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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

REINFORCING THE EFFECTIVENESS OF THE INTERNAL MARKET

WORKING DOCUMENT OF THE COMMISSION

**ON A STRATEGIC PROGRAMME
ON THE INTERNAL MARKET**

Communication from the Commission to the Council and the Parliament

REINFORCING THE EFFECTIVENESS OF THE INTERNAL MARKET

INTRODUCTION

1. Article 8a of the Treaty has defined the Community's internal market as a space without internal frontiers where the free circulation of goods, services, capital and persons is assured. In June 1985, the Commission submitted to the Milan Council its White Paper on the completion of the Internal market; it thus launched a process of European integration which has fundamentally influenced Community policy in the course of the last 8 years. This result was able to be attained thanks to the Single Act, the White Paper and the deadline of 31 December 1992. It constitutes the basis of economic and monetary union and a European citizenship whose success resides in the Treaty on European Union. In this respect the single market is the pedestal for the building of the community, its dynamism will underpin the dynamism of the economic and political integration of the Community.

2. The legislative programme established in 1985 has now been more than 95% completed; as a result of this, the legislative work of the Community will decrease in future years. This programme in itself constituted one of the mobilising elements for economic operators and it has profoundly modified the environment within which they must henceforth operate. It is now possible for goods, services and capital to move freely across the entire community. Formalities for crossing frontiers have been removed, one system of certification has replaced the 12 systems that previously were obligatory; companies have gained the right to bid for public procurement contracts in other Member States. Citizens also, even if they have not benefited entirely from the freedom to cross borders without controls, have the right to stay for private reasons in another Member State and can have their diplomas recognised so that they can exercise their profession.

It is true that the domain of the free movement of persons, on the other hand, is one which has experienced significant delay, in that controls on identity still carried out at internal frontiers are a constant reminder of their existence.

3. If the assessment of the legislative activity for the last eight years can therefore be considered positive, the Commission is not underestimating certain retarding factors in the expected effects of the internal market:

- in several sectors, the new community regulation envisages transitional periods and, once in force, will only produce their economic effects after a certain period of time has elapsed;
- uncertainties concerning a rigorous and homogenous application of community legislation by all the Member States seem to compromise its effectiveness in terms of the protection afforded to citizens and in guaranteeing competition;

- the adoption of a legislative programme which is so vast, in such a short space of time, may create the impression of bureaucratic interference in the conduct of affairs at national level.

For these diverse reasons, the establishment of the internal market should be pursued, explained and motivated still more, so that it becomes a reality on the economic front and can be widely accepted on a political level.

4. This process must develop in a context encompassing three major difficulties to which the Community must propose a response:

- the maintaining of controls at the frontiers on the identity of persons unquestionably marks a delay with respect to the objectives set out in the Single Act and, in particular Article 8a. This delay sustains the impression that the building of the community is done exclusively for the benefit of enterprises and business circles, even if the citizen, as a consumer or a professional, also benefits from the free movement of persons. The Commission, with the support of the European Parliament, will endeavour, within the limits of its competence, to obtain the complete application of Article 8a before the end of this year.
- the entering into force of the measures envisaged in the White paper programme is developing against a background of a substantial slowing-up of economic growth, monetary instability and the difficulties encountered in the process of the ratification of the Maastricht Treaty. The process of job creation, which got underway in anticipation of the creation of the Internal Market has been reversed. The view is heard that the Internal Market itself contributes to the growing tensions in Community markets, particularly the job market, instead of contributing to the improvement of the economic and social lives of the citizens and the competitiveness of enterprises. Without a new momentum, defensive reflexes risk damaging the unity of the market.
- the increasingly world-wide nature of trade and the enhanced competition introducing new economic and social phenomena which call for a response, taking into account the Community's own economic interests, and the imperatives of development and growth in the developing countries.

5. The Commission considers that it is now incumbent upon the political authorities of the Community to respond, on the one hand to the fears and uncertainties of the citizens and European enterprises, as to the real effects of the decisions already taken in the context of the internal market, and to offer on the other hand, perspectives for the future development of this market. The simple management of the *acquis* cannot impart the dynamism and impulse necessary for the political credibility of this action for integration. The Commission has therefore taken on board the suggestion of the European Parliament for the elaboration of a strategic programme which would not only be oriented towards the management of regulations but which would equally maintain a dynamic for the development and deepening of the Internal Market.

COLLECTIVELY DEFINING A STRATEGIC PROGRAMME

6. It is true that the internal market is part of a global Community policy and in this respect cannot be appreciated independently of the other Community policies which allow the community space to function without internal frontiers:

- the free movement of persons is closely linked to the development of the concept of European citizenship and to the co-operation on internal and judicial affairs which is found at the heart of the Treaty on European Union, but also to the putting into effect the social charter;
- the free movement of goods, services and capital are not only linked to the development of economic and social cohesion and to the putting into effect of competition policy instruments but also to the establishment of economic and monetary union;
- the internal dimension of the internal market is itself closely linked to the strengthening of the external personality of the Community and its capacities for negotiation.

