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PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE  
COMMITTEE OF THE REGIONS**

**Internal Market Strategy  
Priorities 2003 – 2006**

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# Introduction

This Strategy sets out what the European Union needs to do over the next three years to derive maximum benefits from the Internal Market after enlargement. The Commission has already described the achievements of the Internal Market over the last decade<sup>1</sup>. This analysis shows the significant benefits that a properly functioning Internal Market can and does bring, but it also shows that the Internal Market does not yet function optimally in a number of ways and that sizeable benefits are therefore being missed. A fresh impetus is required to eliminate remaining weaknesses and allow the Internal Market to deliver its full potential in terms of competitiveness, growth and employment.

## Part A : Context

### 1. The role of the Strategy in the EU's economic reform process

The European Council of 20 and 21 March 2003 recognised the importance of the Internal Market Strategy as one of the key economic policy co-ordination instruments at EU level, alongside the Broad Economic Policy Guidelines (BEPG)<sup>2</sup> and the Employment Guidelines (EG)<sup>3</sup>. The actions set out in the Internal Market Strategy must therefore be seen in conjunction with the actions suggested in the BEPG and the EG<sup>4</sup>. All three of these instruments have been streamlined and given a three-year perspective in order to ensure a more comprehensive, efficient and coherent approach to economic reform in the EU<sup>5</sup>.

The Internal Market Strategy will be an important input into the new Competitiveness Council. In addition, the Commission is presenting a number of other policy documents which are relevant to competitiveness, including the Communication on Industrial Policy in an Enlarged Europe<sup>6</sup>, the Green Paper on Entrepreneurship<sup>7</sup>, the Communication on Innovation Policy<sup>8</sup>, and "Investing in Research: an Action Plan for Europe."<sup>9</sup> This will allow the Competitiveness Council to consider the relationship between the different strands of its work and enable it to set the overall framework for competitiveness, as requested by the European Council

This Strategy should also be seen as a response to the European Parliament's recent report on the Internal Market Strategy<sup>10</sup>. This report stressed that improving the functioning of the Internal Market should be a top priority for the Union and called for a major new initiative to speed up the delivery of key reforms.

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<sup>1</sup> The Commission estimates that the Internal Market has delivered 2.5 million extra jobs and nearly €900 billion in extra wealth. See "The Internal Market – Ten Years without Frontiers", SEC(2002) 1417 of 7.1 2003

<sup>2</sup> COM (2003) 170 final of 8.4.2003

<sup>3</sup> COM (2003) 176 final of 8.4.2003

<sup>4</sup> See particularly the section in the BEPG on "Economic reforms to raise Europe's growth potential" which includes general recommendations aimed at improving the functioning of the Internal Market.

<sup>5</sup> Commission Communication on streamlining the annual economic and employment policy co-ordination cycles, COM (2002) 487 final of 3.9.2002

<sup>6</sup> COM (2002) 714 final of 11.12.2002

<sup>7</sup> COM (2003) 27 final of 21.1. 2003

<sup>8</sup> COM (2003) 112 final of 11.3.2003

<sup>9</sup> COM (2003) 226 of 30.4.2003

<sup>10</sup> Harbour Report, A5-0026/2003

## 2. Why a new Strategy now?

The Commission sees **three main reasons why the EU needs to make a determined push now to improve the Internal Market:** -

- The sub-optimal performance of the Internal Market is one of the challenges that stands between the EU and the **realisation of the ambitious objective it set itself at Lisbon in 2000**. It is necessary to take decisive action quickly. We know that it can take several years before adopted measures produce real impacts on the ground. In order for the EU to become the most competitive and dynamic knowledge based economy in the world by 2010, the measures needed to create a genuinely unified and integrated market must be adopted very soon.
- It is urgent to develop an effective strategy to strengthen the Internal Market, because **enlargement is only a year away**. Enlargement offers unprecedented opportunities for both existing and new Member States, but it is not without risks. The Internal Market is perpetually vulnerable to fragmentation and enlargement will be a moment of heightened vulnerability, unless we strengthen all our key policy instruments and concepts so that they continue to work well, or better, in a Union of 25 countries<sup>11</sup>. Only then can the potential gains which enlargement offers be realised.
- The EU, in common with other parts of the world, is currently facing a slowdown in economic growth and job creation. This makes it all the more essential to press ahead with **structural reforms in order to increase the capacity of our economies to grow**. Removing the bottlenecks in the Internal Market will put Europe in a much better position to face up to the ever stiffer competition from emerging economies. It will also leave the Union better protected against future fluctuations in the economic cycle and provide it with a stronger economic basis to deal with the **huge challenges of an ageing population**.

## 3. A more focused approach

When adding a few extra floors to a building - which is what enlargement will do to the EU - it is essential to ensure that its foundations are sufficiently strong. The Strategy, therefore, **focuses very firmly on strengthening the “basics” or “fundamentals” of the Internal Market**; removing obstacles to trade in goods and services, ensuring that agreed rules are correctly implemented and effectively enforced, cutting red tape, tackling tax barriers, expanding procurement opportunities.

The problems to be tackled are in many cases old ones that have resisted earlier attempts to solve them. But covering familiar problems does not mean “business as usual”. The Commission is putting forward some fresh ideas and calling for stronger political determination to deliver results for both business and consumers.

Not all the proposed actions, of course, are new. Much vital work is already in the pipeline and in some cases already well advanced (for example, the Financial Services Action Plan, the political agreement on a Community Patent) and this Strategy calls for their early adoption or completion. Other proposed actions are outlined here but will need to be the subject of further examination and impact assessment before the Commission is able to make concrete

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<sup>11</sup> 28 with the EEA countries

proposals. Yet other actions are for the Member States themselves to implement. Further detail on all the proposed actions, including the timetable, can be found in the annex<sup>12</sup>.

#### **4. A shared agenda**

As the Internal Market's regulatory framework takes shape, the emphasis is shifting towards the Member States who have to make the Internal Market work in practice – on a daily basis. The Internal Market belongs to them – not the Commission. It is they who must implement Internal Market law promptly and correctly, inform their citizens and businesses of their rights, and resolve problems as and when they occur. It is they who must act according to the letter and the spirit of the Internal Market, refraining from putting in place national laws which conflict with Internal Market principles. To fulfil their role successfully, they must co-operate more closely amongst themselves and with the Commission.

In order to be effective, therefore, this Strategy must be viewed not just as a Commission document, but as a shared agenda, behind which the Council, the European Parliament and the Member States (existing and new) can all throw their weight.

The new Constitutional Treaty, which will emerge from the Inter-Governmental Conference, will define the relationship between the different EU institutions and between the EU and the Member States. It is essential that this Treaty continues to provide a robust legal basis for the further development of the Internal Market, so that it can go on serving Europe's interests and empowering our citizens and businesses.

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<sup>12</sup> The actions are classified in the annex according to three types: type 1: early adoption or completion; type 2: for further examination and discussion; and type 3: for Member States to implement.

## Part B: Priorities

### 1. FACILITATING THE FREE MOVEMENT OF GOODS

#### a) Assessment

Trading goods across borders within the EU still remains more costly and complex than doing business within a Member State. When selling abroad, companies sometimes have to have their products re-tested or even modified in order to meet local requirements. The intensity of controls and market surveillance varies from Member State to Member State. Substandard products may slip through the net and be bought by consumers who have the right to expect high health and safety standards for all products on the market.

Free movement of goods (and services) in the Internal Market is above all based on confidence. Confidence of businesses that they can sell their products on the basis of a clear and predictable regulatory framework. Confidence of Member States' administrations that the rules are respected in practice throughout the EU and that the competent authorities in other Member States will take appropriate action when this is not the case. And, of course, consumers' confidence in their rights and that the products they buy are safe and respect the environment.

With the EU increasing in size and diversity after enlargement, confidence in the operation of the existing legal framework for the free movement of goods needs to be further strengthened. This can best be done by putting in place a number of disciplines which will make the rules more transparent and more predictable and which will encourage national authorities to have more confidence in each other's methods and assessments. This is not always glamorous work – but it must be done to foster intra-Community trade and harvest the advantages of economies of scale and specialisation.

#### **Technical obstacles continue to frustrate cross-border trade in goods:**

- Trade with third countries has been growing faster than trade between Member States in recent years and the convergence of prices between the Member States has more or less ground to a halt.<sup>13</sup>
- 75% of businesses think that removing technical barriers to trade in goods and services should be a top priority for the Union.<sup>14</sup>
- Almost one in five Swedish companies encounter barriers to trade. 85% choose to get round the problem by adapting their products to comply with the rules in the receiving country.<sup>15</sup>
- Technical regulations and conformity assessment are the biggest headache for Spanish businesses – accounting for half of all problems encountered.<sup>16</sup>
- The average time needed to adopt European standards increased from 4.5 years in 1995 to about 8 years in 2001<sup>17</sup>. Only 22% of the 600 standards needed to create a genuine Internal Market for construction products have been adopted more than a decade after the Construction Products Directive entered into force<sup>18</sup>.
- Non-application of the mutual recognition principle cut trade inside the EU by up to €150 billion in 2000<sup>19</sup>.

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<sup>13</sup> 2001 and 2002 Reports on the functioning of Community product and capital markets, COM (2001) 736 of 7.12.2001 and COM (2002) 743 final of 23.12.2002

## b) Actions

1. **Mutual recognition** is a corner stone of the Internal Market. It enables products to circulate freely on the basis of conformity with the national laws in the Member State where the product is first marketed. The principle is that there are no specific procedural rules and no extra paperwork. This is its strength, but at the same time its weakness. When problems occur, there is little or no transparency, there is no commonly agreed approach to evaluating whether levels of protection are equivalent and there is no clear procedure for a company to challenge a negative decision. As a result, many companies decide to abandon certain markets or are forced to modify their products to comply with local requirements. Such responses risk becoming more widespread after enlargement.

The Commission, therefore, takes the view that specific rules are needed to give mutual recognition more structure so as to enhance transparency and to encourage national authorities to act more 'European'. The Commission believes this could best be achieved by means of a new Community Regulation establishing key principles. These could include mandatory notification in cases where mutual recognition is refused, the possibility for companies to demonstrate that the disputed product is indeed lawfully marketed elsewhere in the EU by means of a standard certificate and possibilities for appeal. Before making a proposal, the Commission will consult widely with the Member States, industry and other interested parties on the different options.

2. In more complex or sensitive areas, mutual recognition is not enough and the only way to remove barriers is to harmonise national rules at EU level. While this is sometimes achieved through detailed, technical legislation, in certain sectors, a simplified regulatory alternative is used, known as the "**New Approach**." Developed in 1985, this limits legislation to establishing the mandatory essential requirements that products must meet, leaving manufacturers free to choose to apply either the appropriate European standard or any other technical specifications which meet these essential requirements.

The New Approach has been a successful tool for the development of the Internal Market but some of its features need strengthening, particularly in view of enlargement. This includes improving conformity assessment procedures, strengthening administrative co-operation and market surveillance to ensure that effective action is taken when products do not meet the essential requirements and improving understanding of CE-marking. There may also be a case for expanding the use of the New Approach to sectors not yet covered as a means of improving and simplifying legislation.

These ideas are set out in a Commission Communication on "Enhancing the Implementation of the New Approach Directives", which is being issued in parallel with the Internal Market Strategy. One of the options being considered is the introduction of a common base Directive,

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<sup>14</sup> Internal Market Scoreboard No. 11, November 2002

<sup>15</sup> Swedish National Board of Trade, Internal Market Division: Problems for free Movement on the Internal Market 16.9 2002 Dnr 100-111-2002

<sup>16</sup> "Línea abierta para la identificación de problemas de la empresas españoles en el mercado único europeo, Fase IV" 2002, Ministerio de Economía and Confederación Española de Organizaciones Empresariales

<sup>17</sup> Internal Market Scoreboard No. 9, November 2001 (figures only cover CEN)

<sup>18</sup> See footnote 14

<sup>19</sup> 2001 Report on the functioning of Community product and capital markets, COM (2001) 736 of 7.12.2001



including standard articles on horizontal issues common to all New Approach Directives. This approach would strengthen consistency between New Approach Directives and ensure more effective implementation.

**3. European standards** play a particularly vital role in the implementation of New Approach Directives. Currently, it takes far too long to develop standards. The European standardisation organisations and industry must work together to speed up the process. There is also a need to ensure quality<sup>20</sup> in the production of standards and their uniform transposition into national standards, including in the new Member States. The promotion of European voluntary marks needs to be reinforced, since nationally controlled marks may have a fragmentary effect. The Commission will ensure implementation of these aims, in particular through partnership and performance contracts that it will sign with the European standardisation organisations in 2003. The aim is to link Community financial support for these organisations to clear performance criteria.

**4.** In order to ensure that economic development is **sustainable**, the EU has established minimum requirements for the quality of air and water and the reduction of waste. Clearly, success in meeting these requirements will depend on our ability to limit the impact of products on the environment – i.e. the impact of both their production and their use. The EU needs to provide industry with a coherent and flexible regulatory framework which does this effectively - and which at the same time is not detrimental to competitiveness and free circulation within the Internal Market. Otherwise Member States will seek to meet EU environmental requirements by adopting their own national technical rules which can create new barriers to trade.

