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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

"MAKING THE MOST OF THE INTERNAL MARKET": STRATEGIC PROGRAMME

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The Internal Market is not yesterday's issue. A single open market provides the essential basis for economic recovery and future economic growth in the Community. Its completion and its efficient operation remain a priority.

The Commission has therefore decided that it is necessary to prepare a Strategic Programme for the completion, the management and the future development of the Internal market which can serve as a guide to the main priorities of the Community in this area and as a means of measuring the progress of the Community towards its objectives. The Strategic Programme is attached to this Communication.

The content of this programme has been the subject of considerable debate both within and outside the Commission for some months, following the issuing of the Commission Communication "Reinforcing the effectiveness of the Internal Market" on 2 June 1993, which was accompanied by a 55-page Working Document entitled "Towards a Strategic Programme for the Internal Market". These documents were discussed by the European Parliament, the Economic and Social Committee and the Council of Ministers between June and September. In addition, a large number of organisations representing industrial and economic interests responded to the Commission's invitation to send in comments on the Working Document. All of these reactions have been considered in the preparation of the definitive Strategic Programme.

The consultation process has confirmed the Commission's view that an overall plan for the implementation and development of the Internal Market is desirable. The overwhelming majority of comments supported the initiative although there was some divergence of view as to priorities. The Commission considers that the final version of the Strategic Programme represents a reasonable and balanced set of new objectives for the Community, which puts considerable weight on management issues but which also contains proposals for the further development of Community legislation in some areas where that is deemed to be necessary for full exploitation of the Internal Market. The Commission has also put more emphasis on the contribution of other policies, such as competition or environmental policy, to the successful operation of the Internal Market.

The Commission now presents the Strategic Programme to the Council and Parliament as a guide for future policy both at Community and national level. In its conclusions the Commission proposes that the Strategic Programme be launched on the following basis:

- an endorsement by the Council of the general orientation provided in the Strategic Programme;
- a firm undertaking by the Council to accelerate discussion on the seventeen legislative proposals from the 1985 White Paper that are still before it, with a view to their final adoption before the end of 1994.

Progress in respect of the implementation of the Strategic Programme will be regularly reviewed in the Commission's Annual Report on the Internal Market.

European Commission

**MAKING THE MOST
OF THE INTERNAL MARKET:**

STRATEGIC PROGRAMME

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Executive summary

Section A - Completion of the basic legal framework

Section A of the programme calls for the adoption of the legislative proposals that still have to be agreed in order to establish the basic legal framework for the single market and identifies steps to be taken to introduce competition into regulated sectors.

More specifically these measures include:

- **adoption of the outstanding measures from the 1985 White Paper, mainly in the areas of company law, taxation, and intellectual and industrial property;**
- **action to ensure the free movement of persons, including the adoption of proposals put forward by the Commission on the basis of its new right of initiative under the Treaty on European Union;**
- **other measures before the Council, including a number of measures arising from the removal of frontier controls; proposals on the export of dual-use goods; the harmonization of technical rules and the strengthening of the notification procedure for new rules at national level (Directive 83/189/EEC); further proposals regarding intellectual and industrial property; a draft framework directive for the protection of personal data; and proposals in the area of financial services;**
- **measures to introduce competition into the regulated sectors of energy, telecommunications and postal services.**

This section also draws attention to the Commissions recent decision on the measures to be withdrawn following discussion at the European Councils of Lisbon, Birmingham and Edinburgh.

Section B - Managing the Single Market

Section B of the programme addresses the task of managing the Single Market.

The actions included cover the following areas:

- **The need to ensure conformity and transparency in the transposition of Community directives into national law - A communication will be presented on the means of resolving problems in this area and a series of measures will be undertaken to make national measures transposing Internal Market law more readily accessible.**
- **The need to ensure quality in enforcement, principally through developing closer administrative cooperation between Member State administrations and between them and the Commission - Two communications are being presented at the end of 1993, one on a general framework for administrative cooperation and another on urgency procedures. The first of these will contain proposals on guiding**

principles for administrative cooperation, and both will form the basis for a further work programme. A series of measures will be introduced to support administrative cooperation, including proposals on the development of a communication and data exchange network for Union administration. The existing channels for dialogue with the Member States on problems which are the subject of litigation initiated by the Commission will be reinforced. Instruments to prevent the emergence of new barriers will include the extension of the coverage of the notification procedure on national legislation which could affect the free movement of goods (see Section A) and consideration of the need for similar procedures with regard to some services. The Commission will also clarify the way in which it will make use of the power to propose sanctions to the Court under Article 171 of the Treaty.

- **Redress: Access to justice and judicial cooperation** - Actions will be developed, in partnership with the Member States, to improve access to Community legislation, to facilitate recourse to the national courts, to reinforce the free movement of judgements and to examine the approach to the conflict of laws in the context of the Single Market.
- **The importance of evaluating Community rules** is emphasised. This will be approached from the point of view of the practical performance of the legislation as well as that of the broader business and economic impact. The Economic and Social Committee has an important role to play here. Use will also be made of various existing networks, while a major study on the economic effects of the Internal Market will be launched in 1994 with a view to publication in 1996. To improve the statistical information which will contribute to evaluation, improvements to the INTRASTAT system are envisaged.
- Attention is drawn to the need for adequate resources for the management of the Internal Market.

Section C - Developing the Single Market

Section C of the programme is concerned with developing the single market, that is, defining a more dynamic view of market regulation and identifying means by which the Community can make available to those who are active in the single market the full use of its potential.

It spells out action to be taken in the following areas:

- **Ensuring transparency and applying the principle of proportionality in preparing new Community legislation** - Although only a limited number of new legislative initiatives are envisaged, the Commission proposes to develop guidelines for the evaluation of the need for such initiatives in the Internal Market area, to improve internal coordination in the Commission and to establish new procedures for the publication of legislative intentions in relation to the Internal Market at an early stage in the preparation process.
- **Communication and information measures** are essential if individuals and firms are to benefit fully from the Internal Market. The Commission will develop a coherent strategy involving Community institutions, national administrations and non-governmental organizations in a systematic and coordinated way.
- **Further improving the environment for business** - Action is needed in a number of key areas in order to make further improvements in the environment within which

business operates. These include the application of competition policy ,tackling the problem of improving cross border payments, further proposals on transport, action to promote Union-wide protection of intellectual and industrial property, improvements in the area of company law, the creation of a favourable tax regime for business, covering action on both direct and indirect taxation, the upgrading of European standardization, conformity assessment and quality systems, consultation and evaluation of the need for action in the areas of commercial communication (advertising, sponsorship, direct marketing, promotions etc.) and the media, actions to promote efficient and competitive systems in the area of commerce and distribution, and measures to increase competition and business opportunities in the energy sector.

- **Further improving the environment for the consumer** - Action to promote consumer participation in the Internal Market is essential to its functioning. Particular priority will be given to the areas of legal and commercial guarantees and financial services, as well as to information for consumers.
- **The relationship between sustainable development and the Internal Market** - The Treaty objectives of the Internal Market and of sustainable and non-inflationary growth respecting the environment should be mutually supportive. Action is envisaged to help ensure that this is the case and that potential conflicts are avoided or resolved on the basis of a coherent approach.
- **Establishing trans-European networks** is a key to the better functioning of the Internal Market as well as to growth and cohesion. The Strategic Programme, as a complement to the White Paper on growth, competitiveness, and employment, outlines measures to promote the convergence of interests and coordination, action designed to stimulate private investment and to ensure technical interoperability, and, finally, proposals on the early development of telematic networks between administrations.

Section D - A dynamic and open external policy

Section D of the programme deals with external implications of the Internal Market.

- **Management of the Union's external frontier** requires action to ensure that national customs services are equipped to deal with the important role that they play on behalf of the Union as a whole. This is the aim of the Customs 2000 initiative which is now being finalised. In this context also, action will be taken to combat customs and tax fraud as well as trade in illegal drugs.
- **Completion of the common commercial policy in the context of the Internal Market** - The finalization of a common import and export regime for goods and services vis-a-vis the rest of the world is a precondition for an equivalent level of competition within the Internal Market. Several issues of relevance in this regard will be addressed by the Commission in the coming years.

Section E - Reviewing and adapting the Strategic Programme

Section E highlights the need to maintain an ongoing process of evaluation of the Strategic Programme leading to its adaptation in the light of developments. The Annual Report on the operation of the Internal Market will provide an appropriate occasion for such regular evaluation.

Conclusions

In its conclusions the Commission proposes that the Strategic Programme be launched on the following basis:

- an endorsement by the Council of the general orientation provided in the Strategic Programme;
- a firm undertaking by the Council to accelerate discussion on the seventeen legislative proposals from the 1985 White Paper that are still before it, with a view to their final adoption before the end of 1994.

Introduction

1. The Internal Market is working - but it can and must be improved in order to fulfill its promise. The immediate task of the Union is to ensure that a properly-functioning single market contributes to economic growth, industrial competitiveness and higher employment. This Strategic Programme provides a complete view of the priority actions which the Union must pursue to this end.
2. The content of the Strategic Programme has been the subject of wide-ranging debate over the past six months, following the issue in June of the Commission Communication "*Reinforcing the Effectiveness of the Internal Market*", accompanied by a Working document "*Towards a Strategic Programme for the Internal Market*"¹. All the Community institutions responded to the invitation to examine and comment on the working document, as well as individual Member States and a significant number of industrial and other economic interests. There is consensus on the need for an overall sense of direction in the management of the Internal Market.
3. The Union can be proud of the success of its Single Market Legislative Programme, most of which is now in place. The evidence available to the Commission suggests that goods, services and capital are moving freely within the Union, and that any problems are exceptional and temporary. The one outstanding problem, the free movement of people, is now the subject of new initiatives in the context of the provisions of the Union Treaty.
4. But the establishment of a genuine single market is not just a matter of adopting Community-level legislation within a deadline. It is a continual process of ensuring that this common legal framework is applied, widely-understood, enforced and, where necessary, developed in a coherent way to meet new needs. In that sense, the Union is at the beginning, not at the end, of its task.
5. Ensuring that the Union area without internal frontiers becomes a practical as opposed to a legal reality will be a major challenge for the years ahead. It will demand further action not only at Union but even more importantly at national level. It will involve a variety of policy instruments, in which additional legislation will play only a minor part. This process will have to be based on dialogue between public authorities and the society they serve and on partnership between the Member States and the Commission. Making the most of the opportunities offered by the Internal Market will take some time; the purpose of this Strategic programme is to provide a "road-map" which may make the journey clearer and perhaps shorter.
6. The debate which was launched with the publication of the communication and working document in June showed that there is wide support for the global approach outlined in the communication and working document of June 1993, and many comments favoured a strengthening of the emphasis on the links between the Internal Market and other Union policies. The Strategic Programme therefore emphasises the part played in ensuring the effective operation of the Internal Market by competition policy, consumer policy and policy in favour of small and medium-sized enterprises. Competition policy must ensure that the freedoms established under the Internal Market programme are not eroded by state aids, anti-competitive agreements or mergers or the abuse of dominant positions: it also has the potential to contribute to

¹ COM(93) 256 final of 2.6.93

the opening up the Internal Market in areas which were not covered by the "1992" programme. Consumer policy protects the interests of consumers and empowers them to make the Single Market work for them, so that they benefit from the improvements which flow from Internal Market completion. Policies to stimulate and support enterprises, particularly the creation and development of SMEs will also enable them to take advantage of the opportunities and to respond to the challenges inherent in the Internal Market.