7. It is this global nature of the approach to the work undertaken since 1985 which gives it a political dimension far beyond the technical specifics of each of the sectors. It is the maintenance of this global aspect which gives the management of the internal market its political dimension; it is also this global dimension which will put all the available instruments at the service of management. The Commission proposes the establishment of a strategic programme for the internal market to preserve this global approach, to ensure transparency in its action and to associate the all the operators.

8. This communication represents a first step towards the definition of such a programme. Its purpose is to launch a debate which will not be limited to the community institutions but which will also encompass economic and social circles. The working document accompanying this communication, which takes up in detail the different elements of a strategic approach to the management and development of the internal market, will be widely circulated in order to give rise to reactions as to its content. In the light of these reactions, as well as those from the Community institutions, the Commission will prepare a strategic programme which will orient the Community's actions in future years.

9. The Commission has chosen this procedure because it reflects the necessity to engage all parties concerned in the definition of the objectives and the methods to achieve them. To ensure for the Community economy the effects of the measures adopted in the framework of the White paper legislative programme, there must be organised:

- on the one hand, a partnership between the Commission and the Member States in the application and the effective management of the rules;
- on the other, the mobilisation of the economic operators to contribute to action for the development of the internal market.

This presumes as wide as possible a consensus on the priorities, without however allowing that the search for this consensus should affect the launching of the most urgent initiatives concerning particularly transparency in the functioning of the internal market.

THE CONTENTS OF THE PROGRAMME

1) Objectives

10. The objective of the Community remains, obviously, the improvement of the living conditions of its citizens; the functioning of the internal market can only be approached from this perspective. A coherent and global strategy for the management and development of the single market should therefore ensure that the legislative framework of the Community becomes an integral and favourable part of the environment for the citizens, the economic operators and the administrations.

First objective : to respond to the expectations of the citizen

11. The Internal market should bring advantages for citizens as well as for enterprises, supporting job creation and economic growth. The citizen needs to be assured that the opening of the markets will lead to an improved level of social protection and of working conditions as well as of his health, his safety, his economic interests and his environment. He should be assured, particularly through credible information, that the abolition of frontier controls is not going to expose him to new risks.

Second objective: to ensure a competitive environment for enterprise

12. The community must guarantee free movement and the functioning of the single market, however its legislative interventions must be limited to those domains in which mutual recognition cannot guarantee the protection of the essential requirements; it must ensure a surveillance on the operation of these rules and their adequacy to respond to the objectives.

Third objective: to ensure in the single market the dynamic for economic and social development.

13. The Community must not only ensure the coherence of the legislative acquis in the face of national initiatives which could have the effect of re fragmentation of the market, but it must also bring an added value to that acquis in acting upon the factors for dynamism in the market, such as the tax environment for enterprise, industrial quality and trans-European networks; the objective of this should be the improvement of social conditions in the Community.

2) The instruments

14. These three objectives are presented in the working document attached to this communication, together with precise lines of action for an effective application of the regulations and a dynamic development of the internal market.

a) For an effective application

(i) **Better adapted controls:** The instruments of control with respect to community obligations are found in the Treaty and the acts in application; they will be fully utilised and indeed reinforced to offer the appropriate means for the prevention of barriers.

The Commission must also take on assisting measures which will allow a convergent application of the regulations. These assisting measures will principally rely on the transparency of transposing acts at national level, the common interpretation of regulations, exchanges of information between the administrations and information activities.

The national courts should have a greater capacity for ensuring the respect of community obligations; this is why actions for the education and training for judges and the legal professions and the improvement of access to justice constitute the most appropriate lines of action.

(ii) Overseeing the functioning of the regulations : the Member States must be assured that surveillance of the functioning of the regulations is carried out. In this regard, the Commission must equip itself with the means to evaluate the effectiveness of the regulations; in effect the legislative framework must respond at once to the objectives of free movement and the respect of the essential requirements, but also to the objectives of economic and social development.

(iii) The organisation of partnership with the Member States: initiatives are envisaged in the domain of administrative co-operation between the Member States, and between the Member States and the Commission, in order to ensure the effective application of community law. This concerns better definition of the methods of co-operation by sector and to identify the measures of support necessary at Community level.

The extension of scientific and technical co-operation should equally be reinforced. Training actions and the exchange of national civil servants are an indispensable element for integrating the community dimension in the functioning of the national administrations.

