style-type: none"> • Commission Communication on commercial communications and sales promotion • Commission Communication on patent agents • Implementation of specific measures contained in the Council Resolution on standardisation¹³ 	June 2000
<ul style="list-style-type: none"> • Monitoring report on the application of the product liability Directive (85/374) • Commission Report evaluating the implementation of policy on products conformity marking • Agreement on 50 harmonised standards relating to construction products 	Dec. 2000
<ul style="list-style-type: none"> • Implementation by Member States and the Commission of specific measures contained in the Commission Communication and the Council Resolution on mutual recognition • Assessment of the results of the forthcoming study on remaining barriers to trade in business services 	June 2001

¹³ This target action may be valid up to June 2001

Business 5 ► Reduce the regulatory burden on business, particularly SMEs, and help business take advantage of Internal Market opportunities

Over-complex or ill-conceived legislation imposes additional costs and burdens on business, inter alia reducing competitiveness. It can also act as a disincentive to business expansion, thus undermining job-creation, particularly in small and medium-sized companies. The Commission has already made considerable efforts¹⁴ to improve the quality of legislation including the implementation of the SLIM initiative and the Business Test Panel pilot project. However, the results, in terms of impact on existing or planned legislation, continue to fall short of expectations. We need to develop a coherent policy which encompasses work at both national and Community level. This might include, for example, the concurrent application

of the SLIM approach to Community directives and the corresponding national implementing measures through co-ordinated parallel exercises in the Member States. The Dialogue with Citizens and Business can be used to help companies to take advantage of Internal Market opportunities. It will also be developed so as to allow a constant flow of information back to all parties involved in the operation of the Internal Market. This data can contribute to improving and simplifying the legal and administrative framework. Finally, business, including smaller companies, needs a clear and up-to-date framework of company law for its operations in the Internal Market.

¹⁴ See the annual "Better Lawmaking" report, the most recent of which is COM (1998) 715 final, 01.12.1998.

To achieve this operational objective (Business 5), the following Target Actions are needed:

Target Actions :Business 5	
reduce the regulatory burden on business, particularly SMEs, and help business take advantage of internal market opportunities	
Legislative	
<ul style="list-style-type: none"> • Adoption by European Parliament and Council of a Directive combating late payments in commercial transactions 	June 2000
<ul style="list-style-type: none"> • Commission proposals to modify the 1st and 2nd Company Law Directives (post-SLIM) (68/151 & 77/91) 	Dec. 2000
<ul style="list-style-type: none"> • Adoption by the Council of the proposed Regulation and Directive on the Statute for a European company and associated proposals (European associations, European co-operatives, European mutual societies) 	June 2001
Non-Legislative	
<ul style="list-style-type: none"> • Evaluation of projects to promote better regulation : <ul style="list-style-type: none"> - SLIM - Business Test Panel • Implementation of BEST Action Plan • Dialogue with Citizens and Business: Commission to launch a business feedback mechanism • Commission Communication on access for SMEs to public procurement markets 	June 2000
<ul style="list-style-type: none"> • First report on the quantitative results of the business feedback mechanism 	Dec. 2000

STRATEGIC OBJECTIVE 4 : EXTERNAL ASPECTS

The Internal Market cannot be considered in isolation from the world economic order. At micro-economic level, the increased competitiveness brought about by the Internal Market is vital to European businesses competing in global markets. At a political level, the Internal Market offers a model in building global or regional consensus on trade liberalisation. It is also an essential prerequisite for a successful enlargement. Thus the final strategic objective is **to exploit the achievements of the Internal Market in a changing world**. There are two operational objectives.

Operational objectives

External I ► *Contribute to the shaping of the multilateral trading system for the next century*

The Internal Market, the single currency, the prospect of enlargement – which will make the Union the world's largest integrated market, with over half a billion consumers – and the growing political assertiveness of the Union world-wide mean that the Union is a major actor in the development and consolidation of the multilateral trading system and legal order. Agreement in Seattle on the launch of the next Round later this year should provide an opportunity for the Union to reaffirm its commitment to an open world trading system, and to the strengthening of the World Trade Organisation and particularly its dispute settlement system. The Union's contribution to the negotiations will aim at reaching a high level of comprehensive trade liberalisation and market access whilst ensuring that Europe's social,

environmental, cultural and other societal interests and values are properly safeguarded.