The Programme also gives increased emphasis to other policy areas which are closely linked with the attainment of Internal Market objectives:

- the effective management of the Union's external frontiers and progress in relation to aspects of commercial policy are essential for individuals and firms, both in the Union and in third countries, to reap the full benefits of the Internal Market, while avoiding the risks of illicit or distortive practices;
- environment policy and Internal Market policy must be integrated so that the objectives of sustainable economic development and of guaranteeing the "four freedoms" are met and so that potential conflicts are resolved on the basis of a coherent approach;
- the freedoms which embody the principles of the Internal Market must also be exercised within a framework which gives due weight to the requirement for economic and social cohesion.

7. This programme is intended to be a guide to the next steps to be taken in order that the Union's ambitions for the Internal Market are achieved and yield their full economic benefits. It is above all an action-oriented document, which concentrates on describing the measures that are judged to be necessary for the Internal Market in each policy area. The action points are highlighted in the framed areas of the text.

8. The first part of the programme identifies the legislative proposals that still have to be agreed in order to establish the basic legal framework for the single market. It includes outstanding measures from the original 1985 White Paper, additional proposals that have been put to the Council since then, new proposals that have just been presented concerning the free movement of people, and measures to introduce competition into certain regulated sectors, such as energy, telecommunications and postal services. Some proposals which the Commission considers no longer essential for the creation of a single market have been withdrawn.

9. The second part of the programme addresses the new task of managing the Union area, that is, making sure that Community legislation is properly and evenly enforced and regularly evaluated so that individuals and companies can take advantage of the Internal Market. This is not a bureaucratic exercise - it is a necessary condition for fair competition, for avoiding unnecessary costs resulting from inefficient administration for business and the consumer, and for developing the confidence that must accompany sustained economic recovery. It will require a sustained effort, at the national as well as Union level, to make those concerned familiar with Community rules and fully-equipped to apply them. It will also be necessary to avoid that national regulations create new barriers to the operation of the single market just as the old ones have been removed. Assistance must also be given to citizens or companies that wish to avail themselves of their rights under the law. This part of the programme addresses itself more to the Member States than to the Community institutions, since this task will require the development of awareness of the reality of the Single Market within all branches of national administrations and within society as a whole.

10. The Commission draws particular attention under this heading to the need for the provision of adequate resources both at Union and national level if the Union is to be able to fulfil expectations concerning effective management of the Single Market. The current resources of the Commission are a serious constraint, and its proposals for the 1995 budget will be developed to take account of this.

11. In line with the results of the consultation procedure on the Commission's working document, the guiding principles for the development of the single market must be a commitment to competition, the need to take account of the broadening of the Union's policy objectives under the Treaty on European Union and exploitation of the full economic benefit of the single market.

The third part of the programme is concerned with developing the single market, that is, defining a more dynamic view of market regulation and identifying means by which the Union can encourage those who are active in the Single Market to make full use of its potential. Apart from a limited number of new legislative initiatives aimed at completing the basic framework of Community rules for the Internal Market, other policy instruments will be used to promote the coordinated development of trans-European networks, the stimulation of European standards and quality policy and compatibility between sustainable development and the objectives of the Internal Market. Particular measures will also be taken, in line with the multiannual programme for SMEs for the years 1993-96 which was recently adopted by the Council, to assist smaller enterprises to adjust to a more competitive environment.

12. Taken together, this package of measures represents a "second phase" in the development of the Single Market, in which most of the basic rules are already in place but where additional action is still needed to give value-added to what exists. The Commission wishes to underline that any further initiatives in this area will be based, like the Strategic Programme itself, on the widest possible consultation of interested parties and will take into account the principle of proportionality. The fact that the principle of subsidiarity has been enshrined in the Treaty on European Union is intended to see to it that decisions are taken as close as possible to the citizen, a constant watch being kept to ensure that action taken at Community level is justified in the light of the means available to national, regional or local authorities. The practical effect of the Maastricht Treaty is to require the Community to demonstrate that there is a legitimate need for each new initiative. Nevertheless, this principle cannot be a pretext for putting into question actions for which the Commission has received a precise and indisputable obligation to act in certain areas such as the Internal market.

The single market belongs to the citizens and enterprises of the Union and they must have a say in its further development. The role of the Union is to limit its intervention to what is necessary in order to allow those in the market to operate within it effectively on a continental scale.

13. The fourth part of the programme outlines the objectives of the Union's external policy in terms of management of the external frontier and completion of the common commercial policy. The fifth part recalls that the Strategic Programme must itself be dynamic and capable of adjusting to change. What follows represents the Commission's view today of what has to be done to make the most of the Internal Market, but this programme will have to be renewed and adapted periodically to take account of new developments and needs. In its future Annual Reports on the Internal Market, the first of which will appear shortly, the Commission intends to review progress towards the objectives set out in this programme and will make changes to the programme when necessary. The Strategic Programme will therefore become a permanent means of indicating the priorities for Union action in this area.

14. In its conclusions the Commission proposes that the Strategic Programme be launched on the following basis:

- an endorsement by the Council of the general orientation provided in the Strategic Programme;
- a firm undertaking by the Council to accelerate discussion on the seventeen legislative proposals from the 1985 White Paper that are still before it, with a view to their final adoption before the end of 1994.

Section A - Completion of the basic legal framework

The date of 1 January 1993 marked the start of the Single Market. The objective set out in Article 7 A of the Treaty has largely been achieved, except for the removal of identity controls on persons at the internal borders. Ninety-five per cent of the basic legislative programme foreseen in the Commission's 1985 White Paper Programme has been adopted by the Council. Furthermore, the Council has adopted a wide range of additional measures to complement the original 1985 Programme and others are under discussion.

I. Outstanding White Paper Measures

The White Paper requested decisions in all areas of economic activity. The basic legislation has been adopted concerning in particular the removal of veterinary and phytosanitary controls, public procurement, excise duties, removal of technical barriers, freedom of movement of capital, financial and other services and direct and indirect taxation. The recent adoption of the proposal on the liberalization of cabotage for the road transport of goods as from 1 July 1998 was a significant break through for the free provision of services.

One of the justifications of the Internal Market is to enable enterprises to allocate resources more efficiently. Increased competition in a larger market will lead to corporate restructuring and the restructuring of business strategies. Consequently, the proposals on company law, company taxation and intellectual and industrial property formed an integral part of the Programme. Therefore, the priority is now for the Council to adopt the remaining seventeen White Paper proposals.

- The incomplete coordination of national company law has so far been an obstacle for the mobility of companies within the Internal Market. Important decisions on the structure of public limited companies and the crossborder merger of such companies have been blocked pending the outcome of the discussion on the European Company statute.
- Also still before the Council are two proposals to eliminate double taxation. The first proposal aims at the abolition of withholding taxes on interest and royalty payments made between subsidiaries and parent companies of different Member States. The second deals with the possibility for enterprises to take into account losses incurred by their permanent establishments and subsidiaries in other Member States. Apart from these proposals the Arbitration Convention, on the establishment of an arbitration procedure for intra Union transfer pricing cases, is awaiting ratification by four Member States.
- In the field of Intellectual and Industrial property, decisions are outstanding concerning the legal protection of biotechnical inventions and plant breeders rights. With regard to the Regulation on the Community trade mark, on 29 October 1993 the European Council paved the way for a solution with its decision to establish the Community Trade Mark Office in Spain.

II. Free movement of persons

The delays in the adoption of the few outstanding White Paper measures have not affected the achievement of the objective of the abolition of internal border controls on goods, services and capital. These controls, including customs controls on persons disappeared on 1 January 1993. But the continuation of identity controls on persons has raised broad criticism from the public and the European Parliament.

Having noted that the objective of the free movement of people had not been fully achieved by the date of 1 January 1993, the Commission redoubled its efforts in order to achieve this objective, without further delay, which constitutes an essential element of the building of Europe.

In order to achieve this objective, it approved for 1993 a phased approach:

- in a first phase, the Commission would continue to take political initiatives and exercise constant pressure so that the progress announced by the Member States for 1993 should effectively be realised;
- in a second phase, the Commission would take stock of the initiatives undertaken and decide, without relaxing its political pressure, on possible further measures to take, particularly of a legislative nature.

Two recent developments can facilitate the action which the Commission intends to take in the second phase of its strategy:

- the entry into force of the Treaty on European Union offers new possibilities to the Commission in the context of Title VI of this Treaty in areas until now covered simply by inter-governmental cooperation;
- the countries of the Schengen Group have reaffirmed their commitment to achieving between them the free movement of persons by 1 February 1994; although this result, once achieved, will not be sufficient to result in the free movement of persons over the whole of the Union territory, it will constitute a considerable step forward.

Taken together these two developments will provide a springboard from which the Commission will be able to increase the pressure through a combination of initiatives, both in the Community domain and in the context of the Third Pillar of the Treaty on European Union.

The Commission has adopted a proposal for a Council Decision establishing the Convention regarding the control of persons on crossing the external frontiers of the Union, together with a proposal for a Regulation based on Article 100 C determining the countries whose nationals must carry a visa on crossing the external frontiers of the Member States. These proposals will be very soon followed by a proposal on the basis of Article 100 C (3) aimed at establishing a uniform model of visa.

These measures, identified as essential from the point of view of the abolition of border controls, should be seen as part of a general and coherent approach to the implementation of Article 7A which, in order to be pursued, calls for the presentation at the appropriate moment, of other proposals.

III. Other measures before the Council

Although the legislative activities of the Community will substantially decrease after the completion of the White Paper programme, the dynamic process of establishing

the Internal Market still requires a certain amount of legislative measures to cover present developments.