In response to this challenge, the Commission has already adopted proposals to introduce environmental requirements into some items of Internal Market legislation<sup>21</sup>. In addition, it will shortly adopt an innovative proposal for a framework Directive on the Eco-design of products. These Directives will need to be adopted and implemented. They are in line with the principles of Integrated Product Policy<sup>22</sup> for which the Commission will set out the next steps shortly. Standardisation also has a role to play here. A better integration of environmental requirements in technical standards can help to reduce the impact on the environment of products and also reduce the development of national environmental legislation. A Communication on this issue is scheduled for adoption by the end of the year.

**5.** Consumer confidence in **product safety** relies on effective market surveillance and consistent enforcement across the EU by competent authorities, as well as fulfilment by producers and distributors of their obligations. The safety of consumer products is regulated by sectoral Directives and the General Product Safety Directive (GPSD), which has been recently revised and reinforced. The Commission will seek to ensure compliance with the requirements of this Directive, through the development and revision of European standards, and will report on its application by 2006. In addition, the Commission intends to present a legislative proposal on unfair commercial practices to improve consumer protection and the functioning of the Internal Market (for goods and services).

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<sup>20</sup> There is also a need to increase the participation of all interested parties, particularly representatives of SMEs, in the drafting of standards.

<sup>21</sup> See, for example, the Commission proposal for a Directive of the European Parliament and the Council modifying Directive 94/25/EC on the approximation of laws, regulations and administrative provisions of the Member States relating to recreational crafts, COM (2000) 639 final, OJ C 62E, 27.02.2001, p.139

<sup>22</sup> Green Paper on Integrated Product Policy, COM (2001) 68 final of 7.2.2001

A more coherent European contract law would also facilitate intra-EU trade and will make it easier for consumers to reap the benefits of the Internal Market. Steps to promote convergence of national contract laws will be pursued through the Action Plan on European Contract Law.<sup>23</sup>

**6.** In the **automotive sector**, the EU Whole Vehicle Type-Approval system applies to both passenger cars and motor cycles on a mandatory basis. This system has a number of advantages. Once a car or a motor cycle is type-approved in one Member State, it can be registered and put on the market anywhere in the Community without further testing. This reduces costs for industry and prevents the re-emergence of barriers in the Internal Market. The system now needs to be extended to other types of vehicles, particularly trucks, vans and lorries.

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<sup>23</sup> COM (2003) 68 final of 12.2.2003

## **2. INTEGRATING SERVICES MARKETS**

### **a) Assessment**

Considerable differences in regulation from one Member State to the next – and the lack of confidence in each others' regulatory systems - are the main reason why free movement of services has so far been more a legal concept than a practical reality. Because of the complex and intangible nature of many services - and the importance of the know-how and qualifications of the service provider – they are generally subject to more wide-ranging and complex legal rules than goods.

The picture is not entirely bleak. In financial services, action is well underway – with 32 of the 42 measures foreseen in the Financial Services Action Plan (FSAP) already adopted. However, structural changes, new business models and constantly evolving risk patterns pose new challenges for financial regulators and supervisors. Furthermore, new regulatory bottlenecks have been uncovered, e.g. in the area of clearing and settlement, which constitute the arteries of the financial system. Particular attention will also need be devoted to identifying regulatory barriers which are acting as a brake on trade and competition in markets for those retail financial services which are tradable.

Many other services sectors – such as tourism, distribution, construction, engineering and consultancy, certification and testing services or employment agencies - have not been subject to a comprehensive Internal Market policy. There are different ways of providing these services. While some can be provided at a distance thanks to new information and communication technologies, many still require the permanent or temporary presence of the service provider in the Member State where the service is delivered. For some services, such as distribution, establishment in the target market remains the key commercial strategy. However, these different ways of service provision are all hampered by a variety of legal and administrative barriers<sup>24</sup>.

These barriers affect all stages of the business process – from the initial establishment of the business and the use of inputs, such as labour and equipment – right through to promotion, distribution, sales and after-sales activities. They result in considerable extra costs for companies doing business between Member States. This leads to a waste of resources, limiting innovation and differentiation of services. Some companies are deterred from trading across borders at all – particularly SMEs – which are prominent in service industries. This limits competition and consumer choice and keeps prices higher than they need to be. And it prevents the full job creation potential of the service industries from being realised.

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<sup>24</sup> See the report from the Commission to the Council and the European Parliament on the State of the Internal Market for Services (COM (2002) 441) presented under the first stage of the Internal Market Strategy for Services (COM (2000) 888)

**It is still very difficult to provide services across borders:**

- Services account for just 20% of trade in the Internal Market, which is less than a decade ago.
- There is an enormous growth potential in most of the Accession Countries where services represent between 56% and 70% of the economy<sup>25</sup> and 54% of total employment<sup>26</sup>.
- Nearly 90% of all SMEs in the EU are in service industries<sup>27</sup>.
- 40% of business service providers say that eliminating barriers to cross-border trade would increase their sales by up to 20%<sup>28</sup>.
- There is plenty of anecdotal evidence on the costs of barriers: one software company spent over €6 million p.a. on the administrative costs associated with moving its staff between Member States; a retail bank paid €19,000 in legal fees before it could run a promotional campaign in two Member States<sup>29</sup>.
- In financial services, recent estimates show that further integration could add €130 billion to EU GDP over ten years and boost employment by 0.5%.<sup>30</sup>

**b) Actions**

1. The Council and Parliament should adopt the proposed **Regulation on Sales Promotion**, which will facilitate trans-European promotional campaigns, and the **Directive on the recognition of professional qualifications**. The latter aims to promote mobility of skilled professionals, including for temporary provision of services in the 'host state' on the basis of compliance with 'home state' rules, thus enhancing consumer choice and ensuring competitive pricing of professional services. Member States must then transpose it correctly and on time and ensure that it is properly applied and enforced.

2. The Commission will make a proposal for a **Directive on services in the Internal Market** before the end of 2003. This Directive will establish a clear and balanced legal framework aiming to facilitate the conditions for establishment and cross-border service provision. It will be based on a mix of mutual recognition, administrative co-operation, harmonisation where strictly necessary and encouragement of European codes of conduct/professional rules.

The Commission will also issue a Communication on the competitiveness of business-related services and their contribution to the performance of European enterprises, setting out non-legislative measures designed to complement the Directive. These will include the development of European standards and measures to improve the statistical coverage of services sectors.

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<sup>25</sup> Data from the Commission's 2002 Regular Reports on the Candidate Countries' progress towards accession (the figure for Cyprus is 77%)

<sup>26</sup> Commission Report on "Employment in Europe 2002 – Recent Trends and Prospects"

<sup>27</sup> Highlights from the 2001 Survey, Observatory of European SMEs, 2002

<sup>28</sup> From a survey on business services carried out for the Commission. See the statistical and technical annex to the 2002 Report on the functioning of Community product and capital markets

<sup>29</sup> See footnote 24

<sup>30</sup> "Quantification of the macro-economic impact of the integration of EU financial markets", London Economics study for DG Internal Market

3. Subject to the results of a feasibility study, the Commission intends to propose the **extension of the screening mechanism for draft national technical regulations**<sup>31</sup>, to cover services, besides information society services (already covered). This is intended to act as a brake on the creation of new Internal Market barriers in services.
4. The Commission will ensure appropriate follow-up to its report on the **safety of services for consumers** which envisages the introduction of a legislative measure designed to monitor and support national policies and measures in this area.
5. The Council and Parliament should adopt the remaining FSAP measures, notably the **Prospectus Directive** and the **Investment Services Directive**, and conclude the first reading on the **Transparency Directive** before the end of the current legislature.
6. The Commission will make the final proposals provided for under the FSAP, including a new **Capital Adequacy Directive** (in early 2004).
7. The Commission will also publish a **Communication on clearing and settlement** in the second half of this year setting out the steps needed to achieve a single European payments area and to facilitate cross-border share trading. This Communication will raise the possibility of establishing an EU-level regulatory framework underpinned by Community legislation.
8. The Commission will consult widely on **completing and further developing the FSAP**, with particular focus on creating a single market in retail financial services. The Council and Parliament should adopt the **Consumer Credit Directive** to enable progress towards an effective single credit market.

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<sup>31</sup> This will require an amendment to Directive 98/34/EC

### **3. ENSURING HIGH QUALITY NETWORK INDUSTRIES**

#### **a) Assessment**

The “network industries” are vitally important for our quality of life and the well being of all EU citizens. They are also key inputs for EU industry and therefore have a determining effect on our international competitiveness.

Over the past ten years, there has been a significant degree of market opening in these sectors – driven partly by Community legislation and partly by market and technological developments. This has brought considerable benefits for both business and consumers.

The priority now is to complete the process of market opening by adopting existing proposals and making new ones where necessary. One area where new action may be required is the water sector – which remains fragmented and where there are potential gains to be had from modernisation. However, this will be the subject of further study. European policy on the question of ownership of water and water services will continue to be neutral. Further action is also foreseen to deliver a modern and dynamic postal sector.

All of the “network industries” are subject to specific public service obligations, e.g. relating to the provision of essential services to vulnerable groups in the population and those living in geographically remote areas. It is vital that these obligations continue to be met. The Commission will shortly publish a Green Paper looking at the EU’s role in this area, which is intended to launch a wide-ranging debate on the issues involved.

Over the next few years, massive investment will be needed to raise the quality of our infrastructure, particularly in the Accession Countries. Given the tough budgetary constraints on governments, it is unlikely that public money alone will be enough to finance these needs. The private sector will play an increasingly important role in financing infrastructure and in modernising our vital services and ensuring that they are affordable and of the highest possible quality.

However, public-private partnerships raise certain legal issues. These issues must be clarified so as to create a predictable legal framework within which such partnerships can thrive. The Commission will seek to do this in two ways. First, it will clarify the impact of EU competition/state aids policy on services of general economic interest. Secondly, it will clarify how procurement rules apply to situations in which public-private partnerships are bidding for the provision of these services.

### **Market opening has benefited both consumers and business:**

- Combined with technological developments, market opening has brought down prices for national telephone calls by 50% since 1998, and those for international calls by 40%<sup>32</sup>.
- Prices of promotional airfares fell by 41% between 1992 and 2000<sup>33</sup>. The number of routes linking Member States has risen by 46% since 1992 – giving passengers more choice.
- Domestic consumers are paying 15% less for their electricity in liberalised markets than in closed markets. And they are paying 25% less for their gas in the UK where markets are 100% open.<sup>34</sup>
- Water is an important sector in the economy, with an estimated annual turnover of €80 billion, which is larger than the natural gas sector. But annual water charges vary from €350 in Berlin to €50 in Rome (with no charge at all in Ireland).<sup>35</sup>
- Infrastructure investment needs for the Accession Countries are estimated at €100 billion for transport alone.<sup>36</sup>

### **b) Actions**

1. The Council and Parliament should rapidly adopt the “**second railway package**”, the proposal on **controlled competition for public transport**, the package designed to create a **Single European Sky** and the proposal on **access to port services**. The Council should give a mandate to the Commission to negotiate an **open skies agreement with the US**. The Commission will rapidly bring forward proposals for **passenger transport market opening** in order to complete the Internal Market in the railway sector.

2. The Council should rapidly adopt and effectively implement the “**energy package**” to open gas and electricity markets completely for non-household customers by 2004 and for household customers by 2007.

3. While European policy on the question of ownership of water and water services will remain neutral, the Commission services will undertake a review of the legal and administrative situation in the **water and waste-water sector**. This will include an analysis of the competition aspects, in full respect of Treaty guarantees for services of general economic interest and environmental provisions. All options will be considered, including possible legislative measures.

4. Member States must ensure full and timely transposition of the **postal services Directive** which will open up substantial sections of the market to competition in 2003 and 2006. The Commission will complete, in the course of 2006, a study assessing, for each Member State, the impact on universal service of full accomplishment of the Internal Market

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<sup>32</sup> Eighth Report on the Implementation of the Telecommunications Regulatory Package, European Commission, SEC (2002) 1329

<sup>33</sup> Updating and development of economic and fares data regarding the European Air Travel Industry, 2000 Annual Report. Commissioned by DG Transport and Energy

<sup>34</sup> SEC (2003) 448 of 7.4.2003

<sup>35</sup> Charges for a family living in a house using 200 cubic metres per year. Study on the application of the Competition Rules to the Water Sector in the EC. Produced by WRc and Ecologic for DG Competition, December 2002

<sup>36</sup> European Commission, DG Transport and Energy

for postal services. Based on the results of this study, the Commission may make further proposals.

**5.** The Commission will continue its efforts to clarify the **application of the state aid rules to compensation for the costs of providing services of general economic interest**, in the light of forthcoming Court decisions.

**6.** The Commission will issue a Green Paper in the course of this year with a view to launching a debate on how best to ensure that **public-private partnerships** for major projects can be undertaken in conditions of effective competition and full legal clarity under procurement rules. If necessary, it will propose further (legislative) measures to facilitate such partnerships.



## 4. REDUCING THE IMPACT OF TAX OBSTACLES

### a) Assessment

As the Internal Market matures, more and more companies are seeking to organise themselves at a European level. However, operating with up to 15 (and soon 25) different systems of corporate taxation adds a whole layer of complexity to doing business.

Companies face a multitude of difficulties, such as the time taken by tax authorities to agree transfer prices for cross-border transactions between two parts of the same group, limits on cross-border loss relief (which can lead to an enterprise with overall losses having to pay tax!) and the problems of double taxation.