Further progress towards trade liberalisation accompanied by further integration of developing countries into the multilateral trading system remains the Union's overall objective. Key sectors of the Internal Market are already on the agenda: public procurement, investment, competition, intellectual and industrial property rights, professional and financial services. Solutions developed within the Internal Market may offer adequate and possible bases for an international regulatory framework based on the principles of transparency, non-discrimination and a level playing field. At the same time, achievement in the multilateral trade negotiations will further enhance and consolidate the potential of the Internal Market. This process of mutual enrichment shall further promote the coherence and consistency of the world trade order to the benefit of overall prosperity.

The growing importance of Internal Market principles in trade agreements with third countries will clearly be reflected in the outcome of the next multilateral round. Free trade agreements are being contemplated or negotiated with countries or groups of countries such as Mexico, Chile, Russia, Mercosur and the Mediterranean countries under the Barcelona process. Industry's active involvement in the shaping and monitoring of the Internal Market acquis is an approach that could be extended to the bilateral and multilateral context, as for example, in the case of the Transatlantic Business Dialogue.

To achieve this operational objective (External I), the following Target Actions are needed (see next page):

Target Actions : External 1

Contribute to the shaping of the multilateral trading system for the next century

Legislative

- Commission to complete negotiations with the Council of Europe on:
 - a draft Recommendation on the **protection of personal data** collected and processed for **insurance purposes**
 - a draft protocol concerning Community accession to Convention 108 of the Council of Europe on the processing of **personal data**
 - additional protocol to Convention 108 in line with Directive 95/46
- Commission Decisions, based on Article 25, paragraph 6 of Directive 95/46, assessing the adequacy of the **level of data protection** in some **third countries**

June
2000

- Adoption of a Council Decision on ratification of World Intellectual Property Organisation (WIPO) **copyright** Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) on behalf of the EC

Dec.
2000

Non-Legislative

- Continuing work on the setting of **minimum standards at international level**, notably in the framework of WIPO, on protection of audio-visual performances, broadcasters' rights and non-original databases

June
2000

- Identify and promote those **instruments developed at Internal Market level** which could be applied within the framework of pluri or multilateral trade agreements, such as a transparent regulatory environment and the procedures and principles for the harmonisation of standards.

Dec.
2000

External 2 ► *Ensure that the Internal Market contributes to a successful enlargement of the Community*

Preparation for membership of the Union has already strengthened the economies of the Central and Eastern European countries, as their relative resistance to the Asian crisis last autumn testified. The candidate countries must continue their preparations for an enlarged Internal Market. It is of vital importance that, in addition to making the necessary legislative changes, they put in place administrative infrastructures which will guarantee the effective application of Internal Market rules, including those related to environment, health and consumer protection. The Commission will use the instruments

available under the reinforced pre-accession strategy to help them set up and improve the necessary structures.

Attention must be focused on maximising the Internal Market dimension of the pre-accession strategy. The "Road Maps for alignment"¹⁵ must be fully implemented in the framework of the Accession Partnership, through all available instruments. These include TAIEX (Technical Assistance Information Exchange) and twinning arrangements, which should be extended so as to cover all Internal Market sectors.

To achieve this operational objective (External 2), the following Target Actions are needed:

Target Actions : External 2	
Ensure that the Internal Market contributes to a successful enlargement of the Community	
Non-Legislative	
<ul style="list-style-type: none"> • Joint meeting of the Internal Market Advisory Committee and representatives of candidate countries • Joint meeting of Heads of Co-ordination Centres and representatives of candidate countries • Work with the candidate countries with a view to the establishment of a Co-ordination Centre in each 	Dec. 2000
<ul style="list-style-type: none"> • More targeted use of pre-accession strategies, such as intensification of twinning arrangements on Internal Market issues 	June 2001

¹⁵ On 9th March 1998, the Commission proposed to each candidate country a Road Map to help them to prepare for the gradual implementation of the acquis in the Internal Market field.