- In the field of indirect taxation, measures need to be taken relating to VAT harmonization provisions on second-hand goods, works of art, antiques and collectors items, gold transactions and transport of passengers;
- The Community has presented proposals on prohibiting the release for free circulation, export or transit of counterfeit and pirated goods and measures combating fraud in the area of commercial and agricultural trade to avoid the removal of frontier checks resulting in fraud or in difficulties for consumers.
- The objective of the proposal for a Council Regulation on the export of certain dual-use goods is to create the conditions under which intra-Union controls could be eliminated, by ensuring that all Member States apply effective export controls, based on common standards. Discussions on this proposal are being pursued in the Council.
- Although the harmonization of technical rules, foreseen in the White Paper, has been completed, covering entire sectors such as agricultural and food products, pharmaceutical products and passenger cars, in this field there is a certain tendency to create new barriers to trade in the form of new national measures. A common position has been reached on a proposal to extend the scope of the notification procedure for new technical Regulations (Directive 83/189/EEC) to facilitate the monitoring of developments at national level. Other proposals concern the outstanding technical harmonization of lifts, pleasure boats, pressure equipment, motor vehicles other than passenger cars, precious metals and food law.
- The approximation of Intellectual and Industrial property provisions is an important contribution for the effective functioning of the Single Market. For instance, the Directive on the term of copyright protection has recently been adopted. Apart from the still outstanding ratification of the Agreement relating to Community Patents, other important proposals are currently under discussion. Proposals concern the legal protection of data bases or the recently presented proposals on a Regulation on legal protection of design and industrial models and a Directive on the approximation of national design protection laws which aims at a Internal Market for design products.
- In the area of the protection of personal data, the Commission is hoping for the adoption of a common position on the draft framework Directive in 1994. The adoption of this Directive is a priority, in view of the increase in the flows of personal data in the private and public sectors, which is a consequence of the effective exercise of the freedoms of the Internal Market and the abolition of internal borders.
- The opening up of financial markets was one of the most significant achievements of the Single Market. With regard to a more effective protection of consumers a proposal, amending the financial services Directives, has been made to reinforce the prudential supervision of credit institutions, non-life insurance, life insurance and investment firms. The same objective applies to the proposal modifying the 1985 Directive on undertakings for collective investments in transferable securities (UCITS). Funds investing in money market instruments can be included in the scope of this Directive. A common position was recently adopted on a bank deposit guarantee scheme, which is a parallel instrument to the recently presented investor compensation schemes, designed to underpin the European passport approach. Various proposals envisage measures to facilitate financial operations. The Directive relating to funds held by institutions for retirement provision aims at ensuring the freedom of management and investment of pension fund assets. The modification to the Directive on listing prospectuses is designed to enhance the ease with which large companies can be traded on several European stock exchanges.
- In the energy sector, just as in any other sector, companies, products, investments and services are subject to all the Treaty provisions. Nevertheless, given the particular nature of the energy related products, the regional and local constraints and the necessity to preserve the missions of public service attributed to the relevant utilities, a gradual approach has been followed in order to introduce transparency in the functioning of the market and to proceed towards the adaptation of the functioning rules of gas and electricity grids to the Treaty principles and provisions.
The main elements of transparency have been already introduced with regard to both investments and prices. These elements provide all the operators with an instrument of information and market monitoring.
A draft Directive on granting of hydrocarbon extraction licences is under discussion within the Council and the Parliament. This Directive would represent an additional instrument and supplement the existing Directive on public procurement.

In order to strengthen the compatibility of the gas and electricity sectors, as well as to facilitate intra-Union trade and exchanges taking into account the specificities of these sectors, a first step has been taken with the two Directives on the transit of electricity and the transit of natural gas. The proposals for the next step, which aims to introduce, among other things, the concept of third party access, are under discussion within the Council and the Parliament.

IV. Introducing competition into regulated sectors

The Internal Market is far from being a reality in certain sectors where national legislation and the granting of exclusive rights (monopolies) deny access to the market and prevent direct competition. The definition of an adequate legal framework which takes into account the requirements of public interest and the objective of economic and social cohesion is therefore a precondition for the introduction of competition into sectors which are of primordial importance for consumers and for the competitiveness of European industry.

In a number of sectors, the Commission and the Member States are considering how to achieve the liberalization of certain regulated sectors in ways which promote intra-Union competition while ensuring that public policy objectives (e.g "universal service") are fully realised. Different approaches have been proposed, with varying degrees of success in the fields of energy, telecommunications, and postal services. Further action is being prepared in the field of air transport.

- In the energy sector, the Commission has proposed two Directives, based on articles 57(2), 66 and 100 A, establishing common rules in the gas and electricity sectors². In the meantime, the Commission will persevere with article 169 infringement proceedings against Member States which impose restrictions on the import and export of gas and electricity. It will also continue to press for harmonization of licensing rules for prospecting, exploration, and extraction of natural gas and oil where a common position is expected to be adopted by the Council in the near future.
- In telecommunications, the Council has endorsed the Commission's proposal to liberalise competition in voice telephony by 1 January 1998³.
- In June 1992, the Commission adopted a green paper launching a consultation process on the development of a Single Market in postal services⁴. In the light of findings from this consultation process, the Commission may envisage a number of options for harmonization and liberalization concerning among others express deliveries, mailing of publications, mail advertising and cross-border mail.
- In the field of air transport, the Commission is preparing a proposal for the liberalization of ground handling facilities at Union airports.

It should be stressed that adoption of the legal framework is a necessary, but not a sufficient condition for the liberalization of intra-Union trade and competition in these sectors. The true functioning of an internal market requires that these rules be stringently upheld in such a way that economic operators have sufficient confidence in the legal framework as to take full commercial advantage of it.

² OJ C 65 of 14.03.92

³ Council Resolution of 22.07.93, OJ C 213 of 06.08.93

⁴ COM (91) 476 final

V. Measures to be withdrawn

Following on the discussion at the European Councils of Lisbon, Birmingham and Edinburgh, the Commission has proceeded to examine the entire body of Community legislation in order to give greater effect to the principle of subsidiarity. The conclusions of this review process have been presented to the European Council held at Brussels in December 1993. This review is designed to identify items of Community legislation which may be usefully rescinded, overhauled or simplified, either because the justification for those measures has been found wanting (necessity), because their effectiveness is open to question (criterion of effectiveness), or because the proposed measures are excessively restrictive (criterion of proportionality). The Commission has now reached conclusions concerning the withdrawal of a number of legislative measures, including several relating to the Internal Market field, as indicated in its Report to the European Council on the adaptation of Community legislation to the subsidiarity principle (COM (93) 545, 24.11.1993).

Section B - Managing the Single Market

The Single Market Programme was designed to put into place a legislative framework for a frontier-free Union. This phase of major legislative effort has now ended, and the emphasis must now be placed on ensuring that the rules of the Single Market operate effectively in practice. This means that the legislation adopted by the Community must be correctly transposed into national law, that the rules, once in place, must be strictly and evenly enforced, and that there must be effective means of redress for natural and legal persons adversely affected by breaches of Internal Market rules.

Ensuring effective transposition of Community law is primarily the task of the Member States. While about 85% of the necessary measures have been adopted, the Member States must speed up the process of completing the process for the measures which have entered into force. It is clear that people are looking to the Commission to ensure not only that this job is done, but that it is done properly. The Commission can contribute to a homogeneous interpretation of Community legislation. The Commission is also responsible for ensuring that the Member States fulfil their obligations with respect to transposition, and for a *posteriori* verification of the conformity of the national legislation, a major task for which the Commission does not at present have adequate resources. Where Member States fail in their responsibilities to ensure transposition or where transposition is incomplete or incorrect, the Commission will not hesitate to take the appropriate action under Article 169 of the Treaty. This may now include recourse to the provisions of Article 171 of the Treaty regarding the imposition of sanctions.

Enforcement is normally the responsibility of the Member State authorities, the Commission being responsible for ensuring that each Member State has provided for enforcement and that the system in place is adequate to the task. In a frontier-free Union, however, enforcement must be carried out on the basis of close co-operation and mutual assistance between the Member State authorities and between them and the Commission. A major effort is needed to ensure that this happens across the board in all areas of the Internal Market.

In a single market, individuals and firms need to know that there are adequate means of redress available if they need them. The Commission and the Member States must act, within their respective areas of competence, to help ensure that this is the case. The provisions in the Treaty on European Union on judicial co-operation provide a valuable framework in this regard.

It is an essential part of managing the Internal Market to evaluate the functioning of the rules, both in terms of practical performance and broader business and economic impact.

I. Ensuring conformity and transparency in the transposition of Community Directives into national law

Community legislation governing the operation of the Internal Market is largely in the form of Directives, an instrument which requires each Member State to adapt its national legislation by enacting "transposition" measures to give effect to the Directive. This has the advantage of allowing a degree of flexibility to Member States as to the

form of the legislation, taking account of their different legislative techniques. However, it also imposes the need for the Commission to ensure that the transposition measures are adopted and that they really correspond to the requirements of the Directives.

This task is a demanding and complex one due to the volume of legislation involved (for example, over 300 Directives in the area of agriculture) , the fact that many Member States transpose the requirements of a single Directive by adopting several pieces of national legislation (sometimes ten or more) and the technical complexity of the subject matter in many areas.

The Commission will continue to use a combination of methods to ensure that transposition legislation is complete and in conformity with Community Directives. These include:

- comprehensive monitoring of texts by Commission staff: this approach is adequate only in areas to which a relatively small body of Community legislation applies; in other areas, existing resources do not permit the Commission to complete the task by using this approach;
- use of external consultants: to overcome the problem of limited staff resources, the Commission has recourse to outside consultants to examine transposition legislation in some sectors; experience shows that this approach has limitations;
- multilateral and bilateral meetings with Member State officials: discussions with Member State representatives can assist in the interpretation of Directives and in identifying areas of difficulty; regular bilateral meetings are also held for the specific purpose of discussing transposition (see below);
- direct contact with economic operators in the sectors concerned: the various networks through which the Commission maintains contact with economic operators in the different sectors can be a useful source of information on problems with transposition measures;
- complaints as a means of identifying problem areas: this "passive" approach depends on individuals and businesses being aware of their rights under Community law and drawing attention to the problems they encounter with the legislation of Member States.

A preliminary review of the methods used and the problems encountered in monitoring transposition in a number of areas of Internal Market legislation is given in Annex 1. In many sectors, the resources available are clearly insufficient. The scale of the problem is such that it merits a more detailed examination in order to identify the most efficient approaches to the task, the precise resource requirements, and possible ways of reducing the need for transposition measures.

The Member States have the main responsibility for making their transposition measures more widely known; however the Commission can assist in making them more visible and actions in this respect are indicated below.

1. Monitoring the conformity of transposition measures

The Commission considers that it is necessary to examine further the most cost-effective way of ensuring the conformity of transposition in view of the resource problems identified above and in Annex 1. Enlargement of the Union will inevitably accentuate the problems in this regard, both in terms of the volume of legislation and the number of languages. The most effective ways of organizing partnership with the Member States with regard to this task should be reviewed. This examination should be linked with the examination of an issue on which there has proved to be a wide diversity of views, namely, the possibilities for using regulations rather than Directives in certain circumstances, thereby limiting the need for transposition. A communication on these subjects will be prepared for September 1994.

In order both to assist the Commission in its task of monitoring the quality of transposition and to improve transparency, future Internal Market Directives will continue to require Member States to refer in their transposition legislation to the Community Directives to which they relate, and, in addition, to provide transposition tables showing the correspondence between the Community and national measures. This procedure has proved its value, for example in the financial services sector. Member States will also be encouraged to provide transposition tables for existing legislation.

In those areas of Internal Market legislation in which the Commission relies heavily on complaints as a means of detecting problems, steps will be taken to make economic operators and the relevant networks more aware of the methods for drawing attention to difficulties they may encounter, if necessary by means of formal complaints.

The regular bilateral meetings which are already held with some Member States to discuss transposition will be widened to all Member States and emphasis on the conformity of transposition measures will be increased.