(iv) Transparency of community actions : the Commission proposes to increase the transparency of existing legislation (notably through consolidation) and has taken steps to ensure a better internal co-ordination in order to improve information on the development of its policies (the annual report on the functioning of the internal market). It has also adopted means for a better transparency in the preparation of legislative proposals.

b) For dynamic development

15. The dynamic development of the internal market must be placed in the context of many community initiatives, in particular the initiatives for growth and for jobs, and policies relating to cohesion between the regions. This development also relies on the pursuit of certain current actions : the Commission intends for example to continue the work underway in the domain of intellectual property and data

protection, to develop a much greater use of voluntary European standardisation in industrial circles as well as to orient support programmes for SME's towards an improvement of their participation in the opening up of markets.

16. In parallel, new initiatives are envisaged by the Commission, and in particular:
- an improvement in the tax environment for enterprises so as to eliminate obstacles to co-operation and cross-border activities;
 - the promotion of quality products within European industry;
 - the external aspect of the internal market;
 - an integrated approach to the development of trans-European networks in order to promote private financing and instruments of interoperability.

Conclusion

17. The Commission therefore informs the Council, the European Parliament and the Economic and Social Committee of the orientations contained in this communication. It invites the economic and social circles, as well as the Member States to make contributions towards the definition of the strategic programme on the basis of the working paper attached to this communication. It is in the light of these contributions that the Commission will establish, for the month of October 1993, the strategic programme.

WORKING DOCUMENT OF THE COMMISSION

**TOWARDS A STRATEGIC PROGRAMME
FOR THE INTERNAL MARKET**

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INTRODUCTION

1. The completion of the Internal Market, i.e., the effective application of the four freedoms of movement set out in the Treaty, has made a fundamental impression on Community policy over the past eight years. Never has the Community decision-making process reached such a level of dynamism; never has Community integration so attracted the attention of political and economic leaders.

2. The environment constituted by the Community is one of open markets and thus of free competition. The abolition of all customs, fiscal, veterinary, phytosanitary and statistical formalities on crossing borders, the substitution of one system of certification for the 12 systems which were previously obligatory, the right to participate in public procurement in other Member States, the right to stay for private reasons in another Member State, and, finally, the recognition of qualifications permitting the exercise of the right of establishment, gives firms, workers, and, in a general way, citizens, a new area of freedom. The strengthening of competition rules strengthens the protection of SMEs, in particular, against the consequences of agreements and mergers on the operation of the market. The abolition of discriminatory national measures and the placing of national systems in competition with one another have resulted in a self-discipline against the abuse of the rules.

3. The Commission has its role to play, firstly because certain proposals must still be made or certain proposals are still pending before the Council, and then, above all, because it is the Commission that must promote confidence between the national administrations. The priority for the Commission is to ensure that the Internal Market works and the conditions for its operation are achieved by means of full implementation of the rules, a set of measures designed to develop the Internal Market and, finally, a set of trans-European networks giving the rules the support of infrastructures adapted to their implementation. A "wait-and-see" policy will not do; simple administrative management of what has already been achieved cannot give the dynamism and impetus which the credibility of the action demands. Balance in the operation of the Internal Market can only be found in movement; this movement is what the preparation of the strategic programme seeks to ensure.

4. This strategic programme would indicate the wish of the Commission to improve the present framework rather than to develop the legislative activity of the Community. This strategic programme would also indicate the wish of the Commission to participate in an active partnership with the national administrations and economic operators for the management of the Internal Market; this is why the publication of the present document can represent only a first step intended to gather all reactions, observations and contributions. It is on this basis that the strategic programme defining the priorities and the means of action will be drawn up in the second half of this year.

5. The principal aim of the approach proposed is to situate the actions related to the operation and development of the Internal Market in an overall context, giving these actions a political, an economic, a social, and an industrial dimension:

- from a political point of view, it is important to make it be apparent that the Internal Market is a whole; an overall approach is the only one capable of responding to the diversity of the problems and of the sectoral interests and to offer a balanced treatment of all of these problems;
 - from an economic point of view, experience with the White Paper has shown that an action on the market can only have a macroeconomic effect if it mobilises all sectors;
 - from a social point of view, it is important to ensure, on the one hand, the social rights of workers following the 1989 social charter and the the Commission's programme of social action, and, on the other, the development of a Community strategy for employment;
 - from an industrial point of view, it must be possible to put into operation horizontal instruments from which all sectors and professional categories will benefit.
6. The objective of this document is to seek the observations and the contributions of all agents and all private and public bodies on the priorities for action to administer and to develop the Internal Market so as to make it an instrument of economic and social development to the benefit of citizens and firms. On the basis of these contributions, the Commission will draw up, for October 1993, a strategic programme on the Internal Market with which all the partners will be called on to associate themselves.