Moreover, the current VAT system revolves around taxation in the country of consumption. The result is that many firms doing business across borders have to pay VAT in a Member State where they have no permanent establishment. This is difficult and costly, since the trader may not be fully acquainted with the language and legislation in that country. It is a major obstacle to the smooth functioning of the Internal Market, particularly for SMEs. The current system is also vulnerable to fraud which requires a strong, co-ordinated response by the Member States and the Commission.

Other aspects of tax policy cause problems to both industry and citizens. Some Member States, for example, impose a higher tax on cross-border dividends than on domestic dividends. This kind of tax discrimination acts as a strong disincentive to the cross-border holding of shares and slows the creation of pan-European equity markets.

Furthermore, because of differences in Registration Tax, car manufacturers have to produce different models (e.g. with different engine horse power) for different national markets. This deprives them of the full benefits of operating within the Internal Market. Moreover, people who move to another Member State sometimes end up paying Registration Tax twice on the same car.

#### **Tax obstacles are a major headache for businesses in the Internal Market:**

- UNICE stresses that the existence of 15 different tax administrations represents "a major burden to business and in particular to SMEs."<sup>37</sup>
- 77 % of businesses say that national tax systems should be more closely aligned.<sup>38</sup> Europe's top companies have called for further harmonisation of tax systems across the EU.<sup>39</sup>
- Compliance costs related to company tax represent anywhere between 2% and 4% of total corporate income tax revenues<sup>40</sup> - i.e. between €4.3 billion and €8.6 billion for the EU as a whole.<sup>41</sup>

### b) Actions

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<sup>37</sup> UNICE reaction to the Commission Communication and Report on Company Taxation in the Internal Market

<sup>38</sup> See footnote 14

<sup>39</sup> UPS Europe Business Monitor, <http://www.ups.com/europe/ebmxi/flash/index.html>

<sup>40</sup> European Commission "Company taxation in the Internal Market", COM (2001) 582 final

<sup>41</sup> CEPS estimate using Commission figures

**1.** On **company tax**, the Commission will take the following steps to remove key obstacles:

- In the short term, it will propose a revision of the **Parent/Subsidiary Directive** which is designed to eliminate double-taxation within the EU and permit dividends to be paid between companies in the same group without deduction of withholding tax. It will also propose a revision of the **Merger Directive** which is designed to assist the re-organisation of companies by providing for the deferral of certain tax charges and avoiding double taxation. The plan is to extend the applicability of both Directives by relaxing some of the conditions they set and allowing more companies to benefit from them.

- In the longer term, it will propose steps to introduce a **common consolidated corporate tax base** at EU level. This could be achieved without harmonising corporate tax rates and would go a long way towards solving the problems faced by companies by reducing the compliance costs which arise from dealing with fifteen separate tax systems, providing cross-border tax relief and simplifying the existing tax complexities associated with transfer pricing.

**2.** On **VAT**, the Commission will issue a Communication setting out further steps to modernise and simplify the existing system. These could include the introduction of a single place of compliance for all businesses trading in Member States where they have no establishment. Such an initiative would decrease the administrative cost of VAT for companies and make it easier to do business across borders. It would benefit SMEs in particular.

**3.** On **vehicle taxation**, the Commission recommends that Registration Tax should be phased out over a transitional period of five to ten years. Member States should compensate by switching over to increased annual road taxes and fuel taxes. The latter would benefit the environment as well as the Internal Market. The Commission will present legislative proposals to remove the obstacles to the free movement of cars in the Internal Market.

**4.** On **dividends**, the Commission will publish a Communication on the effect of the case law of the European Court of Justice on the various types of dividend taxation systems and take action to ensure non-discriminatory treatment, if necessary by launching infringement procedures.

## **5. EXPANDING PROCUREMENT OPPORTUNITIES**

### **a) Assessment**

The European Union's public procurement market is not yet sufficiently open and competitive. Many public purchasers, particularly at local government level, are unaware of the full extent of the rules. Because of the multiplicity of rules and procedures at national level, many suppliers are reluctant to sell to the government, particularly in another Member State. With few exceptions, procurement still relies entirely on extensive paperwork, ignoring the significant benefits of electronic procurement.

All this translates into limited cross-border participation in contract award procedures, inefficiencies in public procurement markets, lost business opportunities and a reduced likelihood that the taxpayer will achieve value for money. The costs of inefficient procurement are staggering. Public procurement is simply too important to the European economy to allow this situation to continue. With government budgets under severe pressure, more efficient procurement is an obvious way of achieving more with less.

The adoption and effective implementation of the legislative package is essential for modernising Europe's public procurement systems. Without it, neither a Europe-wide "electronic" procurement market can be achieved, nor will we have a legal framework which is suited for complex contracts, such as those for Trans-European networks. But there is more to be done. As with other key areas in the Internal Market, the Member States will have to play a much bigger role in ensuring that rules, which they themselves have agreed, are effectively applied. They should also simplify their national rules, and standardise procedures as much as possible across procurement entities to make it easier for companies to participate in calls for tender. Steps should also be taken to ensure that public-private partnerships for major projects can be undertaken in conditions of effective competition and transparency under procurement rules.<sup>42</sup>

The Commission takes the view that Member States should appoint a national authority which would be responsible for the surveillance of contracting entities' compliance with procurement law. Some Member States have already done so. These authorities should have the possibility in the general interest to bring possible infringements before the courts, seeking the imposition of effective remedies against non-compliant contracting authorities. Stronger remedies would need to be complemented by more intensive administrative co-operation between Member States (based on the recently created European Procurement Network).

Part of achieving better compliance is to raise the professional standards of procurement officials. Those responsible for spending major sums of public money should be fully conversant with existing rules on competitive tendering. Member States should, therefore, ensure that their own procurement officials have access to training with a view to acquiring and developing the professional expertise which the importance of their job demands.

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<sup>42</sup> See also section B.3

### **Governments and taxpayers are not getting value for money:**

- Procurement represents 16% of EU GDP in – i.e. €1.429 billion.<sup>43</sup> A five percent cost reduction as a result of more competitive and efficient public procurement markets would therefore save over €70 billion – i.e. more than four times the education budget for Denmark.<sup>44</sup>
- Only about 16% (in value) of public procurement was published on an EU-wide scale in 2001.<sup>45</sup>
- Cross-border procurement (including indirect procurement through affiliates in foreign countries) rose from 6%<sup>46</sup> in 1987 to 10%<sup>47</sup> in 1998 but has stagnated since then. This is considerably less than in the private sector where cross-border purchasing stands at about 20%.
- Electronic procurement in the EU beyond the posting of notices is negligible.

### **b) Actions**

1. The Council and Parliament should adopt the **legislative procurement package**, which consolidates and modernises the current regime, and which creates the conditions for electronic procurement to take off. Member States must implement this legislative package into national law correctly and on time. This will provide an excellent opportunity for Member States to streamline and simplify their own legislation and standardise procedures.

2. The Commission intends to suggest that Member States confer onto an existing **national surveillance authority** (or onto another national body) the power to bring cases before a national review body or court, seeking effective remedies. Such bodies would have to be independent from contracting authorities and would have to ensure that major cases of non-compliance are effectively sanctioned. This could be achieved in the context of the revision of the Procurement Remedies Directives which is planned for 2004.

3. The recently established **Public Procurement Network** should be extended to include all Member States, EEA and Accession Countries. It should be adequately resourced by the Member States so that it can become the vehicle for resolving cross-border problems (in conjunction with the SOLVIT network), sharing best practices and improving SMEs' access to public procurement. It should also encourage Member States to develop training and 'certification' of required competencies, including knowledge of EU law, to improve professionalism.

4. Member States should ensure that all their operational **e-procurement** systems are in full compliance with the requirements of the legislative package by the time it enters into force (probably during the second half of 2005). They should aim at conducting a significant part of their procurement transactions (in value) on an electronic basis by the end of 2006. Generalised e-procurement should be achieved before 2010. The Commission will, next year,

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<sup>43</sup> 2002 Report on the functioning of Community product and capital markets, COM (2002) 743 final of 23.12.2002 (2001 figure)

<sup>44</sup> 2000 figure, Ministry of Education, Denmark

<sup>45</sup> See footnote 43

<sup>46</sup> The Single Market Review, sub-series III, Volume 2, Public Procurement, p.221

<sup>47</sup> This figure is taken from an independent study carried out for the Commission. See OJ C 330 of 21/11/2000

present an Action Plan (which will include both legislative and non-legislative measures) for a co-ordinated approach across the EU.

5. There is considerable scope for achieving greater efficiency in **European defence procurement**. This will in turn lead to a more competitive European defence equipment industry<sup>48</sup>. The European Court of Justice has produced some important rulings on the scope of Article 296 of the Treaty which covers exceptions for essential security interests in Member States. The Commission will publish an interpretative Communication by the end of 2003 on the implications of these rulings, inter alia for procurement. It also intends to present a Green Paper in 2004 to looking at any further initiatives in European defence procurement.

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<sup>48</sup> See the Commission Communication on "European defence – industrial and market issues: towards an EU defence equipment policy", COM (2003) 113 final of 11.3.2003

## 6. IMPROVING CONDITIONS FOR BUSINESS

### a) Assessment

Action aimed at integrating markets by removing technical and fiscal obstacles to trade and cutting red tape is critical to improving the business environment, but will have its full effect only if we put in place the framework conditions which support creative, dynamic businesses. Small enterprises, in particular, are very sensitive to changes in the business environment. That is why the Feira European Council of June 2000 endorsed the European Charter for Small Enterprises.

The policy measures required to foster entrepreneurship and innovation are mainly within the direct control of Member States<sup>49</sup>. It is up to them to take the necessary action in these areas, drawing fully on exchanges of experience and best practice elsewhere in the European Union. This can be done by benchmarking using the Best Procedure projects<sup>50</sup> co-ordinated by the Commission and by making use of the information collected in the course of the reporting on the implementation of the Charter for Small Enterprises<sup>51</sup>.

Beyond this, however, there are a number of areas where Internal Market policies are directly relevant to boosting entrepreneurship and innovation within what is an increasingly knowledge based economy. Europe is a rich source of creativity. But more action is needed to create the appropriate framework conditions in which that creativity can be transformed into investment and competitive economic activity.

Economic operators need to know that their investment in innovative ideas and products will be protected across the EU, including against piracy and counterfeiting<sup>52</sup>. There has already been a significant degree of Community level harmonisation in this area. But coherent enforcement of intellectual property rights across the EU has now become a key issue, particularly in the digital era, as the relevant goods and services can be easily copied and moved from one place to another. Enforcement issues will be even more crucial in an enlarged Internal Market. In addition, it is important to facilitate the cross-border marketing of copyright protected products, such as print products, films and CDs, so that everyone can share in the results of innovation.

Moreover, investors need the guarantee that, when making investment choices, they can rely on company accounts and reports. Firms need to be confident that they can compete on a level playing field (e.g. free from the distortionary effects of state aids), that they will be able to make cross-border strategic alliances and mergers in confidence, and that appropriate legal structures exist to allow all businesses, whatever their size, to operate effectively across the enlarged EU.

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<sup>49</sup> See the Green Paper on "Entrepreneurship in Europe" COM (2003) 27 of 21.1.2003 and the Communication on "Innovation Policy: updating the Union's approach in the context of the Lisbon Strategy", COM (2003) 112 final of 11.3.2003

<sup>50</sup> The Best Procedure was launched in the framework of the Multi-annual programme for enterprise and entrepreneurship (Council Decision 2000/819/EC of 20 December 2000). It provides a framework to support Member States' efforts to identify and exchange best practices in areas of particular importance to enterprises.

<sup>51</sup> "Report on the implementation of the European Charter for Small Enterprises", COM (2003) 21 final/2 of 13.2.2003

<sup>52</sup> Efforts to enforce intellectual property rights could be strengthened by the involvement of Commission services, especially the European Anti-Fraud Office (OLAF).

**The EU must help to create an environment in which businesses can thrive:**

- More than 17,000 legitimate jobs are lost annually through piracy and counterfeiting in the EU.<sup>53</sup>
- According to industry sources, 37% of software being used in the EU is pirated which represents revenue losses of €2.9 billion.<sup>54</sup> The music industry shows a 7.5% average overall downturn in sales in the EU in 2001.<sup>55</sup> 22% of sales of shoes and clothing are in pirated and counterfeit goods.<sup>56</sup>
- Currently, patent protection covering just 8 European countries costs around five times as much as in the US or Japan. The political agreement on the Community Patent will halve these costs and provide protection in 25 Member States – still more expensive than the US or Japan but very much better than the current situation.<sup>57</sup>
- The contribution made by copyright protected goods and services to EU GDP is significant (above 5%) and growing.<sup>58</sup>
- The overall volume of state aid for the EU as a whole was €86 billion in 2001 – or 0.99% of EU GDP.<sup>59</sup>
- 39% of mergers and acquisitions are now cross-border – up from 26% ten years ago. Over 40% of large companies have entered into co-operation agreements with companies in other Member States.<sup>60</sup>

**b) Actions**

1. The Council should rapidly finalise the Regulation providing for a legally secure and affordable **Community Patent**. Two other steps are also necessary to make the Community Patent operational: the 1973 Munich Convention must be revised so as to allow the European Patent Office to issue Community Patents; and a specialised Community Patent Court must be created.

2. The Council and the Parliament should rapidly adopt the Directive to strengthen the **enforcement of intellectual property rights** (vital in the fight against counterfeiting and piracy), and the Directive on the **patentability of computer-implemented inventions**.