2. Providing access to up-to-date information on national transposition legislation

Firms or their advisers need to know where to look for information on Community legislation and national transposition measures relevant to their sector. With this in mind,

- all existing sources which give references to these, or where their full text can be found, both within the Member States and at Community level, will be listed;
- promotion of printed material and databases produced by the Commission and the Office for Official Publications which provide references will be stepped up;
- a survey will be made of user requirements in this regard, and, depending on the results of this survey, the existing INFO 92 database (and/or the booklets derived from it) will be adapted by end 1994;
- the CELEX database, managed by the Office for Official Publications, will be adapted so that it can be searched by a more user-friendly, form-filling technique, and its coverage of references to national transposition measures, including those concerning the Internal Market, will be brought up to date in 1994;
- a tendering procedure is in progress for the creation of an entirely new version of CELEX by the end of 1995;
- the Commission will examine, in conjunction with Member States and with private publishers, cost-effective ways of making the references or texts of national transposition measures more readily available;

II. Ensuring quality in enforcement

The main instrument for ensuring the effective and even-handed enforcement of Community law throughout the Union must be an adequate and properly functioning system of cooperation between the authorities in each Member State responsible for enforcement and between them and the Commission. This should result in the ready resolution of many problems, but, where the Commission considers that a Member State has failed in its responsibilities and takes action against the Member State concerned, it is appropriate to maintain a channel for dialogue, so that, even at this stage, solutions are reached on the basis of mutual agreement whenever possible. Finally, mechanisms are required to ensure that new barriers are not created, for example through legislative measures at national level which affect the operation of the Internal Market.

1. Administrative cooperation

The removal of barriers between Member States gives rise to a new situation in which Community law, and the way in which it is applied in other Member States, takes on greater importance for people and business in the Union. They need to feel confident that administration of the law is as reliable and effective as it is for their own national

Regulations. For public expectations in this regard to be fulfilled, it is essential that the authorities responsible for enforcing Internal Market measures maintain a high degree of cooperation and that they keep one another informed. This is particularly true where potentially serious consumer problems impose an urgent response, but should not be limited to cases where consumers' health is at risk. Naturally, enforcement falls within the competence of the Member States, and in many cases such cooperation is already a matter of course. In some sectors, such as animal and plant health controls, customs and taxation, and social security, it is already coordinated to a considerable degree at Community level, but in others enforcement is very uneven from one State to another. Existing co-operation, such as that which has existed in the field of social security since 1959, needs to be supported by specific measures, particularly the development of a communication and data-exchange network between administrations.

1. A framework for administrative cooperation

With this in mind, the Commission is transmitting a parallel Communication to the Council, for its consideration in December 1993, seeking to initiate a work programme to facilitate administrative cooperation, based on:

- a) an endorsement by the Council of a number of guiding principles for cooperation,
- b) a commitment by the Commission to carry out a survey of existing cooperation in Internal Market sectors, in particular in those areas where Community legislation does not already provide details on the enforcement of its guiding principles, with the aim of setting up or strengthening cooperation where necessary,
- c) supportive measures to be provided by the Commission

In another Communication, to appear by the end of 1993, the Commission examines the rapid response systems which have been set up to handle urgent cases arising out of the operation of the Internal Market and recommends some measures for tightening up procedures and further coordination.

The Commission is also preparing a Communication on cooperation between the Commission and national authorities in charge of the application of competition rules.

In view of the considerable success of package meetings, an instrument of partnership between the Commission and the Member States which is designed to arrive at non-contentious solutions to existing litigation concerning national compliance with Community law, the Commission will, as appropriate, extend them to all Member States and increase their frequency.

2. Support for administrative cooperation

The Commission, within the limits of its competence and its resources, will undertake a programme of supportive measures, which will depend on the sector concerned, but will include:

- a) the development of a communication and data exchange network for Union administrations

The growing need for administrative co-operation requires the establishment of an efficient, reliable and user-friendly system of communication and data exchange between administrations, in particular electronic mail. Electronic mail on the basis of the X400 series of standards can provide the capabilities required for a large number of different types of information exchange, under the condition that the components of such a network all comply with the same interoperability requirements. Such an electronic mail network can only be considered genuinely operational if a sufficient number of systems is connected to and interconnected via an operational electronic mail service ensuring communications with all administrations concerned. Administrative co-operation will only benefit from this communication facility if it is generally available; it must reach a certain critical mass of compatible end-user systems and corresponding network facilities. What is called for is:

- an accelerated and wide-ranging introduction of an e-mail network (EUROMAIL),
- combined with a high degree of co-ordination between the thirteen administrations involved
- a series of flanking measures in order to facilitate the operational use and further development of the network.

The Commission proposes that this initiative to be taken by Union public authorities quickly in order to achieve with minimum delay a priority objective - the effective management of the Internal Market - while at the same time contributing directly to reduced costs for business and the citizen. To this effect, the Commission aims for:

- an early decision by the Council, to adopt a single technology (X400) as the basis for electronic mail in all administrations concerned with the management of the Single Market and to lay down conditions for co-ordinated implementation and Community financing;
- the progressive installation of the necessary systems by the thirteen administrations concerned, i.e. both at Community and national level, in the departments involved in the management of the Internal Market and the decision-making process of the Union, on the basis of the commonly agreed interoperability requirements, and their interconnection with the purpose of establishing an electronic mail service, a process which should be completed by the end of 1995;
- the establishment of mechanisms for Community financial support in particular via TNA/IDA, for implementation of EUROMAIL on the basis of commonly agreed principles and transparent procedures;
- a series of flanking measures related to the operational use and further development of the EUROMAIL network, such as a planning process to provide a comprehensive view of needs, common security rules and procedures; harmonised data protection rules; information exchange on administrative procedures.

During the survey on administrative co-operation particular attention will be given to the needs of the administrations to exchange information in order to identify additional demand, bottle-necks and missing networks, as well as priorities for implementation. The results of the survey will be used within the proposed IDA programme (Interchange of Data between Administrations) to support the co-ordinated implementation of projects of common interest and to ensure interoperability between networks and network components.

Other measures

b) the development of **interpretative guides** to legislation and the publication of interpretative communications by the Commission, to assist with consistent enforcement, such as for example:

- Interpretative guides
- in the public procurement sector, interpretative guides for supplies, works and services (including water, transport, energy and telecommunications) and a guide, for each Member State, on the national rules applicable to public procurement;
- Interpretative communications
- revision of interpretative communications on parallel imports of pharmaceutical products and on procedures for the reception and registration of motor vehicles (1994);
- adoption of interpretative communications on sectors where examination of the situation in Member States shows the need to ensure the freedom of movement: quality labels, fairs and exhibitions, personal importations of medicines, distribution of newspapers and magazines, and certain forms of sales promotion (1994-95);
- adoption of an interpretative communication on the application of the principle of mutual recognition to trade in industrial products.

Such guides and communications will of course be of assistance not only to enforcement authorities but also to the economic operators concerned.

- c) pursuit of the existing schemes for exchanges of officials between the Member States, such as the KAROLUS programme and the MATTHAEUS programme for customs officials;
- d) the organization of ad hoc meetings, seminars and conferences on enforcement issues;
- e) the collection, translation and circulation of information on national enforcement structures and practice;
- f) On the basis of the sectoral review referred to under 1b) above, evaluation of the possible need for Community aid to strengthen administrative infrastructures.

In areas where cooperation based on Community Directives is just starting, such as scientific cooperation in the area of official control of foodstuffs, adequate means should be provided in order to ensure the effectiveness of this cooperation.

In areas where cooperation is already strong, it can be expected that existing structures will continue as before, or be further developed, as in the recent proposal for customs and agriculture⁵.

⁵ Amended proposal for a Council Regulation (EEC) on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs or agricultural matters - COM(93) 350 final, 1.9.93

2. Preventing the emergence of new barriers

There would be little point in implementing the Single Market programme to eliminate obstacles to free movement if this freedom were allowed to be eroded through piecemeal legislative change by Member States.

The Commission wishes to underline that Member States should examine whether intended national legislation may unduly put at risk the free circulation of goods, persons, services and capital as provided for under Article 7 A.

While the Commission intends to have due regard to the principle of proportionality in respect of future Community legislation for the operation of the Internal Market, it is also up to the Member States to exercise restraint in the development of national legislation, the adverse effects of which on the operation of the single market may be disproportionate to the benefits at national level.

The potential negative impact of national regulatory activities should not be underestimated in areas where, in keeping with the principle of subsidiarity, the Community intends to develop common actions based on the use of voluntary and consensual instruments (standardization, intra-professional agreements etc.).

A notable example of an instrument which enables the Union to avoid the introduction of new barriers by means of a procedure which ensures transparency is Directive 83/189/EEC which requires the notification of legislation or standards which could have implications for the free movement of goods. A proposal to amend the directive in order to fill gaps in its coverage has reached a common position in the Council. As regards financial services, notification requirements for cases of refusal of mutual recognition of credit institutions, insurance undertakings and investment firms, (and also for cases where sanctions are applied) are provided for in the relevant Directives⁶. Member States must inform the Commission of the cases in which they refuse to allow institutions to set up branch establishments in another Member State, and the Commission reports every two years.

The actions described below are designed to extend such procedures in the interests of the proper operation of the Internal Market.

1. Mutual Information on national rules derogating from the principle of the free movement of goods

Now that we have a single market in which priority is to be given to mutual recognition in cases where national rules have not been harmonized, steps must be taken to ensure that, where a Member State, in order to satisfy a mandatory requirement or one of the grounds specified in Article 36 of the Treaty, makes an exception to the principle of the acceptance of goods coming from other Member States, this is immediately brought to the attention of the Commission and the other Member States.

Only transparency can enable barriers to the free movement of goods to be dealt with swiftly

- either, and preferably, on a voluntary basis between the Member States concerned,
- or, if necessary, at Community level before such problems produce all their adverse effects on businesses, consumers and, more generally, Union citizens.

Following its communication to the Council and Parliament on management of the mutual recognition of national rules after 1992, the Commission will propose before the end of 1993 the establishment of a simple procedure for the exchange of information between Member States and with the Commission that will enable the Community to monitor the mutual recognition of national provisions which have not been harmonized at Community level.

⁶ Directive 89/646/EEC, Article 21; Directive 92/49/EEC, Article 40; Directive 93/22/EEC, Article 19

2. Notification procedures in the field of services

The Commission is considering whether, in the non-harmonized area, more formal notification procedures for new legislation affecting services may be necessary, at least in some sectors. The first example will be in the Green Paper which is being prepared on Commercial Communication in the Internal Market which will envisage the introduction of a system of prior notification of draft national legislation in this area.

3. Sanctions against infringements by Member States

The new Article 171 of the Treaty allows the Commission to bring the case of a Member State which has failed to comply with a ruling of the Court of Justice before the Court to specify the amount of the lump sum to be paid by the Member State concerned. If the Court finds that the Member State has indeed failed to comply with its judgement, it may impose a lump sum or penalty payment.

It is necessary for the Commission to clarify the ways in which it will make use this new power, as well as certain existing powers.

- The Commission, in the light of whatever cases arise, will consider what line to take and what criteria it intends to apply in the context of Article 171 of the Treaty.

III. Redress: Access to justice and judicial cooperation

Management of the Union area implies that national and Community institutions have the necessary means, where Community law is violated, to ensure that it is respected: this is a fundamental requirement of any legal system. The situation in the Union is a unique one, in that the application of Community law depends, by and large, on the separate jurisdictions of the Member States. The coming into operation of the Internal Market will inevitably result in an increase in the number of cases in which residents of one Member State will need to claim their rights in another: conversely, doubts about the possibility or the facility of doing so represent a significant obstacle to cross-border transactions, and therefore to the proper operation of the Single Market.