SECTION A: ADMINISTRATION OF THE COMMUNITY AREA

I. ACHIEVEMENT OF THE SINGLE MARKET

7. The process of achieving the single market, as provided for in the White Paper, has been completed. Even though new aspects have been added to the programme set out in the White Paper, in particular in the energy field, the Community's activity has, over the last eight years, not once deviated from the programme, more than 95% of which has been implemented. Admittedly, considerable slippage has occurred as regards freedom of movement for individuals, since, although tax controls have been abolished and the right of establishment and residence recognised, police controls at frontiers remain a fact of life for the general public. However, firms can now operate in an environment that allows them to trade in products and services and fosters closer integration of co-operation and hence of the industrial fabric.

8. Implementation of the White Paper programme has been carried out progressively:

- Harmonisation of technical rules as provided for in the White Paper has now been completed; initially confined to specific limited areas, it was extended to cover entire sectors such as agricultural and food products, pharmaceutical products and motor vehicles. Harmonisation of essential product safety requirements, backed up by a policy of certification, and the general provisions on product safety and liability for defective products mean that all manufactured products marketed in the Community are now covered.
- The measures have been adopted to permit public contracts to be open to competition from firms in other Member States, irrespective of whether such contracts are awarded by public authorities or public services and are intended for the purchase of supplies, the purchase of services or the carrying-out of work. The relevant directives include provisions on appeal procedures allowing national courts to review matters.
- Freedom to provide services will soon become a reality, where this is not the case already, with the gradual entry into force of the directives and regulations adopted on transport, financial services, telecommunications, recognition of diplomas, and the equivalence of professional qualifications. Although final decisions have yet to be taken on road cabotage because of the link with the taxation of transport, cabotage has become a practical reality on the basis of the annual quotas allocated by the Commission.
- Since it is not enough simply to provide for freedom of movement and since firms must also be in a position to derive full benefit from it through corporate restructuring and the restructuring of their business strategies, the proposals on company law, company taxation, and industrial and intellectual property formed an integral part of the programme. The relevant objectives have been only partially achieved since, although most of the harmonisation measures relating to industrial and intellectual property have been adopted and although certain forms of double taxation have been eliminated, the key proposals are still before the Council, i.e. those relating to the European company statute, the establishment of a trade marks office and the complete elimination of taxation at

source on interest and royalty payments and taking into account of losses suffered abroad.

- Such measures relating to the opening-up of markets to flows of products, services and capital from other Member States have been made irreversible by the elimination of all administrative checks at intra-Community frontiers. The abolition on 1 January 1993 of the single administrative document in intra-Community trade and the entry into force of a series of provisions reorganising tax, veterinary, plant-health, health, safety and statistical controls have made it possible to do away with checks at frontiers.
- Freedom of movement for individuals properly speaking has not yet become a reality. Individuals also benefit from the dismantling of customs and tax controls at internal frontiers, and Community nationals may now work in any other Member State thanks to recognition of their diplomas or qualifications and may reside in any other Member State regardless of any economic activity. Despite this, checks on persons are still carried out at internal borders although these have already been lightened. The Commission has frequently deplored this situation, particularly to the European Parliament. The Commission hopes that substantial progress will be made in 1993, under the Schengen agreement, perhaps in such a way as to spur on the other Member States, so as to avoid these delays which are particularly noticeable to the general public and which tend to overshadow the considerable achievements which have been made in other fields.

9. However, the legislative process cannot be allowed to come to a halt with the completion of the White Paper programme since the programme carries within itself a momentum for integration that goes beyond the present framework.

- Firstly, it is for the Commission or the Council to implement the provisions that have been adopted. This is particularly so with regard to technical rules, for which "framework" provisions have been adopted while the Commission or the Council have been unable to adopt the implementation measures; this is the case in the of foodstuffs, veterinary, and phytosanitary areas and in the area of construction. Thus, in the veterinary field, although all the measures set out in the White Paper - and therefore essential for the completion of the Internal Market - have been adopted (apart from pets travelling with their owners) a number of important implementing measures still have to be adopted by the Council or the Commission.
- The removal of frontier checks justifies taking action either in order to organise trade within the Community without affecting national arrangements or in order to harmonise such national arrangements. The most urgent measures have been adopted with regard to cultural goods, explosives and conformity checks at external frontiers; other proposals are awaiting decisions in the following areas:
 - (i) Checks on the export of dual use goods (goods or technologies with military and civilian uses): in spite of the commitment made by the Council in December 1992 to try to reach agreement before 31 March 1993, political and technical problems have blocked progress on this dossier.
 - (ii) The measures taken on indirect taxation need to be completed by the adoption of proposals on the taxation of transport of passengers. However, the most important proposal, whose adoption is a matter of urgency, is that on VAT arrangements applying to second-hand goods, works of art,