3. The Commission will submit a **Communication on the Management of Copyright and Related Rights**. This Communication will identify measures to create a more favourable environment for the cross-border marketing and licensing of these rights.

4. Member States are urged to continue their efforts to further reduce the total amount of **state aid** while re-directing aid towards horizontal objectives of Community interest, such as environmental protection and research and development. Another priority is the final adoption

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<sup>53</sup> Economic Impact of Counterfeiting in Europe, Global Anti-Counterfeiting Group, June 2000

<sup>54</sup> 6<sup>th</sup> Global Report, Business Software Alliance, June 2002

<sup>55</sup> IFPI International Federation of the Phonogram Industry figure

<sup>56</sup> The Economic Impact of Trademark, Counterfeiting and Infringement, International Trademark Association 1998

<sup>57</sup> [http://europa.eu.int/comm/internal\\_market/en/indprop/patent/index.htm](http://europa.eu.int/comm/internal_market/en/indprop/patent/index.htm)

<sup>58</sup> The economic importance of copyright and related rights protection in the EU will be assessed and further specified in a study commissioned by the European Commission. The results of the study will be available in Autumn 2003.

<sup>59</sup> European Commission, DG Competition

<sup>60</sup> See footnote 14

of the proposed reform of the mergers regime<sup>61</sup>. In addition, the Commission will propose a new block exemption Regulation relating to technology transfer agreements between companies.

5. A recently adopted Regulation requires all EU-listed companies to prepare their consolidated accounts in accordance with **International Accounting Standards** (IAS) from 2005. This will bring transparency and greater comparability between the consolidated financial statements of EU listed companies, hence better capital allocation and possibly a reduction in the cost of capital. IAS are established by the International Accounting Standards Board, an independent international accounting standard-setting organisation. In order to ensure appropriate political oversight, the Regulation stipulates that IAS to be applied in the EU will also have to be endorsed into Community law. Existing IAS will be endorsed during 2003, provided that, for some of them, the appropriate modifications are made.

In addition, it is important to consider the impact of the Regulation on SMEs. Since these are mainly non-listed companies, they are not obliged to switch to IAS. However, it may be in their interest to do so, in order to facilitate their access to capital markets. This will require certain steps on the part of Member States.

The Commission will soon issue a Communication setting out priorities for 2003 and beyond aimed at improving the quality of **statutory audit** in the EU. These will include: the modernisation and strengthening of the 8<sup>th</sup> Company Law Directive (which deals with access to and regulation of the audit profession); the creation of a European co-ordination mechanism for public oversight of the audit profession (which will aim to ensure proper oversight of the audit profession at national level and appropriate co-ordination at EU level); and the adoption of International Standards on Auditing in the EU from 2005.

6. The Commission will shortly adopt an action plan on company law and corporate governance in the EU setting out actions for the short term (2003-2005), the medium term (2006-2008) and the long term (2009 onwards). Shorter term actions will include proposals for a 10<sup>th</sup> Company Law Directive on **cross-border mergers** and a 14<sup>th</sup> Company Law Directive on **cross-border transfers of seat**. The **Take-over Bids Directive** should also be adopted without delay. These Directives will make it easier for companies to organise themselves more efficiently within the Internal Market.

7. The Commission intends to propose a Regulation on a **European Private Company Statute for SMEs** subject to the results of a feasibility study. This will allow SMEs to organise themselves more efficiently at European level (i.e. it will give them opportunities similar to those which the European Company Statute gives to bigger companies as from 2004).

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<sup>61</sup> Proposal for a Council Regulation on the control of concentrations between undertakings, COM/2002/0711 final



## **7. MEETING THE DEMOGRAPHIC CHALLENGE**

### **a) Assessment**

The ageing of the population will present major challenges for pension systems. The primary responsibility for meeting these challenges lies with the Member States. They will have to take some fundamental political decisions on the reform of public pensions.

However, the Internal Market can help by generating extra growth which should contribute to an improvement in public finances. It can also help to generate extra jobs, which is vital if the Union is to raise its employment rate (including by encouraging greater labour market participation by people over 55) and maintain a sustainable dependency ratio and the financial sustainability of pension systems.

There are also a number of very specific Internal Market measures which can play a useful role as regards occupational (or private) pensions which, in most Member States, will become more important in the future. The establishment of a prudential framework allowing pension funds to operate efficiently in the Internal Market while securing a high level of protection for pensions and the abolition of any sort of discriminatory tax treatment of cross-border occupational pension provision are important issues which need to be tackled urgently.

Over and above the pension problem, the ageing of the population will also have an impact on health services.<sup>62</sup> Member States are responsible for managing their health systems and so it falls primarily to them to meet this challenge. However, the Internal Market impacts on national health policies in a number of ways, particularly as regards cross-border provision of and access to treatments<sup>63</sup>. The only limitation is that this should not unduly impair Member States' ability to ensure sufficient access to high quality hospital treatment on their territory, to control expenditure and maintain high public standards. A well managed application of Internal Market rules to the health care sector has the potential to help both patients and providers by allowing the most efficient possible use of resources across the EU. What is needed now is a shared vision for health systems at a European level so that this potential can be fully exploited.

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<sup>62</sup> See the Commission's Communication on "Supporting national strategies for the future of health care and care for the elderly", COM (2001) 723 final of 5.12.2001

<sup>63</sup> See European Court of Justice Decisions in Kohll (C-158/96), Decker (C-120/95), Smits and Peerbooms (C-157/99) and Vanbraekel (C-368/98).

**Ageing means fewer people of working age and more people above pensionable age:**

- The number of people over 65 is expected to rise from 61 million in 2000 to 103 million by 2050 and those over 80 from 14 million to 38 million.<sup>64</sup>
- The ratio of people of working age to people above retirement ages (65+) will decline from 4 to 1 to less than 2 to 1 by 2050.<sup>65</sup>
- Only about half of Europeans aged 55-59 are still in employment and less than a quarter of people aged 60-64<sup>66</sup>
- If unfunded pension liabilities were budgetised, in some Member States this would represent a debt of over 200% of GDP.
- Spending on public pension schemes will increase by between 3% and 5% of GDP in most countries over the coming decades.<sup>67</sup>

**b) Actions**

1. Member States should implement fully and on time the **Pension Funds Directive** which will increase both the security and the affordability of occupational pensions. It will also allow multi-national companies to run single EU-wide pension funds, thus facilitating intra-firm mobility across borders.

2. The Commission will launch the second stage consultation of the Social Partners on measures to ensure that people who change employment between Member States (including those who change jobs between different firms) do not suffer undue losses of occupational pension entitlements. Depending on the final outcome of this consultation, the Commission would examine the desirability of proposing a **Directive on portability of occupational pensions**..

3. The Commission will continue its determined action to tackle **tax discrimination** against pension funds established in other Member States: this is essential if we are to create a genuine Internal Market for occupational pensions.

4. In the area of **health services**, the Commission will work closely with Member States – particularly in the High Level Reflection Group on Patient Mobility – to develop a shared vision of the ways in which the Internal Market can support national health systems in full compliance with the relevant jurisprudence of the European Court of Justice. The consultation process, launched in July 2002, will be completed and the results presented to Member States as a basis for further discussion.

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<sup>64</sup> Commission Report to the Spring European Council “Choosing to grow: knowledge, innovation and jobs in a cohesive society”, COM (2003) 5

<sup>65</sup> "Budgetary challenges posed by ageing populations: the impact on public spending on pensions, health and long-term care for the elderly and possible indicators of the long-term sustainability of public finances", Economic Policy Committee/ECFIN/665/01-EN final, 2001

<sup>66</sup> European Commission, Eurostat, Labour Force Survey 2001

<sup>67</sup> See footnote 64

## **8. SIMPLIFYING THE REGULATORY ENVIRONMENT**

### **a) Assessment**

A high quality regulatory environment is essential for competitiveness. That is why the Lisbon European Council put better and simpler regulation at the top of the Union's political agenda. To translate this political commitment into action, the Commission has presented a Better Regulation Action Plan<sup>68</sup> and a Simplification Rolling Programme<sup>69</sup> that address both the preparatory phases of new legislation and the improvement of the existing Community 'acquis'. The recent Brussels European Council once again emphasised the importance of improving the regulatory framework.

However, presenting an Action Plan is not enough – it must be made to work in practice. The Commission is beginning to impose new disciplines on itself (particularly in the area of ex-ante impact assessment and simplification of the EU's existing legal acts). It is now up to the Council and Parliament to do likewise, particularly when they introduce major changes to Commission proposals during the negotiations. Better regulation and simplification at EU level will always need to be accompanied by commensurate activity at Member State level, in particular during the sensitive phases of transposing Community legislation into national administrative provisions.

The quality of rules depends not only on making sure that the impacts of a measure have been checked before it is proposed and that it is well drafted, clear and proportionate to its objectives. Within the Internal Market, it also depends on choosing the right legislative technique or instrument – i.e. the one which will most effectively eliminate barriers to cross-border trade while serving public interests, such as health and safety and sustainable development, and respecting national diversity as far as possible.

This involves complex issues, such as the role of mutual recognition as opposed to harmonisation, and where harmonisation is necessary, the use of Regulations or Directives and the appropriate level of harmonisation. It is also necessary to establish the right balance between regulation by the public authorities and the co-regulation or self-regulation by the private sector through the elaboration of European standards and codes of conduct.

The Commission believes that this question of legislative technique or legislative architecture is an important part of the debate on better regulation and one which has not yet been fully explored. It will therefore enter into a wide-ranging consultation during 2003, taking into account developments in the Convention on the Future of Europe and ongoing discussions on a future Inter-Institutional Agreement on Better Regulation, with a view to making clear its views on these complex issues during the course of 2004.

Finally, the European Parliament has suggested<sup>70</sup> the introduction of an Internal Market "compatibility test" to be applied to all legislation adopted at national level. The Commission believes this to be an interesting proposal. Member States often adopt and implement rules as they see fit without considering the implications for the Internal Market. A "compatibility test" could be a very useful self-imposed discipline.

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<sup>68</sup> COM (2002) 278 final of 5.6.2002

<sup>69</sup> COM (2003) 71 final of 11.2.2003

<sup>70</sup> Harbour Report, A5-0026/2003

### **Business needs better rules – at national and EU level:**

- Poor quality regulation costs European business at least €50 billion per year<sup>71</sup>. The total cost of regulation to society is in the region of 4 to 6% of GDP per year, or between €60 and €40 billion.<sup>72</sup>
- Member States are responsible for between 50% and 90% of rule-making<sup>73</sup>. A Swedish study estimated Brussels to be responsible for only about 10% of the regulatory burden<sup>74</sup>. A recent study in the UK estimated that about 60% of rules are made at national level<sup>75</sup>.
- No fewer than 6,000 draft national technical regulations have been notified to the Commission since 1992<sup>76</sup>. While this shows that a screening at EU level is useful, the amount of rules in itself constitutes a serious threat to Europe's competitiveness.
- 87% of companies say that the most important priority is to have ONE set of rules, instead of 15 – soon to be 25.<sup>77</sup>

### **b) Actions**

1. The Commission will launch a wide-ranging reflection and consultation on the **legislative architecture** of the Internal Market and issue its conclusions in 2004 taking into account developments in the Inter-Governmental Conference. The Commission could define certain criteria, which it will take into account, e.g. when deciding whether to pursue mutual recognition, “new” approach or more detailed harmonisation, as well as the conditions under which “home country” control should be applied. It will also address the involvement of the private sector and civil society in co-regulation or self-regulation initiatives, such as the elaboration and implementation of European standards and voluntary codes of conduct.

2. The Commission will work together with the European Parliament, the Council and the Member States to develop the idea of an Internal Market **“compatibility test”**. The purpose of this test would be to offer guidance to legislators at national level as to how best to reconcile the interests of free movement in a border-free Europe with other legitimate public policy objectives. If such a test were applied at an early stage – and at all levels of government – the risk of fragmentation could be considerably reduced. Together with existing preventive mechanisms, such as the notification of technical rules and regulations, such self-imposed discipline could prove a powerful tool to ensure that lawmakers take wider European interests into account when considering new measures.

3. The Council is invited to establish a horizontal working group on **“better regulation”** with whom the Commission can interact on a regular basis. This group could work on the

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<sup>71</sup> Survey on the quality of the regulatory environment, Internal Market Scoreboard No. 9, November 2001

<sup>72</sup> Doorn Report A 50351/2000

<sup>73</sup> Walker Opinion, ESC 304/2002

<sup>74</sup> Swedish study : Confederation of Swedish Enterprise, Prof. Fredrik Sterzel: Simplifying EU Regulations – Lessons from Swedish Regulatory Experiences May 2001

<sup>75</sup> "Do Regulators Play by the Rules? An audit of UK regulatory impact assessments." Report published by the British Chambers of Commerce, February 2003

<sup>76</sup> Under the provisions of Directive 98/34/EC

<sup>77</sup> See footnote 14

implementation of the Better Regulation Action Plan, including on the implementation of the parts for which Member States are responsible. The Commission will also open a web site where interested parties can bring to its attention examples of particularly complex rules or rules which may conflict with the Internal Market “compatibility test”.

**4.** The Commission will develop, in close co-operation with Member States, appropriate **indicators** to measure progress towards a higher-quality regulatory framework and lower administrative burdens, starting with the Internal Market. Monitoring of results is essential to keep the better regulation process on track and show to Europe’s businesses and citizens that their governments are serious about this.