It is not for the Community to seek a harmonization which would eliminate the distinctive features of national jurisdictions. However, both Member States and the Commission have a duty to take the necessary steps to remove the kind of doubts referred to above so that the Single Market is not impeded. At a basic level, this means improving knowledge of Community law, so that, without prejudice to the jurisdiction of the European Court of Justice under the EC Treaty, the capacity of national courts to apply Community law is optimised: this requires action with regard to information, including improvements to the transparency of Community legal texts, and with regard to training in Community law. Wider issues, such as facilitating access to the courts also require consideration. The inter-governmental conventions of Brussels and Rome are of particular importance to the Internal Market: their ratification by the Member States must be completed, and possible improvements must be examined.

Greater transparency is necessary with regard to the sanctions applicable to breaches of Internal Market law. The Member States have recognized, in a declaration annexed to the Treaty on European Union, that measures taken by the different Member States

should result in Community law being applied with the same effectiveness and rigour as in the application of national law.

The coming into operation of the Treaty on European Union, and particularly the "third pillar" concerning cooperation in the fields of justice and home affairs, provides a new context for advancing in this area. The Commission will strive to promote actions designed to encourage coordination and cooperation in the judicial field between Member States and the Commission. Specific forms of cooperation may also be envisaged with the Court of Justice of the European Communities, particularly in promoting wider knowledge of the jurisprudence of the Court.

The following action programme will be developed over the years 1994-1996.

1. Improving access to legislation

Adoption by the Council in 1994/95 of a Partnership Plan for Dissemination (PPD) to ensure wider dissemination of knowledge of Community law in legal circles. The competent national authorities and the professional circles concerned (magistrates, judges, lawyers, legal advisers, solicitors, court clerks etc.) will be consulted starting in early 1994. The plan should cover:

- specific actions to improve the presentation, the media, and the effectiveness of the means of access to Community legislation; these actions will build on initiatives already under way: the legislative consolidation of Internal Market law in accordance with the needs identified by the Commission; provision of informally consolidated texts and improvements to the INFO 92 database and to CELEX (see also section on information and communication);
- adoption of an interpretative communication on the liability of the State following a violation of Community law (Francovitch and Bonifaci ruling) in 1994/95, once the Court has ruled on two pending cases in this area;
- adoption of an interpretative communication on the free movement of services, followed by one on the right of establishment; more specific sectoral communications will be prepared as required;
- improving the transparency of national sanctions by requiring that they be systematically notified with transposition measures; appropriate provisions will be written into future legislative proposals in the Internal Market area and Member States will be asked to communicate information in relation to existing legislation.

2. Encouraging recourse to the national courts

National courts must be in a position to resolve a larger proportion of cases concerning the conformity of rules or behaviour with Community law - the number of which can be expected to increase substantially in the context of the Single Market - if the the Commission and the Court of Justice are not to be inundated. Two initiatives are envisaged in this regard:

- A Partnership Plan for Training (PPT) aimed at improving the awareness of and training in Community law of the legal profession. Simple solutions, avoiding the creation of unnecessary structures, will be favoured, including better exploiting existing possibilities in the framework of the activities of European institutes receiving support from the Community, such as those of Maastricht, Trier, Bruges and Florence, and the approaches proposed will take account of the heavy demands on the time of magistrates and judges. A Recommendation encouraging Member States to ensure a greater emphasis on Community law in the training of young lawyers will be an integral part of the Plan, which should be adopted in 1995.
- The Commission will publish, in late 1993, a Green Paper on "Access to justice for consumers and the resolution of consumer disputes in the Single Market". It examines the national procedures, both judicial and extra-judicial, for consumer disputes, and the pilot projects which the Community has financed in this area, and indicates the difficulties in applying them in the case of cross-border disputes. The solutions proposed will be the subject of wide consultation.

3. Reinforcing the mutual recognition of judgements

The Brussels Convention is designed to ensure that a commercial judgement, once obtained in a Member State, is recognised and enforced in other Member States with a minimum of formalities. This convention is a key element in the framework of the Internal Market.

Ratification of the extension of the Convention to Spain and Portugal should be completed by Belgium, Denmark, and Germany.

In the context of Judicial Cooperation, an analysis is under way of the effectiveness of the Convention. The Commission will play its part and take any action that may be required on completion of this analysis and will report on progress at the end of 1994.

4. The Internal Market and conflicts of laws

Action is required by all Member States except the Netherlands to complete ratification of the extension to Spain and Portugal of the Convention of Rome on the law applicable to contractual obligations.

As the traditional approaches to the conflict of laws in the context of international private law do not take account of the requirements for Intra-Union cooperation in a Single Market, an analysis will be undertaken of the effectiveness of the Convention. This will commence with a survey among Member States and interested parties which could form the basis for proposals to improve the application or widen the scope of the Convention.

IV. Evaluating Community rules

Systematic evaluation of the effectiveness of Internal Market legislation and related policy actions is indispensable if shortcomings in the new framework are to be swiftly rectified, and if the potential economic and social improvements flowing from the Programme are to be maximised. Business, consumers, local and national authorities and Community institutions have a shared interest in detailed and accurate assessment of the impact of the Internal Market. The strategic objective for the Commission is to develop a network of contacts which will allow the monitoring activities undertaken by the various parties concerned to be harnessed for this purpose. By facilitating communication and the exchange of ideas and findings between the various parties, such a network could allow the Internal Market framework to be fine-tuned and improved upon.

1. Evaluating the practical performance of Internal Market legislation

This process of evaluation should have a two-fold focus. The first involves monitoring the performance of Internal Market measures in eliminating the relevant trade barriers and highlighting areas where they may have to be further developed in order to realise fully their objectives.

For example, the removal, for over a year, of veterinary and phytosanitary controls at the Union's internal borders makes it necessary to evaluate the European legislation adopted in the animal health sector for the implementation of the single market. Many problems have arisen in the light of this experience. It is therefore appropriate to draw conclusions and to take the necessary measures for adaptation. Freedom of movement remains the basic objective of the legislation and every measure should be limited to scientific and veterinary requirements. To be effective, measures to combat diseases should be adapted to the epidemiological situation and the regulatory measures should be sufficiently flexible to permit adaptations both as regards the veterinary situation and the regions concerned. Mutual confidence must be strengthened, the identification of animals traded in the Internal Market must become a reality on the ground. Finally, the agreed control posts at external frontiers must strictly respect the norms which have been laid down.

The Commission will increase its cooperation with the Economic and Social Committee in pinpointing areas for further action based on information provided by the ESC, including information gathered within the context of ESC hearings to which a

number of representative organizations will be invited to present their experiences in the operation of Internal Market legislation.

It will also develop its use of advisory and monitoring committees in the fields of technical legislation for industrial and foodstuffs sectors, transport, environmental legislation, financial services, public procurement, customs legislation, and commerce and distribution, and will extend this practice to other areas where appropriate.

The Commission will develop its contacts with bodies having day-to-day experience in the application of Internal Market measures and the operation of mutual recognition regimes, and other organizations with specialist knowledge through:

- A two-way exchange of information with the Commission's network of Euro-Info Centres - The Euro-Info Centres, and their host structures are already proving their worth as a source of feedback on progress in removing trade barriers. The Commission proposes to request Euro-Info Centres to submit regular reports on the experience of SME's with respect to the impact of Internal Market legislation.
- A series of studies in transfrontier regions to be launched in 1994 - In transfrontier regions, companies are confronted on a daily basis with differing administrative and legal regimes and practices. These regions could be used as test-cases to establish whether Internal Market initiatives have led to improvements for economic operators, and in identifying further areas for action.
- The organization of sectoral workshops - Should the volume of complaints transmitted to the Commission suggest that the application of Internal Market measures in certain sectors is bedevilled by problems, sectoral workshops to study these problems will be organised by the Commission services concerned in collaboration with the relevant professional organizations.
- The development of sectoral monitoring tools - A prime example of this type of action is the setting up, within the public procurement Consultative Committee, of an observatory by the end of 1993. In the financial services field, the Commission will present studies on the application and impact of Internal Market legislation to the Council or relevant committees of the financial services sector. For example, the Commission is required to submit a series of 14 reports on specific issues regulated by Directives, e.g. a report on the functioning of the directive relating to the Type Approval of motor vehicles, which is due at the end of 1994. The Commission will also organise special studies on Open Network Provision (ONP) and mutual recognition of terminal equipment.

2. Evaluating the broader business and economic impact

The second focus for evaluation involves the broad assessment of the business and economic impact of the Single Market. This will allow Community and national policies to be adapted in the light of structural effects generated by Single Market completion. For example, feedback on the practical impact of Internal Market legislation and mutual recognition regimes could reveal cases where the removal of physical, legal and technical obstacles to intra-Union trade and competition may need to be supplemented by application of competition policy safeguards if the pro-competitive potential of the Internal Market is to be realised. Complementary actions, such as in the field of training, may be required to help enterprises or workers adjust to new economic circumstances.

The Commission will give greater attention to analysis of the impact of the Internal Market on business dynamics and strategies and market structures through:

- The development of statistical tools for evaluating the effect of the Internal Market. Discussion between Commission services concerned have begun with a view to collection of data in 1994.
- Specialised statistical tools in specific Internal Market fields - Statistics forwarded by the Member States to the Commission in compliance with Community Public Procurement Directives will be exploited through the development of an "Executive Information System". This system will deliver user-friendly performance indicators and reports illustrating progress in the liberalization of public procurement. Specific information and data gathering networks are being developed in the transport field under the aegis of the EURET programme.

- Finalization of a framework regulation on business statistics, replacing the current annual survey on industrial structure and extending the scope into the services sectors, to improve availability and comparability of high-quality statistical information needed for the evaluation of economic activity in general and the follow-up of the effects of the Internal Market in particular.
- Specific coverage of the impact of Internal Market on individual sectors in future editions of the Panorama of EC Industry (1995 edition), and more detailed treatment of Internal Market related aspects in future editions of the annual report of the SME Observatory.
- Building a network of research centres with a proven background in Internal Market analysis (deadline end 94).
- Drawing on the results of studies undertaken by the Member States.
- The launching in 1994 of a wide-ranging study on the business and economic implications of the Internal Market - The Commission aims to publish the terms of reference for this study which will lay down the parameters and get the analysis under way. In its Resolution of 7 December 1992 inviting the Commission to undertake such an analysis, the Council has asked that this study examine the impact of the Internal Market on a broad range of factors including economic and social cohesion, and its contribution to sustainable non-inflationary growth respecting the environment.

3. Strengthening the INTRASTAT statistics collection system

The cessation of customs formalities on 1. January 1993 has led to the setting up of a system for the compilation of statistical information on the flow of goods between member states, this information being supplied directly by enterprises. (INTRASTAT)

The changes induced by this new system are of such a magnitude that national administrations, who only had a limited amount of time to take them into account, are still being confronted by major problems both at the level of compilation and analysis of the information.

The experience gained in this instance and the analysis of the first published results invite caution. Nevertheless, the Member States and the Commission have wasted no time in either taking or envisaging measures which would improve the system in an appreciable and rapid manner.

The principal difficulties to be overcome are as follows:

- The level of response from enterprises - It is not easy to gauge this level. There exists no past information for enterprises in all the Member States taken together and a systematic comparison of the results with those gleaned from a fiscal source has not yet been possible. Nevertheless the level of non-response has been estimated as between 10 and 25% of the number of operators, according to Member State, being 5 to 10% of the total by value. This phenomenon, which seems particularly to concern small enterprises, will necessitate a significant mobilisation of resources to improve the level of coverage. Following action on reminders taken in most Member States, the situation seems to be improving.
- The delay in the transmission of declarations - Despite the intensive information campaign carried out by national administrations with the support of the Commission, the late publication of regulations has not always enabled enterprises to adapt their administrative organisation in time. There have ensued from this important delays in the transmission of declarations, which are being progressively reduced.
- The classification of goods - The level of detail of the combined nomenclature has resulted, principally for those SME's without computer systems, in a complexity and multiplication of the number of lines to be declared. This last effect has been accentuated by the absence of a threshold for each transaction, the thresholds

being fixed in the new system by enterprises as a function of their importance in intra-community trade. The supply of certain information, according to its position in the combined nomenclature (notably net mass) has on occasion posed a problem.

- The link with taxation - This is one of the major characteristics of the INTRASTAT system. The constraints which it imposes on the level of the statistical declaration to determine the reference period or for the treatment of certain movements of goods(contract work for example) complicate to some extent the economic significance of the statistics and the comparison of the two sources.
- The treatment of the information - The lack of time for the adaptation of the computer systems of national administrations has had negative repercussions for the treatment of information, which has led to delays not only in the pooling of intra community information but also on trade with third countries. The statistical services have also had to come to terms with the considerable increase in the number of line of declaration with which they must deal. The application of thresholds has had a certain simplifying effect for the vast majority of enterprises but has resulted in a degree of complexity for national administrations in handling the data.
- Computerised and telematic methods - The products developed in the ambit of the EDICOM project, whether for alleviating the burden of declaration for Member States, or those designed to automate the processing operations of national administrations, are now very useful but had a difficult beginning due to their late arrival on the market and the time required to set them up

In the face of these difficulties, national administrations and the Commission have wasted no time in reacting and in either making or proposing appropriate measures.

The measures are aimed at curtailing the level of non-response: information campaigns and campaigns to remind enterprises as to their obligations of declaration have been conducted in the majority of Member States in the course of the first semester and are now beginning to bear fruit.

To complement those measures taken by the Member States (reminders, correcting information, enquiries, improvement of registers...), the Commission has proposed a package of actions now in the course of being implemented:

- setting up of a working group on the definition of methods of adjustment and estimation for data collected.
- proposal for a draft regulation to be proposed by the Commission with a view to simplifying the task of those liable to make returns, notably as to the classification of certain types of goods, to the provision of net mass for certain products and to the declaration of low value transactions.
- the development of and adaptation to needs of each Member State of computerised and telematic methods.
- proposal for a draft Commission regulation with a view to obtaining within a reasonable time limit and in a regular manner the results from the Member States.
- installation of a system for the exchange of provisional results, at an aggregate level, to precede the provision of more detailed information.

To conclude, it is advisable to underline first of all that the situation has improved considerably in the course of the year, but still varies considerably by Member State. The countries who have opted for a single declaration for both statistical and fiscal purposes (France, Italy) or for two declarations but made concomitantly (Greece) have been able to provide detailed statistics within a satisfactory time limit.

For the others, the delays observed in the making available of the results are decreasing. However, to return to a normal situation will require considerable effort, in particular as regards improvement in the quality of the content of the information.

At this stage the majority of Member States do not consider that there is a need to carry out fundamental revisions to the INTRASTAT system, and that it is advisable at the outset to assure the effectiveness of the proposed measures for improvement.

V. Resources

Management of the Internal Market will involve a fundamental change in the tasks of both the Commission, which will have to assume new responsibilities for the supervision of the application and enforcement of Community legislation, and the Member States, which will have to cooperate more intensively than ever before. These changes also have implications for the total level of resources devoted at national and Community level to making the Internal Market work.

To some extent existing resources may be sufficient provided that they are used in new ways. Thus it may be possible for certain Commission departments to devote more manpower to checking the quality of national transposition of Community law, to handling complaints from the public or to questions of interpretation of existing directives, insofar as they are no longer heavily involved in the development and negotiation of new Community legislation. There are, however, limits to this approach, some of which have already been illustrated in earlier sections of this document: the volume of national legislation to be examined may be very great, complaints or questions of interpretation may be complex, the same department may still be actively involved in proposing new legislation including some of the large number of implementation measures required under existing legislation. For some tasks it is already clear that existing resources cannot be stretched further.

The Commission believes that the effective management of Community legislation for the Internal Market will be a more resource-intensive task than its preparation. The Commission's current resources, expressed in terms of manpower or budgetary appropriations, are remarkably modest compared to those of national administrations for the same purpose and to general expectations as to the Commission's responsibilities. Without more resources in some areas the Commission will not properly be able to exercise its responsibilities.

The Commission will therefore consider in its preparation of proposals for the 1995 budget to what extent its priorities need to be revised in order to take more account of the costs of managing the Internal Market. Some of the actions foreseen in this programme, such as the survey of administrative cooperation mechanisms will provide additional information on which to base additional budgetary requirements. The Commission assumes that it can count on the support of the Council and the European Parliament in this exercise.

Section C - Developing the Single Market

The completion of the basic legal framework foreseen in the 1985 White Paper and action to ensure that Community legislation is effectively and evenly applied, as described in the preceding parts of this programme, already represent a significant contribution to the proper functioning of the Internal market. The freedom of movement for goods, services, persons and capital, the original objective of the White Paper, will provide the necessary basis for economic recovery and the future competitiveness of the Community economy.

But such a static view of the single market, in which the management of existing legislation is judged to be sufficient, will fail to deliver the full economic and practical benefits of a single market. In its June 1993 working document the Commission included a number of additional measures, some but by no means all involving legislative initiatives, which were put forward as a means of providing added value to the existing Community legislative framework by addressing problems that were not necessarily foreseen in the White paper and which reflected the preoccupations and priorities of those operating in the market.

The response from the market was loud and clear. The view that there is still unfinished business for the Community in this field was largely supported by the reactions to the Commission consultation on the basis of the working paper. Organizations representing industry and business interests strongly supported continued harmonization of legislation in a limited number of fields, such as direct taxation and the protection of intellectual property, and small business pressed for additional measures which would help them to participate more in the opportunities opened up by the creation of a single market. Consumer organizations, while welcoming the Commission's commitment to protect the consumer interest, urged a far more ambitious approach. A large number of respondents, including the European Parliament and some national governments, insisted that more needed to be said about the role of competition policy in the operation of the internal market. Others raised the issue of ensuring compatibility between the management of the internal market and the Community's commitment to sustainable development and the protection of the environment.

The other Community institutions also supported the inclusion of a dynamic component in the Strategic Programme. The European Parliament declared that the Community should reject a "wait and see" attitude and should pursue further action in the internal market field with a view to promoting economic growth. The Economic and Social Committee expressed broad agreement with the Commission's views concerning the development of the internal market, putting emphasis on the need for interaction with other Community policies and the need for a more integrated approach to trans-European networks. The Presidency conclusions of the Internal Market Council of 27 September support the political appropriateness of a programme to include, where and to the extent necessary, the dynamic development of a single market at the service of the citizen.

The Commission is therefore bringing forward a package of measures which constitute a "second phase" in the development of the internal market. These measures have been selected on the basis of a number of guiding principles which take account of the new circumstances in which the Union now finds itself.

- First, there is an overriding need to promote greater competition within the single market. The legislative barriers to market entry that have now been removed must not be replaced by anti-competitive behaviour by market operators. Increased vigilance by public authorities will be necessary to make sure that the single market is indeed open to all on equal terms.
- The development of the internal market must take account of the broadening of the Community's policy objectives under the Treaty on European Union, the entry into force of which constitutes a new point of departure for all Union policies. The confirmation of the importance of environmental, industrial or consumer protection policy, as well as the need for trans-European networks, must lead to a re-appraisal of existing policy in the internal market field.
- The full economic benefit of the single market must be exploited in order that the expected improvement in European competitiveness and economic performance can be accelerated. This will require a new flexibility in the choice of policy instruments. In some cases it will be necessary to rely on voluntary instruments or organizations, assisted and promoted where appropriate by public authorities, such as in the standardization and quality field. In others, such as company law, taxation or intellectual property protection, for example, it will be necessary to provide a more favourable legal environment in order to encourage companies to operate on a continental scale. The putting into place of large-scale physical infrastructure, in the form of trans-European networks, is also clearly aimed at this objective.
- Finally, the changing political context within the Union requires new working methods for the development of internal market policy. All major Community initiatives in this area must be based on transparency and regular assessment of the appropriateness of policy. The public is becoming more demanding in terms of information; citizens must be kept efficiently and systematically informed about the rights and advantages which they obtain from the internal market.

The following section therefore presents a broad mix of policy instruments, in which new legislation plays a relatively small part. A large proportion of this part of the programme concerns the promotion or use of a voluntary approach to achieve the Community's objectives. Where, however, additional legislation is thought to be necessary for the internal market, it will be developed on the basis of proportionality, transparency and close consultation, as this Strategic Programme itself has been. The Commission intends where appropriate to publish its major legislative intentions at an early stage so as to permit interested parties to make their views known as to whether legislation is needed and what form it should take. The indication of the areas where legislative initiatives may be needed which follows is the first step in the process; each proposal will be the subject of further consultation.

As is indicated in Section E below, this part of the programme will be regularly evaluated in the light of the Commission's Annual Report on the operation of the Internal Market.

I. Transparency and proportionality of new Community measures; transparency of procedures; communication and information

Transparency, as regards the Community legislative process, legislative texts, their application and their implications for individuals and firms, is a key to bringing the Union closer to its citizens. In order both to appreciate the possibilities offered by the

Internal Market and to be able to make use of those possibilities, people throughout the Union need information about the laws that apply to them. They also need the assurance that new laws are introduced only where they are needed, that they minimise compliance costs, and that they are coherent, both in themselves and vis-à-vis existing laws. The actions outlined here are designed to contribute to these objectives; however, the other Community institutions and the Member States must also play their part.

1. Transparency and proportionality in preparing new Community legislation

In order to ensure that Community legislation for the Internal Market is fully coherent, each new legislative initiative should be evaluated in accordance with an analytical framework serving as a guide for the Commission from the earliest stage of preparatory work to the adoption of the measure.

Evaluation of the need for legislation is a task that the Commission cannot undertake without consulting those who would be affected by it. A procedure for the publication of legislative intentions by the Commission at an early stage in the preparation of proposals for Community measures will ensure that interested parties become aware of the intention to legislate and will also contribute to the development of legislative proposals.

The principle of proportionality helps to maintain coherence, by ensuring that each intervention has a degree of regulatory intensity that is in proportion to the real needs and the effectiveness necessary to the attainment of its objectives.

Transparency, proportionality, and coherence in legislation

The Commission will prepare, by mid-1994, on the basis of an initial examination already undertaken in the context of the follow-up to the Sutherland Report, systematic guidelines for the evaluation of the need for Internal Market legislation, the form it should take and its internal and external coherence. This method will take account of

- the origin of the demand for intervention; the identification of the Community objectives concerned;
- the identification of an obstacle to free movement justified in terms of Articles 36 or 56 of the Treaty or of the jurisprudence of the Court, or necessary to legal security or the proper functioning of the market where the operation of mutual recognition poses practical problems;
- the economic impact of the proposed legislation: advantages for the economy as a whole (rather than simply for the sector directly concerned) and additional costs to which it will give rise; the Commission will examine the methodology which would enable such analysis to be undertaken, in conjunction with its commitment to improve and strengthen the business impact assessment system and to consider the use of detailed cost benefit analysis when making proposals for Community legislation;
- the application of the principle of proportionality to determine how harmonization should be achieved, in terms of the type of instrument (legal or voluntary) and its content, to ensure that the action does not exceed what is necessary to secure the objectives of the Treaty; techniques of harmonization will be considered on a scale ranging from the promotion of voluntary instruments, through optional harmonization, and minimum harmonization to full harmonization;
- coherence will also be ensured by improving the Commission's internal consultation procedures.