## 9. ENFORCING THE RULES

### a) Assessment

When Internal Market Directives are not implemented on time or not applied correctly in practice, EU citizens and businesses can be effectively deprived of their Internal Market rights. Many rights flow directly from the Treaty: if its provisions are ignored, this can also lead to failure and frustration. This self-inflicted damage causes wholly unnecessary harm to the European economy, and undermines the confidence citizens have in the European Union.

Ultimately, effective application and enforcement can only be achieved if Member States are prepared to play a much more active role in the day-to-day management of the Internal Market. It is up to them to ensure that the rules which they themselves have adopted are made to work in practice.

When things do go wrong, citizens and businesses currently have a choice between lodging a complaint with the Commission or going before a national Court. This is not entirely satisfactory. Litigation at national level can be slow and expensive and is therefore not always a viable option. Complaints lodged with the Commission can result in infringement procedures against the Member State concerned but these take a long time to resolve and do not offer the individual complainant the opportunity to seek damages. Moreover, the Commission cannot possibly intervene in each and every individual case of misapplication, particularly in an enlarged Union. Action is needed now to avoid a drift towards a situation where breaches of Community law go unchallenged and confidence in the operation of the Internal Market is undermined.

There are a number of possible solutions to these problems. Many are set out in the Commission's recent Communication on "better monitoring of Community law."<sup>78</sup> Possible ways forward could include a speeding up of the Commission's handling of infringement procedures and greater use of initiatives such as "package meetings"<sup>79</sup> to resolve more cases without the need for further legal action.

Beyond this, the Commission believes that it is important to develop alternative means of redress other than national litigation or infringement procedures. It will, of course, continue to pursue infringement procedures where this is the most effective way to achieve a solution or where important legal precedents are likely to be established. But for the majority of cases, alternative means of problems solving may be more effective and proportionate.

The use of complementary measures to infringement procedures is now beginning to take off. The SOLVIT initiative,<sup>80</sup> for example, is an attempt – through administrative co-operation between Member States – to make it easier to obtain redress in cases where the Internal Market rules are misapplied in practice. Another possible solution – which could even be integrated with SOLVIT – might be the designation of some kind of a mechanism in each of the Member States which would help to ensure the correct application of Internal Market legislation and relevant Treaty articles.

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<sup>78</sup> COM (2002) 725 final of 11.12.2002

<sup>79</sup> These meetings involve experts from Member States and the Commission coming together in order to discuss a "package" of cases being examined by the Commission for violation of Community law. Their purpose is to solve cases without the need for further legal action.

<sup>80</sup> COM (2001) 702 of 27.11.2001, Commission Recommendation of 7.12.2001 OJ L331/79 15.12.2001, <http://europa.eu.int/solvit/>

Such mechanisms could provide citizens and businesses with a means of redress located in their home Member State. This would be a tangible step towards bringing the enlarged European Union closer to the citizen. They could deal with problems which, although technically breaches of Community law, are really administrative or technical in nature, rather than legal. This would allow the Commission to concentrate on the most serious cases with the most far-reaching implications. Clearly, this suggestion raises a number of important questions to which the Commission would have to find satisfactory answers before taking any initiative.

Better enforcement is equally important as far as consumer interests are concerned. Each Member State has developed an enforcement system adapted to its own national situation. These systems are, however, not always sufficiently adapted to the challenges of cross-border shopping within the Internal Market. Consumers need to be confident that governments have the ability to deal effectively with cross-border fraud or other fly-by-night operations, if they are not to be reluctant to buy from suppliers in another Member State.

**Late transposition and ineffective enforcement remains a serious problem:**

- The average transposition deficit stands at 2.4%. In other words, Member States are late in notifying over 550 national legislative measures transposing EU Directives<sup>81</sup>.
- The number of open infringement cases has gone up from 700 in 1992 to nearly 1600 today<sup>82</sup>. This indicates that large numbers of Directives are not being correctly implemented and properly applied at national level.
- Two thirds of infringement cases which go to the Court of Justice take longer than four years to resolve.<sup>83</sup>
- Assuming that the new Member States behave in the same way as the existing ones, the number of infringement cases will rise by more than 40% by 2007, unless there is a change of policy.
- Only about half of companies say that they can easily get help from their national authorities when they run into an Internal Market problem<sup>84</sup>

## **b) Actions**

1. Member States should commit themselves to setting and respecting more ambitious **transposition targets** at each Spring European Council. This has already happened over the past few years but it should now be put on a permanent footing<sup>85</sup>. It is vital to maintain the political pressure on transposition in order to avoid fragmentation of the Internal Market in a Union of 25 countries.

2. The Commission will issue a **Recommendation setting out a number of “best practices”** which should be applied consistently throughout the Union to ensure better and faster transposition, e.g. the development of transposition “timetables” and the need to discuss the transposition performance regularly with national and regional parliaments. It will also intensify its work with Member States during the transposition phase (**“preventive dialogue”**). This dialogue will focus particularly on measures of greatest economic importance and those which, because of their nature, may be more difficult to transpose.

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<sup>81</sup> Internal Market Scoreboard No. 12, May 2003

<sup>82</sup> See footnote 1

<sup>83</sup> Internal Market Scoreboard No. 8, May 2001

<sup>84</sup> Internal Market business survey, Flash Eurobarometre 106, September 2001

<sup>85</sup> This year's Spring European Council reaffirmed the existing target of a 1.5% deficit overall and a zero deficit for Directives more than two years past their transposition date

3. The Commission believes that there may be a case for introducing a **legal instrument** to make certain implementation aspects mandatory. These could include the obligation to notify measures electronically and the requirement to provide the Commission with “concordance” tables clarifying where provisions have been implemented in national law. Without these tables, checking that the transposition measures adopted in 25 Member States fully conform to the requirements of the particular Directive will become a real paper chase. This instrument could also provide a legal underpinning for SOLVIT.

4. The Commission invites Member States and the Parliament to define a **standard transposition period** (2 years), from which departures should only be possible when they can be justified by the volume or complexity of the measure to be transposed. Similarly, the Commission wishes to hear views about inserting **standard sanctions clauses** into Directives as well as **standard clauses** to put **administrative co-operation** on a stronger footing.

5. Member States are invited to maximise their efforts to “clean up” their infringements, so that as many as possible of the outstanding cases can be resolved. The Commission believes that many of the currently active cases can be easily resolved if the will to do so is there. The aim should be for each Member State to **reduce the number of Internal Market infringements by at least 50% by 2006**. The Commission will also promote better follow-up to Court judgements, particularly by Member States who are not directly targeted by the case at hand.

6. The Commission will undertake a **study** examining the different options for improving the enforcement of Internal Market law. This would look, *inter alia*, at the desirability and feasibility of designating enforcement mechanisms in the Member States.

7. The Commission will set up a special section on the home page of the EUROPA web site describing the various **procedures available to citizens and businesses seeking to defend their rights** under Community legislation. Essentially, it will describe the most effective ways of obtaining relief, which will most often involve alternative ways of settling problems, such as through the SOLVIT network. The aim is to solve problems more quickly and limit resort to infringement procedures to the most serious breaches of Community law. In all cases, estimations of the time and costs involved will be provided.

8. To ensure more **uniform enforcement of consumer protection** legislation throughout the Union, the Commission will propose a Regulation (at around the same time as the Internal Market Strategy) which will establish a network of public enforcement authorities throughout the European Union. In contrast to "Internal Market Authorities", which would monitor the behaviour and decisions of national and local administrations, the focus in consumer protection would be on behaviour in the private sector.



## 10. PROVIDING MORE AND BETTER INFORMATION

### a) Assessment

For the Internal Market to deliver its full potential, it is not enough to put a legal framework in place and to enforce the rules. Citizens and businesses also need to know about their Internal Market rights and opportunities and some will need practical information on how to exercise these rights in practice. This is in addition to the general need to explain Internal Market policies to the public and stakeholders as part of building the public and political support needed to take the Internal Market forward.

Information policy is thus not just an optional extra or an opportunity to generate publicity for the EU's activities. It is an integral part of the efforts to create a fully functioning Internal Market.

There is still a great deal to do. General awareness of Internal Market rights remains low. Those who run into problems when trying to exercise their rights often do not know where to find a solution. Service providers face particular problems, since services are subject to a wider range of more complex rules and authorisation regimes than exporters of goods. And citizens need to be informed about their rights as consumers, particularly as consumers of services. The information deficit in the Accession Countries is even greater than in the existing Member States.

If we are to close this gap, we need a step change in the scale of the information effort. In the first place, the Member States and the Accession Countries must fully assume their responsibility for informing their citizens and invest the necessary resources.

#### **EU citizens and businesses still do not know about their Internal Market rights:**

- A recent Commission survey revealed that less than half of EU citizens consider themselves to be well informed about the Internal Market. When asked, for example, 49% thought that they needed a work permit when working abroad and only 29% were aware that they were entitled to vote in local and EP elections when living in another Member State.<sup>86</sup>
- Less than half of the businesses questioned said that they felt well informed about their company's rights in the Internal Market. The figure fell to 41% for small and medium-sized companies.
- Nearly 20% of businesses who are not currently exporting said that they might do so if more and better information were available.
- A 2002 survey showed that less than 10% of companies in Slovenia feel fully informed about the obligations and benefits of the Internal Market<sup>87</sup>.

### b) Actions

1. Member States should develop **national plans** to raise general awareness of Internal Market opportunities among their own citizens and businesses. Progress will be monitored in the Internal Market Scoreboard and by the Internal Market Advisory Committee (IMAC) meeting at Director General level.

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<sup>86</sup> See footnote 14

<sup>87</sup> Electronic survey carried out by Eurochambres and the Slovenian Business and Research Association

2. The needs of business and consumers in the **new Member States** for information on the EU and its Internal Market will require special attention and the development of an overall Communication Strategy in those Member States. The Commission will take account of these needs in the 2005 review of its Communication Strategy, following the conclusion of the current PHARE-funded strategy for the Accession Countries at the end of 2004. It should build on existing and planned initiatives and make effective use of the media and of appropriate relay organisations, particularly those which have already played a role in the lead up to accession
3. Commission initiatives, such as the **Dialogue with Citizens and Business** and the **Citizens Signpost Service**, will be progressively extended to the new Member States. The Commission will improve the Dialogue web site so that citizens and businesses have better access to practical and useable information. In addition, Member States should take more responsibility for the quality of the information which is made available through the Dialogue.
4. The Commission will establish a top class **information portal** bringing together existing initiatives, including the Dialogue with Citizens and Business<sup>88</sup>, the Citizens Signpost Service<sup>89</sup>, SOLVIT<sup>90</sup>, European Consumer Centres<sup>91</sup>, Fin-net<sup>92</sup> and EEJ-Net<sup>93</sup>, and giving citizens and business access to a wide range of practical information and advice on Internal Market rights and opportunities<sup>94</sup>. Citizens and businesses can also contact Europe Direct – a service with a single number across Europe (00800 67891011) which provides answers to questions on all aspects of the EU and can direct people to the site/information source most suited to their needs. Clearly, both the portal and the Europe Direct number must be widely promoted.
5. Within the ongoing initiative to make the EUROPA web site clearer and more accessible, the more specialised audience (journalists etc) will be catered for by a new **Internal Market portal** bringing together information about policy and legislative developments relating to the Internal Market, irrespective of the Commission department responsible.
6. The **Euroguichet network** needs to be extended so that there is at least one European Consumer Centre in each Member State. The main task of these centres is to provide information to consumers on their rights in the Internal Market and to assist and advise them on dispute resolution mechanisms and legal aid when a problem arises.

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<sup>88</sup> <http://citizens.eu.int/>

<sup>89</sup> [http://europa.eu.int/citizensrights/signpost/front\\_end/signpost\\_en.htm](http://europa.eu.int/citizensrights/signpost/front_end/signpost_en.htm)

<sup>90</sup> See footnote 75

<sup>91</sup> [http://europa.eu.int/comm/consumers/redress/compl/euroguichet/index\\_en.htm](http://europa.eu.int/comm/consumers/redress/compl/euroguichet/index_en.htm)

<sup>92</sup> [http://europa.eu.int/comm/internal\\_market/en/finances/consumer/adr.htm](http://europa.eu.int/comm/internal_market/en/finances/consumer/adr.htm)

<sup>93</sup> <http://www.eejnet.org/>

<sup>94</sup> Advice on ways of solving the problems they have encountered will be made available via the special section on the home page of the EUROPA web site referred to in section B9.

## Part C: Getting the Best out of the Enlarged Internal Market

### a) Assessment

The Accession Countries have taken important strides forward in recent years. However, incorporating the Community *acquis* and progressively building up their institutions to apply and enforce Internal Market rules is no small task. Naturally, there is much work left to do and efforts to support these countries should continue up to accession and beyond.

Existing Member States will also have to adapt to the new situation after enlargement. Above all, they must ensure that all of their competent authorities are well informed and ready to accord full Internal Market rights to the new Member States.

There will inevitably be some teething problems in the initial post-accession period. In particular, more work is needed in those areas which are covered by Treaty provisions alone<sup>95</sup> – i.e. those areas where there is no EU secondary legislation. More generally, there are bound to be problems with compliance and enforcement<sup>96</sup>. Market surveillance authorities, in particular, need to be further strengthened. It is important to solve these problems at an early stage so that the integrity of the Internal Market is maintained and the need to invoke the Internal Market safeguard clause<sup>97</sup> can be avoided.

In the end, success in an Internal Market of 25 countries will depend on mutual trust and confidence. The key is administrative co-operation and understanding between officials in competent authorities leading to ways of finding practical solutions to problems. This can only develop over time – there is no magic solution. But there are a number of actions, which taken together, can produce positive results.

### b) Actions

1. Support for **institution-building activities** will continue over the period 2004-2006 through the Transition Facility<sup>98</sup>. This will provide appropriate resources for further building up the capacity of the new Member States to enforce Internal Market legislation. The Commission will step up the monitoring process and produce a comprehensive monitoring report six months before accession.

2. The Commission will make it possible for Accession Countries formally to **notify their implementing measures before accession**. These will then of course not have to be re-notified after accession. This will make for a more orderly process of notification and checking of conformity with Community law. The Commission will also establish pre-notification agreements with regard to draft national technical regulations<sup>99</sup>

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<sup>95</sup> Treaty articles 28-30 (goods), 39 (workers), 43 (establishment), 49 (services) and 56 (capital and payments)

<sup>96</sup> See also section B9

<sup>97</sup> The safeguard clause can be used by the Commission until 1 May 2007 if it establishes that a new Member State, by not meeting its negotiation commitments, has caused a serious breach of the functioning of the Internal Market. In that case, the Commission can take appropriate measures. The clause can also be invoked in cases where there is an imminent risk of such a breach.

<sup>98</sup> See COM (2002) 700 final of 9.10.2002

<sup>99</sup> These are notified in accordance with Directive 98/34/EC

3. In order to eliminate barriers to free movement of goods and services, the Accession Countries are urged quickly to complete the **screening of their legislation** in the light of Articles 28, 43 and 49 of the Treaty and to repeal any national, regional or local rules and regulations which discriminate against citizens or companies from other Member States.

4. The process of negotiating, concluding and implementing **Protocols to the Europe Agreements on Conformity Assessment and Acceptance of Industrial Products** (PECAs) will continue insofar as they can operate for a reasonable period before the date of accession (2007 in the case of Bulgaria and Romania). PECAs are a particular form of agreement covering the reciprocal recognition of conformity assessment of industrial products based on the adoption by the Accession Countries of Community legislation on such products and the creation of the appropriate implementing infrastructure. They are useful instruments for integrating these countries into the Internal Market.

5. Accession Countries and Member States administrations will be requested to demonstrate that they have taken steps to **inform competent authorities and enforcement officials of the implications of enlargement**, so that full rights are conferred on citizens and business consistent with Membership, subject to any transitional arrangements.

6. Many of the existing Member States are prepared to offer **short-term traineeships** to Internal Market officials from the Accession Countries. The Commission will set up a database to facilitate this type of exchange. Multi-country co-operation (including joint training, resource sharing, common problem solving and benchmarking) could also be envisaged.

## **Part D: Building the Internal Market in an International Context**

### **a) Assessment**

Following enlargement, a major challenge for the EU is to start developing closer relationships with our “new neighbours” – Russia, Ukraine, Moldova, Belarus and the Southern Mediterranean countries. In exchange for better access to our markets, these countries will be asked first to align progressively their regulations as closely as possible with ours. This has a number of benefits: it will make trading between the EU and these countries significantly easier, thus benefiting both sides. It will also provide the “new neighbours” with a “ready to use” regulatory framework, suited to the needs of a market economy.

In today’s highly globalised economy, the impact of legislation/regulation adopted thousands of miles away is increasingly felt in the EU. We have already seen evidence of this in policy areas ranging from financial reporting to electronic commerce and the protection of personal data. The result is that our regulators have to be much more systematic about talking to their counterparts in our major trading partners so that problems can be avoided as far as possible.

In some cases, discussions between regulators can best take place in global fora, such as the World Trade Organisation (WTO), the OECD, the World Intellectual Property Organisation (WIPO), the Basle Committee for banking capital standards or the International Accounting Standards Board.<sup>100</sup> In the automotive sector, the EU is a contracting party to two international agreements concluded under the auspices of the United Nations Economic Commission for Europe (UN/ECE). Global regulatory convergence is particularly important in this sector where commercial relations are becoming increasingly international.

In other cases, bilateral dialogues may be more appropriate. For example, last year the Commission services developed a set of overall Guidelines for Regulatory Co-operation and Transparency with services of the US Government for product regulations. There are also sector-specific bilateral dialogues, such as those with US financial regulators and supervisors in the context of the EU-US financial markets dialogue or the EU-Japan Regulatory Reform Dialogue. The aim of these dialogues is not just to defuse existing problems. They should also help to make future conflicts less likely. Exchanging information and both sides providing each other with an opportunity to comment on rules before they are adopted are essential to ensure that dialogues are productive.

The globalised economy also presents major challenges for customs services. They are being asked to maintain the impermeability of the EU’s external frontier while the volume of international trade is increasing all the time. Following enlargement, much of the burden will fall on the new Member States. Action is needed to ensure that measures to protect European citizens, the consumer and the environment from dangerous or unsafe products from third countries continue to be applied equally effectively at all points along the EU’s external frontier. A well-managed external frontier is essential for confidence within the Internal Market.

### **b) Actions**

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<sup>100</sup> See section B6

1. To implement the **“new neighbours”** concept, the aim is to conclude new agreements supplementing, where necessary, the Partnership and Co-operation Agreements and Association agreements which the EU already has with these countries. These new agreements can only be concluded once they have aligned their rules with ours and shown themselves to be capable of enforcing the rules effectively.
2. The Commission will continue to promote and defend the EU's regulatory approach within international bodies, such as the WTO and WIPO. In the automotive sector, **convergence between EU legislation and UN/ECE Regulations** will be encouraged as far as possible.
3. The Commission will strengthen ongoing regulatory dialogues, notably the **EU-US financial markets dialogue**. It will also assess whether it would be in the EU's interest to initiate new dialogues in other policy areas or with other countries and report about this to Council and Parliament.
4. The Commission will seek to **improve controls at the external frontier** via a common risk management approach. It also proposes creating teams of customs experts in the Member States to provide rapid specialised support at the external frontier. These issues will be covered in a Commission Communication on “the role of customs at the external frontier” which will be launched soon. A second Communication on a "simple and paperless environment for customs and trade” will look at ways of laying down the basis for a computerised exchange of information needed for customs purposes.

## Part E: Monitoring

Systematic monitoring and evaluation will be crucial to the success of the Internal Market Strategy. There is little point in setting out policy priorities and leaving the rest to chance. It is vital to check that the proposed actions are actually being implemented and that they are producing the desired effects.

The Strategy will therefore be monitored on three levels. The **first task** will be to make sure that the proposed measures have been adopted on time. This will allow pressure to be exerted on decision makers whenever delays occur. The **second task** will be to ensure that the measures are being properly enforced. Once again, remedial action can be taken if problems are detected. **Finally**, the impact of the measures on the ground must be measured, i.e. their effect on markets, businesses and other economic operators.

Monitoring the impacts on the ground is particularly challenging. It requires the development of a comprehensive set of indicators which in turn depends of the availability of the relevant statistics for all Member States. It is important to start developing these indicators as soon as possible, even though monitoring itself can only be carried out once a particular action has been fully implemented and has had time to produce its effects. Fortunately, we are not starting from zero. The Commission has already developed indicators to measure the effectiveness of its policies in specific sectors, such as telecommunications and energy. In procurement, two panels have been set up - one made up of business representatives, the other of public authorities - as a means of monitoring levels of cross-border tendering and its impact on prices. The Commission has also developed the Internal Market Index - a composite indicator tracking the 'real world' benefits of the Internal Market in general<sup>101</sup>.

Thought must also be given to the form in which indicators are presented and the vehicles used to do it. The Commission currently produces a number of monitoring instruments, including the Implementation Report on the Internal Market Strategy, the report on the functioning of product and capital markets (Cardiff Report), the Competitiveness Report and the different Commission Scoreboards. The relationship between these different instruments now needs to be considered. There is undoubtedly scope for a degree of rationalisation.

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<sup>101</sup> The index score has been published in the November Internal Market Scoreboard since 2001

## Conclusion

This Internal Market Strategy represents a comprehensive package of actions designed to improve the performance of the Internal Market in an enlarged Union.

Some of these actions are already well advanced as proposals make their way through the legislative process. Others will need to be further examined and developed over the coming months before the Commission can make proposals. A number of actions are for the Member States themselves to implement.

In light of the stage of preparation of the different actions, Council (in the form of a Resolution prepared by the Competitiveness Council) and Parliament are requested to:

- Endorse the general orientation set out in the Internal Market Strategy;
- Commit themselves to adopting existing (or forthcoming) proposals within the suggested deadlines<sup>102</sup>;
- Support the Commission's intention to explore the different options for tackling particular obstacles with a view to making proposals at a later stage<sup>103</sup>;
- Call on the Member States to play their full part in improving the operation of the Internal Market in areas under their own control<sup>104</sup>.

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<sup>102</sup> These actions are classified as type 1 in the annex

<sup>103</sup> These actions are classified as type 2 in the annex

<sup>104</sup> These actions are classified as type 3 in the annex



Type 1 : early adoption or completion

Type 2: for further examination and discussion

Type 3: for Member States to implement

## ANNEX

### **1. FACILITATING THE FREE MOVEMENT OF GOODS**

<b>ACTION</b>	<b>TYPE</b>	<b>DESCRIPTION</b>	<b>TIMING</b>
1	2	The Commission to make a proposal for a Regulation on mutual recognition to facilitate its correct application. This will take account of the results of a wide consultation with Member States, industry and consumer organisations on possible options. Council Decision 3052/95, which requires Member States to inform the Commission of any cases where mutual recognition has been refused, and which is not achieving its objectives, will either need to be amended or incorporated into the Regulation.	12/2004
1	1	The Commission to adopt a Communication on the correct implementation of the mutual recognition principle. Its aim is to clarify, in anticipation of the Regulation, the current rights and obligations of economic operators and national administrations when products are to be marketed in a Member State where its legislation imposes different technical rules.	06/2003
2	2	The Commission may propose a Common Base Directive, taking into account the discussions and possible Council conclusions on the Communication on the New Approach. Such a Directive could cover a number of horizontal issues common to all New Approach Directives, including measures needed to support administrative co-operation and 'standard' articles that would provide for a more homogeneous implementation of these Directives.	12/2004
3	1	The Commission to sign partnership and performance contracts with European standardisation organisations to speed up the production of standards, particularly in fields where standardisation has proceeded at a too slow pace, and improve their quality. One major standardisation body (CEN) has already committed itself to reducing the average time needed to prepare standards from eight to three years.	12/2003
3	1	The Commission to undertake a comprehensive study on voluntary marking at national and European level. In the light of the results, the Commission to consider	06/2004

		ways of enhancing their positive effects and reducing the risk of market fragmentation and confusion on the part of consumers.	
4	1	The Commission to issue a Communication setting out the next steps for the application of Integrated Product Policy (IPP). IPP focuses on the different phases of products' life-cycles with a view to improving their overall environmental performance. Doing this at Community level should reduce the pressure to adopt national measures, which because of their divergence may lead to the erection of new barriers to the free movement of goods.	06/2003
4	1	The Council and European Parliament to adopt the framework Directive on the integration of environmental aspects into product design. This initiative is based on New Approach principles, i.e. the basic elements and design parameters with respect to the environmental aspects are specified in the framework directive, while specific product eco-design requirements will be established through Commission implementing measures supported by voluntary standards. While this is good for the environment, it should also considerably facilitate trade in these products within the Internal Market.	06/2004
4	1	The Commission to issue a Communication on the integration of environmental aspects into the standardisation process, inviting the standardisation organisations, national authorities and stakeholders to take greater account of environmental considerations at all stages of the standardisation process at both national and European levels.	12/2003
5	1	The Commission to give mandates to European standardisation bodies for the development of new standards or the revision of existing ones to ensure compliance with the requirements of the General Product Safety Directive. The references of the relevant standards will also be published in the Official Journal. The Commission to monitor implementation of the Directive over the period of the Strategy and prepare a report on its application, including an assessment of market surveillance and enforcement in the Member States, by 2006.	06/2004
5	1	The Commission to propose a Directive on unfair business to consumer commercial practices. This will be a framework Directive harmonising national rules governing unfair business-to-consumer commercial practices. It will be based on mutual recognition in	06/2003

		order to allow a fully functioning Internal Market, while delivering a high level of consumer protection in order to promote consumer confidence.	
6	1	The Commission to propose a recasting of the framework Directive on motor vehicles and their trailers (Directive 70/156/EEC). One of the main aims will be to extend EC whole vehicle type approval to vans (optional for new types within 12 months of the entry into force of the new Directive, compulsory for new types from 1 January 2007 and compulsory for existing types from 1 January 2009) and trucks and lorries (optional for new types within 12 months of the entry into force of the new Directive, compulsory for new types from 1 January 2008 and compulsory for existing types from 1 January 2010).	09/2003