The Commission approved, on 2 December 1992, a communication entitled "*Greater transparency in the work of the Commission*", in which a procedure is provided for particularly concerning notification. This involves publication by the Commission, in certain cases, in the Official Journal (C Series), of a brief summary of the initiative envisaged, together with information on the way to obtain copies of the document. The Commission will endeavour to ensure that this method is effectively put into practice.

The use of Green Papers, in particular, should be encouraged, in order to promote greater participation by the parties concerned.

2. Communication and information measures

For people and businesses in the Union to enjoy the advantages of a large, frontier-free market, they need to be informed on the possibilities it offers and have channels open through which to communicate their needs. This need is significant for several aspects of Internal Market policy, such as access to justice, administrative cooperation, and further aid to business, especially for organizations providing advice for small business, and is also referred to in the sections of this Programme which deal with these aspects.

The Commission is developing a communication strategy involving all the Community institutions, national administrations and non-governmental organizations, in a systematic and coordinated way. In this regard, it adopted, on 30 June 1993 the communication "*The Information and Communication policy of the Commission - a new approach*". Furthermore, a first Commission Decision had already been made on 5 May 1993 outlining the strengthening of information and communication for the Single Market. The identification of key audiences has established that the general public, youth, the consumer, industry and business, information officials in national administrations are priority audiences for 1994. This strengthening will continue by the setting of key objectives (starting with those areas where the lack of information is the greatest) and organize the resources which are available at Community and national level, on the basis of a partnership with the Member States.

So far as its direct provision of information is concerned, the Commission will increasingly have recourse to media specialists to provide, in a more professional and targeted way, information on the operation of the Internal Market.

The Member States are well placed to conduct publicity campaigns, due to their existing systems, greater resources and knowledge of specific local factors. The Commission will strive to coordinate more closely with them, for instance by publishing a complete list of national and Community-level information campaigns, and in providing them with the necessary publications and access to Community databases.

Professional and Trade Associations also have a role to play, both on their own account and as intermediaries for the Commission (for instance through the EIC and the Office network) and by expressing the information needs of their sectors. For example, regular meetings with organizations representing SMEs can be developed with a view to improving the flow of information to these organizations concerning relevant Community activities.

■) Information provided by the Commission

- **Annual Report on the operation of the Internal Market**
 - This will be published at the end of each year in order to improve transparency of legislation and its implementation, extending the coverage already provided by various reports⁷ on the implementation of the 1985 White Paper to the whole operation of the Internal Market.

⁷ Communication of 2 December 1992 on the Operation of the Community's Internal Market after 1992 - Follow-up to the Sutherland Report (SEC(92)2277 final); Commission Communication of 2 June 1993, on Reinforcing the Effectiveness of the Internal Market and Working Document of the Commission on a Strategic Programme on the Internal Market (COM (93) 256 final).

- The annual report will come in two parts. The first part has a political orientation and includes a summary of the report and the main points arising in the past year. The second part includes the most relevant information on the operation of the Internal Market and assesses the measures taken in the various sectors. Thus it covers legislation which existed before 1985, the new developments in the *acquis communautaire* and policies which were not in the White Paper proposals.

- **Databases**

- The principal database which provides information on the Internal Market is INFO 92, which has been progressively incorporating informative "consolidated versions" of Internal Market legislation in all nine official Union languages, in addition to its coverage on Community legislation and preparatory acts and references to national transposition measures, questions and answers on the Internal Market and a section on social policy. The consolidated legislation to appear so far covers pharmaceuticals, foodstuffs and company law. For the general public, a new section answering key questions on EUROPE WITHOUT FRONTIERS is being established. This response to the needs of the general public and its development will be pursued vigorously in 1994. The way in which all this information is distributed must evolve to reflect needs post-1992, and as indicated above under "Providing access to up-to-date information on national transposition legislation", a survey will be carried out in early 1994, and any changes made will be based on the results of that. The diffusion of the INFO 92 database will be improved by making it available on the wider public European networks.
- CELEX, now run by the Office for Official Publications, remains the chief source of full-text data on legislation and case law, including that concerning the Internal Market. The Commission will maintain close liaison with the Office, in order to ensure that the process of modernisation which is under way permits the acceleration of the introduction of texts and thereby increases its efficiency.
- TED, the Tenders Electronic Daily database for public procurement contracts, will be the subject of proposals for it to be made more accessible and user friendly.

- **Printed Information**

- A new brochure on the Internal Market in the "Europe on the move" series will be published in early 1994, to be updated later in the year to include this Strategic Programme. Most of the contents of INFO 92 are also available in printed form, and this coverage will be extended during 1994 to include the EUROPE WITHOUT FRONTIERS questions and answers and consolidated Community legislation, in the latter case starting with the pharmaceutical sector, in a compilation which includes the original and amending texts.
- The Commission is studying the feasibility of a periodical covering its documentation and databases, which would also serve as a contact point with national administrations.
- The Commission will encourage the production of guides and leaflets on comparative testing.
- A European Guide for Consumers in the Internal Market will be published. The Guide is intended to give consumers in the Union a simple and practical overview of what Community consumer policy has provided.
- The Commission will improve the quality and distribution of its newsletter on the Internal Market, which will be published at least four times annually from 1994.
- The existing guides to the different national social security systems for migrant workers will be updated, and the possibility of providing information on other supports, e.g. videotapes or telematic services, will be explored.

- **Fairs and Exhibitions**

A decision will be taken at the beginning of each year concerning Commission participation in fairs and exhibitions which are concerned with the development of the Internal Market. In the Commission participation, not only will a sectoral approach be pursued, but the needs of the general public will be primary objectives.

- b) **The use of intermediaries in information policy**

- The network of EICs, which is covered in the section on further improving the environment for business, is a key contact point with smaller businesses, and the Commission will plan training sessions on Internal Market questions.
- In addition to these, other intermediaries, close to firms and consumers, will be identified; these could include:
 - professional and trade associations;
 - trade unions;
 - chambers of commerce,

where these are not already hosts to EICs.

- Once identified, the intermediaries will be asked to set out their information requirements.
- Efforts will be made for Commission staff, or if necessary external agencies such as Team Europe, to be present at seminars, meetings or workshops with these intermediaries to explain what is available under the Internal Market programme.
- Commission financial contributions could be made to some intermediaries.
- The annual selection of "success cases" found through the EICs will be published.
- The Commission supports, on a pilot scheme basis, the ten Transfrontier Consumer Information Centres, created with the aim of enhancing shopping in another Member State and of helping citizens to solve problems they may encounter with transfrontier purchases.
- The Commission has promoted the setting up of databases in consumer centres in four Member States. These databases, which are interconnected, aim to provide consumers with ready access to information on the consumer legislation governing transactions in which they are involved. This network will be extended to all Member States by the end of 1994.

c) Partnership with the Member States

- The Commission will draft texts on particular themes associated with the Internal Market, such as the mutual recognition of qualifications, then invite the Member States to provide their own contributions reflecting their specific "national" situations, with a view to publishing a different version in each Member State, either:
 - on CD-ROM, or
 - in conventional paper form
- in response to numerous requests from various organizations in the Member States, the Commission will examine the possibilities for the joint production of materials, on, for example, public procurement, foodstuffs, pharmaceuticals, consolidated legislation or explanatory guides. An invitation will be published in the Official Journal for interested parties to submit proposals for publication (on conventional or electronic media) or publications already completed, with a view to receiving either financial support from the Commission or permission to use the Community logo.
- In order to ensure more effective coordination the Commission will compile a list of national and Community-level information sources on an annual basis.
- The European Statistical Office, EUROSTAT, is considering establishing a network for the dissemination of Community statistics in collaboration with the national statistical offices, thus effectively linking up EUROSTAT with the statistical departments of the Member States. The aim is to provide the end user with the information required to function effectively in the Internal Market, locally and in his own language.

d) Management of Information policy

While the Commission has a budgetary allocation for information on the Internal Market, there are limited staff resources, and it will be advisable to have recourse to specialists when appropriate.

The information actions should pursue four aims:

- the definition of key messages and themes;
- partnership with the Member States;
- providing specialised information;
- making the best use of existing resources (such as the database INFO 92).

In information aimed at the general public, specific actions such as the installation of telephone answer lines will be pursued. In the specific approaches, recourse to the Commission's Eurobarometer for pre and post-testing will be made.

II. Further improving the environment for business

The Internal Market programme was originally conceived of as a means of improving the framework in which Union business operates. The completion of the Internal Market opens the door for individual companies to take advantage of new commercial opportunities on partner country markets, and thereby paves the way for a profitable expansion of enterprising firms. The White Paper programme of 1985 constituted a giant step towards realising this goal. Now that the legislative steeple-chase has been

almost completed, attention can be focussed on the complementary actions which will help business to exploit the potential of the single market effectively.

One of the guiding principles of the Strategic Programme is that legislative overload should be avoided. There is a danger that binding measures which look wholly justified in isolation can, when taken in conjunction with other rules, regulations and administrative provisions, create such a cumulative burden on economic operators, particularly smaller firms, that they curb activity, enterprise and employment. For the most part, the actions which are proposed below aim to complement core Internal Market legislation with optional structures and mechanisms which will help business to make the most of the new opportunities. In some cases, however, the Commission considers that new legislative action is necessary if the proper functioning of the Internal Market is to be guaranteed. Furthermore, it must be recognized that the legal, fiscal and technical environment within which Community firms must evolve does not sufficiently reflect the dimension and the dynamics of the Internal Market. A reflection on this entire framework is urgently required.

A strategic policy which aims to further improve the business environment comprises the following strands:

- A strong and effective competition policy, to be implemented in conjunction by Community and national authorities. Such a policy is an essential adjunct to the Internal Market Programme if the anticipated reinvigoration of competition engendered is not to be stifled by restrictive agreements or practices, excessive concentration of markets, or a proliferation of state aids. In the absence of an effective competition policy, the Internal Market will not deliver its full benefits in terms of improved capacity of Community business to compete internationally, or increased consumer choice and lower prices.
- **Finalising the legislative and administrative framework required to make the Internal Market operate more effectively** - Without prejudging the results of the overall reflection referred to above, further legislative action is needed in the fields of company taxation, protection of intellectual property rights, and cross-border payments to iron out remaining obstacles to intra-Union transactions and business. A review and simplification of existing and proposed legislation and procedures will also serve to eliminate any unnecessary regulatory burden on business. Further progress in the key areas of transport and energy are essential if the benefits of the Single Market are to be fully realised. Consideration should also be given to the legislative (and technical) situation regarding commercial communication in the Single Market context.
- **Creating and developing a non-legislative infrastructure which offers ancillary support to companies engaging in cross-frontier activities** - The Union should actively promote the strengthening of the European standardization and conformity assessment infrastructure, and encourage the convergence of quality management instruments. The Union should also introduce optional legal structures for companies established in more than one Member State. Access to distribution networks and a competitive commercial sector are also important elements in enabling business to participate in the Internal Market.
- **Catering for the needs of SMEs** - Action must be taken, in line with the Commission's multiannual programme for SMEs for 1993-96, in accordance with the resolution of the Council of 11 November to ensure that these companies participate fully in the benefits generated by the Internal Market.
- **Developing an industrial policy as a complement to the inherent benefits of the Internal Market** in terms of competition by focusing on improvements in basic and applied research, better links between research and industry and thus an

environment favouring the process of commercialisation, an intensified diffusion of available knowledge and better education and skills in the work force on all levels, and infrastructural investment.