## 2. INTEGRATING SERVICES MARKETS

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Council and European Parliament to adopt the draft Regulation on Sales Promotion in the Internal Market which will allow SMEs, in particular, to use sales promotions to draw attention to their products in new markets. Large firms will be able to offer a single EU-wide promotion instead of 15 (or 25) different campaigns. Consumers will benefit from increased competition and transparency of information about sales promotions offered.	12/2003
1	1	The Council and European Parliament to adopt the draft Directive on the recognition of professional qualifications. The proposed Directive seeks to clarify and simplify the rules in order to facilitate the free movement of qualified people between Member States, particularly in view of an enlarged Europe.	03/2004
2	1	The Commission to make a proposal for a Directive on Services in the Internal Market. The proposal will seek to remove barriers and reduce costs for companies arising from red tape while maintaining high levels of consumer protection. This would benefit all services which, as soon as they cross a Member State border, are affected by multiple application of different legal regimes and a duplication of administrative requirements. The Commission will also issue a Communication on the competitiveness of business-related services setting out non-legislative measures designed to complement the Directive. These will include the development of European standards and measures to improve the statistical coverage of service sectors (this is very important since these statistics are currently almost entirely lacking and, without them, it very difficult to analyse what is actually going on in service industries).	12/2003
3	1	The Commission, subject to the results of a feasibility study, to propose an extension of Directive 98/34/EC, which concerns notification by Member States of national technical rules and regulations, to services (besides information society services). The results of the feasibility study will be published by the end of the year.	12/2004
4	2	In light of the Council and European Parliament's response to the Commission's report on the safety of	12/2004

		services for consumers, the Commission to decide whether to make a proposal for a legislative framework aimed at monitoring and supporting national policies and measures in this area. This could, for example, cover the systematic collection of data on accidents, injuries and risks (currently available data is inadequate), procedures for the exchange of information on national policy and regulatory developments and procedures for the establishment of European standards where necessary.	
5	1	The Council and European Parliament to adopt the Prospectuses Directive which should make it easier for companies to raise money on an EU-wide basis while at the same time providing adequate provision for investors.	09/2003
5	1	The Council and European Parliament to adopt the Investment Service Directive. The proposed Directive will replace the existing one which has been in place since 1993 and is being proposed against the background of major structural changes in EU financial markets over the past five years. The proposal will offer investment firms an effective "single passport" which would allow them to operate across the EU while at the same time providing investors with a high level of protection when using the services of investment firms.	06/2004
5	1	The Council and European Parliament to conclude 1 <sup>st</sup> reading on the Transparency Directive. This Directive has been proposed in order to increase the quantity of information (e.g. on shareholding and changes of shareholding) investors have about publicly quoted companies. Apart from safeguarding investors' interests, the proposal should help to further integrate Europe's securities markets and increase the availability of funds for investment.	06/2004
6	1	The Commission to propose a new Capital Adequacy Directive. This Directive will provide a more modern and flexible capital requirements framework for banks and investment firms. The overall aims are to maximise the effectiveness of capital requirement rules, ensure continuing financial stability, maintain confidence in financial investment and protect consumers. The new regime is also designed to ensure that capital requirements for lending to small and medium-sized enterprises are appropriate and proportionate.	03/2004

7	1	The Commission to publish a Communication on clearing and settlement. This Communication will provide a firm indication of the Commission's views as regards the need for and content of legislative actions to facilitate inter-connected and efficient cross-border clearing and settlement as a basis for discussion with authorities and market participants.	09/2003
8	1	The Commission to consult widely on completing and further developing the FSAP, with a particular focus on creating a single market in retail financial services.	12/2003
8	1	The Council and Parliament should adopt the Consumer Credit Directive to enable progress towards an effective single credit market.	03/2004

### 3. ENSURING HIGH QUALITY NETWORK INDUSTRIES

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Council and European Parliament to adopt proposals on: the Single European Sky for air traffic control management (this should help to reduce airport delays which currently cost around €3 billion p.a.); and access to port services.	06/2003
1	1	The Council and European Parliament to adopt the second package of measures to revitalise European railways. This includes a number of proposals, particularly on safety, interoperability, the European Railway Agency and freight market opening. It should result in more competition and better quality services for business. The Council and the European Parliament to adopt the proposal on controlled competition for public transport. The Commission will also come forward with proposals for passenger transport market opening to complete the Internal Market in the railway sector.	12/2003
1	1	The Council to give a mandate to the Commission to negotiate an open skies agreement with the United States. The current system, based on bilateral agreements between individual Member States and the US, which the Court of Justice has ruled are incompatible with Community law, places a significant brake on restructuring in the EU air transport industry and hinders the functioning of the Internal Market.	06/2003
2	1	The Council and European Parliament to adopt the “energy package” which will completely open up gas and electricity markets for non-household customers by 2004 and for household customers by 2007. Business, particularly SMEs, and consumers will benefit from lower prices, as their counterparts already do in those Member States which have liberalised autonomously.	06/2003
3	2	A study on the water sector has already been carried out for the Commission by external contractors. The Commission intends to build on this by gathering further information from Member States, industry and consumers. At a later stage and depending on the results of the information gathering exercise, the Commission services could produce a working paper reviewing the legal and administrative situation in the sector, including the competition aspects, in full	12/2004

		respect of Treaty guarantees for services of general economic interest and environmental provisions. Interested parties would be invited to comment on this paper. Based on their reactions, the Commission would decide on appropriate follow-up measures. All options will be considered, including possible legislative initiatives. This work will take full account of the Green Paper on Services of General Economic Interest and the Green Paper on Public-Private Partnerships.	
4	1	The Commission will complete a study assessing, for each Member State, the impact on universal service of full accomplishment of the Internal Market for postal services. Depending on the results of this study, the Commission may make proposals to achieve full market opening. The target date for full market opening is 2009.	12/2006
5	1	The Commission to continue its efforts to clarify the application of the state aid rules to compensation for the costs of providing services of general economic interest, in the light of forthcoming Court decisions. These will decide whether compensation paid providers of services of general economic interest should be treated as state aid.	12/2003
6	1	The Commission to issue a Green Paper on public-private partnerships, which should trigger a wide-ranging debate on the best ways of ensuring that partnerships for major projects can be undertaken in conditions of effective competition and full clarity under procurement rules. Subject to the results of the consultation, the Commission will propose (legislative or non-legislative) initiatives to enhance legal certainty and remove unjustified obstacles to public-private partnerships.	12/2003



#### 4. REDUCING THE IMPACT OF TAX OBSTACLES

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Commission to propose revisions of the Parent/Subsidy Directive. The main aim of the Directive is to eliminate double taxation within the EU by permitting dividends to be paid between certain groups of companies (subject to certain conditions) without deduction of withholding tax. Revision will focus on extending the scope of the Directive so that more companies can avail of its provisions thus paving the way towards reducing double taxation risks and compliance costs.	06/2003
1	1	The Commission to propose a revision of the Merger Directive. Currently, this Directive helps companies to organise their operations on a cross-border basis by deferring payment of certain tax charges subject to certain conditions. As more and more companies re-organise their activities (on a cross-border basis) to increase efficiency and to take advantage of Internal Market trading opportunities, the scope of the provisions of the Directive need to be extended.	06/2003
1	1	The Commission to issue a Communication setting out the results of its technical discussions with Member States and stakeholders concerning different options for providing companies with a consolidated tax base for their EU-wide activities. A consolidated tax base would <i>inter alia</i> reduce compliance costs and simplify existing complexities. The Communication will report on progress on two issues in particular: the “Home State Taxation” pilot scheme for SMEs; and the possible use of International Accounting Standards as a starting point for a common EU tax base.	12/2003
2	1	The Commission to issue a Communication setting out further steps to modernise and simplify the VAT system. A crucial point to be developed in the Communication will relate to a modification of the rules governing the place of supply of services, whereby the reverse charge mechanism would become the general rule for trade between taxable persons established in different Member States.	12/2003
2	2	The Commission is actively considering making a proposal to introduce a single place of compliance for all businesses trading in Member States where they have no establishment. Such an initiative would	12/2004

		decrease the administrative cost of VAT for companies. It would benefit SMEs in particular. This will be one of the initiatives announced in the Communication on VAT (see above). A consultation of European companies is on-going on this issue on the web-site "Your Voice in Europe." Discussions with tax administrations are also being carried out.	
3	2	The Commission to present legislative proposals to remove the obstacles to the free movement of cars in the Internal Market.	12/2004
4	1	The Commission to publish a Communication on the effect of the case law of the ECJ on the various types of dividend taxation systems. An analysis of ECJ case law will help towards the design of non-discriminatory dividend taxation systems and allow the Commission to take action, possibly through infringement proceedings, to ensure non-discriminatory tax treatment of cross-border dividends.	12/2003

## 5. EXPANDING PROCUREMENT OPPORTUNITIES

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Council and European Parliament should adopt the legislative procurement package in both the classic and utilities sectors. The legislative package has two broad objectives. The first is to simplify and clarify the existing Community Directives, and the second is to adapt them to modern administrative needs in a changing economic environment. The three existing Directives are being consolidated into one measure which also contains a number of provisions facilitating the use, by public authorities, of information technologies in public procurement.	12/2003
1	3	The Member States to implement the public procurement package by the agreed deadline and, while doing so, streamline/simplify their own legislation and standardise their procedures. They should report on progress to the Commission.	06/2005
2	2	The Commission to propose amendments to strengthen the Procurement Remedies Directive, possibly including the strengthening of the powers of national surveillance authorities on which it will conduct a prior consultation.	12/2004
3	3	The Member States should strengthen administrative co-operation in order to resolve cross-border procurement problems, notably through the further development of the fledgling European Public Procurement Network (EPPN) established on the initiative of the Danish authorities. The network needs to be expanded to all existing and new Member States. Member States should ensure that the EPPN is sufficiently well funded so as to be able to meet its ambitions.	06/2004
3	3	The Member States should stimulate and develop procurement training (possibly using the Internet), particularly to raise the awareness of European rules amongst procurement officials at all levels of government. Best practices could be exchanged through the EPPN.	12/2004
4	2	The Commission to develop an Action Plan on e-procurement with a view to allowing a substantial part of procurement to be carried out electronically by 2006. The first step will be to translate the legal provisions of the public procurement package into	06/2004

		functional requirements. The Commission will also give mandates to European standards organisations, where necessary, to develop technical standards for e-procurement.	
5	1	The Commission to publish an interpretive Communication setting out the implications of recent Court judgements regarding the scope of Article 296 of the Treaty (which concerns exceptions for essential security interests of Member States).	12/2003
5	2	The Commission to publish a Green Paper looking at any further initiatives in European defence procurement.	12/2004

## 6. IMPROVING CONDITIONS FOR BUSINESS

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Council to adopt the Regulation on the Community Patent (based on the political agreement reached in the Competitiveness Council of March 2003).	06/2003
1	1	The Council to adopt the proposal to create a Community Patent Court and to take the necessary steps to allow the European Union to accede to the European Patent Convention.	12/2006
2	1	The Council and European Parliament to adopt the Directive on the enforcement of intellectual property rights which will bolster the fight against counterfeiting and piracy.	12/2003
2	1	The Council and European Parliament to adopt the Directive on the patentability of computer-implemented inventions which will stimulate innovation and benefit both software developers and suppliers as well as the users of patentable technology.	12/2003
3	2	The Commission to adopt a Communication on the management of copyright and related rights in the Internal Market which will identify the measures necessary to create a more favourable environment for the cross-border marketing and licensing of these rights.	09/2004
4	1	The Council to adopt the proposed reform of the merger regime to ensure the continuing effectiveness of merger control in the context of globalisation and enlargement. The reform proposal focuses on a revision of the turnover thresholds and jurisdictional and procedural issues.	06/2004
4	1	The Commission to adopt a new block exemption Regulation to facilitate technology transfer agreements between companies.	06/2004
4	3	The Member States to continue their efforts to further reduce the total amount of <b>state aid</b> while re-directing aid towards horizontal objectives of Community interest, such as the environment, research and development and SMEs. The Commission will continue to monitor and publish results in the State Aid Scoreboard.	ongoing

5	1	Legal endorsement of existing International Accounting Standards (IAS), provided that, for some of them, the appropriate modifications are made. A recently adopted Regulation requires all EU-listed companies to prepare their consolidated accounts in accordance with IAS from 2005. IAS are established by the International Accounting Standards Board (IASB), an independent international accounting standard-setting organisation. To ensure appropriate political oversight, the IAS Regulation establishes a new EU mechanism to endorse IAS for use within the EU. Decisions will be taken by the Commission on the basis of the opinion of the Accounting Regulatory Committee – which is composed of representatives of the Member States – and considering the advice of the European Financial Reporting Advisory Group - which is composed of accounting experts from the private sector in several Member States.	09/2003
5	1	Legal endorsement of new IAS	ongoing
5	2	The Commission to offer a platform (or forum) to Member States to allow them to discuss ways of facilitating the uptake of IAS by non-listed companies, including SMEs (e.g. by uncoupling tax reporting and financial reporting in respect of individual accounts).	06/2004
5	1	The Commission to issue a Communication setting out priorities for 2003 and beyond aimed at improving the quality of statutory audit in the EU.	06/2003
5	1	The Commission to make a proposal to modernise the 8 <sup>th</sup> Company Law Directive (access to and regulation of the audit profession).	12/2003
5	1	The Commission to set up a European co-ordination mechanism for public oversight of the audit profession. This will aim to ensure proper oversight of the audit profession at national level and appropriate co-ordination at EU level.	03/2004
5	2	Adoption of International Standards on Auditing for all audits conducted in respect of EU companies. Auditing standards are crucial to providing high quality audits. At present there are no agreed auditing standards in the EU. There is general agreement that any initiative in the field of standards should be based on the International Standards on Auditing (ISA). Over the next two years, the Commission and	03/2005

		Member States will work towards the creation of a supervisory framework based on the ISA.	
6	1	The Council and European Parliament to adopt the Take-over bids Directive which will help business development and restructuring while maintaining essential protection for shareholders.	12/2003
6	1	The Commission to propose a 10th Company Law Directive on cross-border mergers and a 14th Company Law Directive on cross-border transfers of the registered office.	12/2003
7	2	The Commission is undertaking a feasibility study in order to assess the practical need for and possible obstacles associated with the creation of a European Private Company Statute. This legal form would serve the needs of SMES carrying out business in more than one Member State. If the results of the study are positive, the Commission will propose a Regulation.	12/2006

## 7. MEETING THE DEMOGRAPHIC CHALLENGE

ACTION	TYPE	DESCRIPTION	TIMING
1	3	The Member States to implement and enforce the Pension Funds Directive which proposes a prudential framework to provide security of pensions and a high level of protection for future pensioners. It will also provide institutions with the flexibility to develop effective investment policies.	06/2005
2	2	The Commission to examine the desirability of proposing a Directive on portability of occupational pensions, subject to the outcome of the second stage of the consultation of the Social Partners which is about to be launched.	06/2004
3	1	The Commission to continue its action to tackle tax discrimination against pension funds established in other Member States. The Commission will vigorously pursue any cases which come to its attention and ensure that the relevant ECJ jurisprudence is complied with throughout the EU.	ongoing
3	3	Prior to the entry into force of the Pension Funds Directive, the Member States to adjust their national rules to ensure non-discriminatory treatment of pension funds established in other Member States	06/2005
4	1	The Commission to ensure full compliance with the jurisprudence of the Court of Justice, in order to realise the potential of the Internal Market in helping to tackle the challenge faced by Member States' Health Systems. In this connection, discussions with Member States have been launched, including through the High Level Reflection Group on Patient Mobility. As a basis for these discussions, the Commission will present the results of its consultation process on patient mobility.	12/2003



## 8. SIMPLIFYING THE REGULATORY ENVIRONMENT

ACTION	TYPE	DESCRIPTION	TIMING
1	2	The Commission to develop a coherent approach to the question of legislative technique and the choice of legal instrument in the Internal Market. This concerns issues such as when to rely on mutual recognition, the “New Approach”, co-regulation or voluntary agreements; the level of harmonisation and the possible insertion of Internal Market clauses; and when Regulations should be given priority. The Commission will consult Council, the European Parliament, industry and other stakeholders. The approach to be adopted could be set out in a short Commission Communication under the Commission’s Governance Initiative/Better Regulation Initiative.	06/2004
2	1	The Commission to draw up an “Internal Market compatibility test” following consultations with the European Parliament and Member States. The test would act as guidance for national legislators at all levels of government to ensure that their actions do not inadvertently impinge on the free movement principles of the Treaty. This test could be endorsed by means of a Council resolution. The Commission also recommends that Member States involve non-nationals more in the development of any measures and that, once measures have been adopted, they should be made easily available to non-nationals (e.g. by putting them online).	03/2004
3	1	The Commission to set up a web-site where interested parties can report on particularly complex rules or rules which may fail the “Internal Market compatibility test”	09/2003
3	1	The (Competitiveness) Council is invited to to establish a working group on “better regulation.” This group could draw up national simplification plans, which would mirror activity at Community level.	06/2003
4	2	Commission to develop with the Member States indicators to measure progress towards a higher quality regulatory framework for the Internal Market, particularly, but not exclusively, as a result of the Commission’s Better Regulation Action Plan of June 2002. These indicators should consist of both input indicators (e.g. have the announced measures been	06/2004

		<p>taken on time?) and impact indicators (e.g. have they resulted in lower administrative burdens?). The results of the Commission's project on Indicators of Regulatory Quality, undertaken in the framework of the Multi-annual Programme for Enterprise and Entrepreneurship, will provide a basis for this work.</p>	
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## 9. ENFORCING THE RULES

ACTION	TYPE	DESCRIPTION	TIMING
1	3	<p>The Member States to commit themselves to setting and respecting more ambitious transposition targets at each Spring European Council.</p> <p>In response to a request from the European Parliament, the Commission will undertake a feasibility study to examine whether it is methodologically and practically possible to put a figure on the cost of late transposition. Existing instruments, such as the Inter-active Policy Making feedback mechanism, can also be used to gauge the costs to business of both late transposition and misapplication of EU Directives.</p>	03/2004
2	2	<p>The Commission to issue a Recommendation setting out “best practices” to speed up and improve the quality of transposition of Internal Market Directives. These could include: a) ensuring that the expertise of officials’ built up during negotiations can be fully used during the transposition phase; b) planning ahead by developing transposition “time tables” (i.e. with target dates for first draft implementing text, envisaged date for approval by the competent minister(s), starting date of the parliamentary process, etc.); c) limiting the transposition to what is absolutely necessary without adding other elements which only complicate the law or its implementation (this is usually referred to as "gold plating"); d) urgent intervention by the “state” in cases where deadlines risk being missed (i.e. because of delays at regional/provincial level in federal/decentralised Member States); e) regular submission of transposition progress reports to national and regional parliaments to keep up the pressure.</p>	03/2004
2	1	<p>The Commission will regularly identify those Directives which should be subject to “preventive dialogue” – i.e. ongoing dialogue between the Commission and the Member States, starting immediately after the Directive is adopted, with the aim of ensuring better and faster transposition. The Directives chosen will be measures of particular economic importance and/or those which by their nature may be more difficult to transpose.</p> <p>In addition, the Commission will: a) systematically write to all Member States one month after the</p>	09/2003

		adoption of a Directive to inquire <i>inter alia</i> about their planning schedules; b) organise bilateral meetings with Member States to discuss any transposition problems; c) whenever appropriate, raise transposition at expert meetings with a view to detecting problems at an early stage; d) prepare guidance to assist the Member States in the transposition of particularly complex pieces of legislation.	
2	1	The Commission to produce statistics on the average time taken to implement Directives, which it will report on regularly in the Internal Market Scoreboard.	06/2003
3	2	The Commission to propose a legal instrument to make certain implementation aspects, such as electronic notification of implementing measures and the use of concordance tables, mandatory. This will help to improve the transparency and efficiency of the checking of conformity.	09/2004
4	2	The Commission proposes that a standard or a transposition period should be set within the Inter-Institutional Agreement on Better Regulation, from which departures are only permitted if this can be justified by the complexity of the measure. The Commission will also seek the views of the Member States and the European Parliament on: a) the inclusion of standard sanctions clauses in Directives (i.e. a clause to provide for effective, proportionate and dissuasive sanctions in case of violations of the obligations flowing from the Directive); and b) a standard clause to provide a stronger legal base for the promotion of active administrative co-operation.	12/2004
5	3	Member States to maximise their efforts to reduce the number of their infringements by at least 50% by 2006. This can be achieved by a combination of early settlement of disputes, the use of alternatives to formal infringement proceedings (e.g. SOLVIT) and preventive action. This needs to be implemented progressively on a year by year basis. The Commission will report on progress made by existing Member States in the Internal Market Scoreboard. The Commission would welcome it if this "infringements reduction" target were confirmed by the Spring European Council alongside the transposition targets.	12/2006
6	1	The Commission to publish the results of a study on the different options for improving the enforcement	12/2004

		of Internal Market law. This study will look, <i>inter alia</i> , at the desirability and feasibility of designating some kind of a mechanism in each of the Member States which would help to ensure the correct application of Internal Market legislation and the relevant Treaty articles.	
7	1	The Commission to set up a special section on the home page of the EUROPA web site setting out the various procedures available to citizens and businesses seeking to defend their rights under Community legislation (including the SOLVIT network and, as a last resort, infringement procedures). In all cases, estimations of the time and costs involved will be provided.	12/2003
8	1	The Commission to propose a Regulation on co-operation between national authorities responsible for the enforcement of consumer protection laws. These authorities should be given a minimum of common investigation and enforcement powers. The Regulation will provide for a framework of mutual assistance rights and obligations for enforcement authorities to use when dealing with rogue traders committing cross-border infringements.	06/2003

## 10. PROVIDING MORE AND BETTER INFORMATION

ACTION	TYPE	DESCRIPTION	TIMING
1	3	Member States to produce national plans to raise general awareness of Internal Market opportunities among their own citizens and businesses.	03/2004
1	2	The Commission to organise discussions on the preparation and implementation of national plans in the Internal Market Advisory Committee (IMAC) meeting at Director General level to ensure that there is adequate commitment at the highest level.	12/2003
1	2	The Commission to monitor the implementation of national plans and to report on it in the Internal Market Scoreboard	12/2004
2	1	The Commission to review its overall Communication Strategy, taking account of needs in the new Member States.	12/2005
3	2	The Commission to improve the Dialogue web-sites to provide better access to practical information.	03/2004
3	2	The Commission to extend the Citizens Signpost Service to the new Member States.	06/2004
3	2	The Commission to extend progressively the Dialogue with Citizens and Business to new Member States.	12/2005
3	3	Member States to adopt a more pro-active approach and take full responsibility for the quality of the national-level information made available through the Dialogue	12/2003
4	2	The Commission to set up a top-class information portal bringing together the Dialogue and the Signpost Service with other related initiatives, such as SOLVIT, European Consumer Centres, Fin-Net and EEJ-Net	12/2004
5	2	The Commission to create a new Internal Market portal bringing together information about policy and legislative developments relating to the Internal Market, irrespective of the Commission department responsible	12/2005
6	2	The Commission and Member States to extend the Euroguichet network (the European Consumer Centres). The aim is to have at least one European	12/2004

		Consumer Centre in all Member States.	
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## GETTING THE BEST OUT OF THE ENLARGED INTERNAL MARKET

ACTION	TYPE	DESCRIPTION	TIMING
1	1	The Commission to produce a comprehensive monitoring report on each Accession Country six months before accession. These reports will focus, <i>inter alia</i> , on the capacity of the country concerned to implement all commitments and requirements arising from accession negotiations. The conclusions of the reports will identify any problem areas, delays and remedial action which needs to be taken.	12/2003
2	1	The Commission to make it possible for Accession Countries to notify their implementing measures before accession by establishing a system for prior notification.	06/2003
2	1	The Commission to negotiate a series of bilateral agreements with Accession Countries to facilitate the notification of their draft technical measures within the scope of Directive 98/34/EC. Proposed technical measures will be examined by the Commission and Accession Countries will be notified as to whether such measures conform to Community rules.	12/2003
3	3	The Accession Countries to produce screening reports of their legislation in the light of Articles 28, 43 and 49 of the Treaty - free movement of goods, right of establishment and the free provision of services. These reports will help to establish if there are any potential obstacles to the full implementation of these articles and, where necessary, will propose the removal of these obstacles.	06/2004
4	1	Extension, implementation and conclusion of PECAs (Protocols to the Europe Agreements on Conformity Assessment and Acceptance of Industrial Products) with Accession Countries. PECA agreements are a particular form of mutual recognition based on the adoption of Community legislation on industrial products and the creation of the appropriate administrative infrastructure in Accession Countries. This facilitates trade between these countries and the EU. PECA agreements are already in force with four Accession Countries. Two others have signed agreements and negotiations are underway with a further three.	12/2003
4	1	Conclusion of PECAs with Romania and Bulgaria. PECA negotiations with Romania and Bulgaria will	06/2006



		continue with the aim of concluding and implementing agreements covering the maximum number of sectors well in advance of the expected accession date of 2007.	
5	3	The Accession Countries and the Member States to report back to the Commission on the specific steps which they have taken to inform competent authorities and enforcement officials of the consequences arising from the full implementation of the Internal Market following enlargement	06/2004
6	1	The Commission to set up a database to facilitate targeted exchanges for Candidate Countries' Internal Market officials	06/2004

## BUILDING THE INTERNAL MARKET IN AN INTERNATIONAL CONTEXT

ACTION	TYPE	DESCRIPTION	TIMING
1	2	The Commission to work towards the conclusion of new agreements with the “new neighbours.” Negotiation of these agreements can only begin once these countries have made sufficient progress in terms of legislative approximation and the development of enforcement capacity. Annual action plans will therefore be developed for each country. These plans will contain benchmarks which will be used to determine whether or not the country concerned has implemented the plan satisfactorily.	ongoing
2	2	The Commission to work towards regulatory convergence between the EU and international bodies in the automotive sector. In parallel with the codification of the three EU framework Directives in the automotive sector, the Commission to continue to be involved in codification exercises of UN/ECE Regulations. EU Directives should increasingly make use of the technical prescriptions included in the UN/ECE Regulations.	ongoing
3	2	The Commission to assess the desirability of extending regulatory dialogues to other policy areas and countries and to report on the outcome of this review to the Council and European Parliament.	12/2004
4	1	The Commission to publish a Communication on “the role of customs at the external frontier.” This will focus on ways of ensuring protection against unsafe products and the merits of introducing a modern risk-based customs control system. The latter would involve agreeing, with Member States, the priorities to be pursued by customs services and the means of addressing the related risks and would be supported by the computerised exchange of information between customs services.	06/2003
4	1	The Commission to publish a Communication on “a simple and paperless environment for customs and trade.” The main thrust here is to make it possible for businesses to use the proposed computerised information exchange system thereby reducing their costs and accelerating customs procedures.	06/2003