1. Competition policy

The speedy and uncompromising application of competition safeguards is an indispensable complement to efforts to remove legal and administrative obstacles to intra-Union trade. Otherwise, anti-competitive practices on the part of companies or national authorities may choke off the competitive dynamics which are the driving force for the economic benefits which are expected to flow from the completion of a Single Market. A strong competition policy will protect firms which try to capitalize on openings generated by the Internal Market from being undermined by such practices.

Looking to the future, the Commission intends to develop its rapid-response capability which will enable it to react effectively where the functioning of the Internal Market is obstructed by behaviour which is in breach of Union competition rules. To this end concerns relating to anticompetitive practices or abuses of dominant positions which come to light during monitoring and evaluation of the operation of the Internal Market will be systematically relayed to Commission competition policy services. On the basis of such information, the competition policy authorities will make greater use of own-initiative investigations to establish whether competition rules have been infringed, should the problem seem to warrant further attention.

The following checklist indicates areas which will be resolved by the application of competition policy rules over the coming year.

1. Application of competition safeguards priorities

The Commission will give priority to the following measures:

- preparing a code of conduct and a block exemption regulation on computerised reservation services for air passenger transport;
- a block exemption regulation for maritime consortia;
- widening the scope of the existing block exemption regulation for technology transfer.

2. Simplification and effective application of competition procedures

The Commission will continue to streamline and simplify systems and procedures with a view to accelerating decisions on the application of Community competition law. In particular, the Commission intends to adapt provisions relating to the form, content and other details of applications and notifications which are laid down in Regulation (EEC) No 27/62 to render them more user-friendly.

3. Interpretative communications planned

- Guidance statements on legal and technical aspects of the merger regulation (e.g., turnover calculation, definition of a concentration)
- Communication on concentrative and cooperative joint ventures
- Communication on the assessment of commercial agents contracts with regard to Article 85 of the Treaty
- Revision of the Notice on agreements of minor importance

2. Improving cross-border payments

Firms and individual consumers who engage in cross-border payments are penalised by the high costs of the systems used to make these transfers, as well as by excessive delays for execution and the incidence of double charging. Following the

adoption of its working document in March 1992 on problems related to cross-border payments⁸, the Commission committed itself to take appropriate action, including legislative action, in the event that financial institutions do not take adequate steps to introduce more transparent and more efficient cross-border payments services. In response to this pressure, the European Credit Sector Associations elaborated a set of *Industry Guidelines for Customer Information on Cross-border remote payment* which were to be implemented by 31 December 92. Nevertheless, a Commission study, conducted in early 1993, has found that there has been little practical improvement with respect to the level of transparency, cost, time delays, and double charging of cross-border payment services.

The Commission will shortly draw conclusions from this consultation. Whatever the option chosen, the possibility of a legislative initiative within a very short time cannot be excluded if the existing arrangements in the voluntary framework, which the Commission will in any case support, prove insufficient to achieve concrete progress with regard to the transparency of information, the prevention of double charging and delays in execution.

3. Transport

The various modes of transport have a vital role to play in the development of the Internal Market in that they are the channels through which two of the four fundamental freedoms - the free movement of persons and of merchandise - are exercised. The future strategy for the implementation of the common transport policy is laid down in the White Paper of 1992. This document details the measures which will be taken to establish a Community framework which guarantees sustainable mobility. It is only through the realisation of sustainable mobility that the proper functioning of the internal market can be attained.

The programme aims, inter alia, "to abolish restrictions to the supply of transport services in order that the elimination of administrative, technical, fiscal, customs and other barriers can generate its full effect." The principal challenges confronting the European transport sector require the adoption of a far-reaching and global strategy. The approach which has been elaborated responds to economic and social requirements and integrates:

- an upgrading and a more rational use of infrastructures;
- increased security for users of these infrastructures;
- more equitable working conditions for those employed in the transport sector;
- improved environmental protection;
- reinforcement of the external dimension of the internal market.

The future strategy provides for the development of an infrastructure and equipment policy to allow, amongst other things, the less favoured peripheral regions of the Community to take full advantage of the opportunities which stem from the completion of the internal market.

To ensure the proper functioning of the internal market, it is particularly important to apply Community rules on concentrations and dominant positions, and effective disciplines on state aids to the transport sector. This need is particularly compelling in areas subject to national monopolies (often public) or oligopolies, such as rail and air transport, which have traditionally been sheltered from domestic and intra-Community

⁸ SEC (92) 621 final: *Easier cross-border payments: breaking down the barriers*

competition. The dismantling of barriers between markets which have traditionally been segmented will pave the way for new cross-border developments.

Action points:

- In the field of international rail transport the Commission will formulate the further legislative measures which are provided for in Council Directive 91/440.
- As regards navigation of inland waterways, the Commission will examine the system of *tour de rôle* (queuing by barges for freight shipments) and its consequences for the organisation of the market.
- Reliable and comparable statistical systems will be established for all transport modes.
- The Commission is also preparing proposal for Community action on:
 - hire of motor vehicles - **early 1994**.
 - technical inspections of speed limiters for heavy vehicles, coaches and open-top buses - **end of 1994**.
 - adaptation of tachographs to take account of technical progress - **early 1994**.
 - harmonisation of national certificates for the piloting of boats for inland navigation - **early 1994**.

See also the section below on Trans-European Networks.

4. Intellectual and industrial property

Policy in this domain must evolve constantly to take account of relevant technological developments. International aspects of intellectual property protection are increasingly the subject of discussion within GATT and within the WIPO. Nevertheless, the degree of integration already achieved within the Internal Market requires more structured solutions. The overriding aim of Community action in the field of intellectual property is to achieve free circulation of goods which are covered by intellectual or industrial property rights. In eliminating obstacles to Union-wide protection of intellectual and industrial property and in ensuring a high level of protection, Community action can help to promote the competitiveness of business, and to stimulate research and innovation within the Union. In the field of intellectual and industrial property protection, the Commission will continue its established practice of undertaking consultations with interested parties before drawing up proposals for Community action.

Action points

- To provide a further option for the protection of technical inventions in addition to the existing Patent Systems, the Commission will examine the necessity for the harmonization of national systems of *utility models*. This form of intellectual property protection is well-tailored to enhance innovation activities and to meet the intellectual property protection needs of SMEs. The Commission plans to publish a *Green Paper on utility models* by September 1994.
- Following two rounds of consultation on the subject of private copying of sound and audiovisual recordings with interested parties, the first in 1988 and the second to be completed by the end of 1993, the Commission will consider whether action is appropriate.
- **Copyright and neighbouring rights:** On the basis of consultations with interested parties in the fields of *artists' resale rights and reprography*, the Commission will consider the usefulness and need for harmonising legislation. An examination will also be undertaken of the Internal Market implications of the doctrine of exhaustion of copyright.
- To counter the problem of erosion of effective patent-life protection for plant protection products, the Commission will draw up a proposal for the introduction of a **supplementary protection certificate** for plant protection products.
- The Commission will proceed to an evaluation of the implications of the recent ruling handed down by the Court of Justice on the interpretation of Article 6 of the EC Treaty for Community action in the

fields of intellectual and industrial property⁹. On the basis of its findings, the Commission will take the necessary actions to ensure that the legal principles enunciated by the Court are given full effect.

5. Company law

Company law represents an area in which insufficient progress has been made at a Community level. Nevertheless, more than ever, the objectives pursued by the Community through its efforts at harmonization in the area of company law and accounting remain valid - these objectives are the mobility of firms in order to allow them to benefit from the advantages of a unified market, the equality of the conditions of competition between firms established in different Member States, the promotion of commercial links between the Member States, the stimulation of cooperation between firms across frontiers and the facilitation of cross-border mergers and acquisitions. Appropriate Community measures are needed to provide for legal structures which facilitate cross-border establishment and investment, and to smooth discrepancies between national systems of company law which discourage or penalise these activities. Particular attention needs to be paid to improving financial reporting requirements within the Union, which could also increase the Union's influence in the international accounting harmonization debate.

The legislative framework in the area of company law has undergone important developments during the seventies and eighties. Nevertheless, certain proposals are still blocked in the Council, even in the Parliament (proposals for a 5th Directive, a 10th Directive, a 13th Directive). Some of these difficulties, particularly linked to the transfer of headquarters and mergers between firms, which are decisive for the mobility of firms within a unified market, are the subject of the proposal for a European company statute. This would be a flexible vehicle at the disposal of firms, which would facilitate their mobility. The efforts to have this statute adopted should continue. Also, on the basis of the wide consultation to which it is proceeding with the Member States, the Commission must consider whether its proposal for a 13th Directive on takeover bids corresponds to the needs of businesses and whether takeover bids, as an instrument for the redeployment of firms on a single market, should be the subject of more or less detailed regulation at Community level.

Action points

- Besides pursuing its efforts designed to provide firms with instruments which should facilitate their deployment in the Internal Market, the Commission intends to initiate a fundamental reflection on the legal framework for firms in a single market, in order to determine the optimum conditions for their evolution in this market and the necessary means to be applied to achieve these conditions; this reflection will result in the course of 1994 in a communication, possibly accompanied with proposals for action, with a view to consultation of the Member States and of interested circles.
- A number of accounting problems have not yet been dealt with explicitly in the present Accounting Directives. Amending those directives in order to provide solutions for these problems and to improve the comparability of accounts poses difficulties and is not likely to result in concrete achievements within an acceptable time scale. Instead the Commission will urgently explore other ways of encouraging convergence in cooperation with national accounting standard setting bodies, Member States and other interested parties. These discussions will be based upon the principles included in the existing Accounting Directives. They will also take account of and seek to influence international developments.

⁹ Ruling of October 20 1993: cases C-92/92 AND C-326/92. This ruling has not yet been published

- The Commission will launch a reflection process on possible actions to improve the comparability of financial information published by companies. Such a step could help to facilitate cross-border trade and investment, and stimulate the development of a European capital market.
- Efforts will also be made to clarify the role, position and responsibility of the statutory auditor, including a definition of liability towards the company and third parties. This action will serve to improve the reliability of published financial information.
- The Commission will reflect on how the implementation of national law can be organised to take account of affiliations between subsidiaries and parent companies established in different Member States. The objective of this simplification would be to ensure that appropriate obligations are imposed on parent companies when the activities in question are exercised at this level, and to modify obligations in the light of group needs (e.g. cooperation agreements with certain legal guarantees).

6. The creation of a favourable tax regime for business

a) Indirect taxation

Apart from the inevitable difficulties involved in the setting up of the new system, which have been rapidly overcome, the general regime has functioned well, so permitting the free circulation of goods. However, economic operators have confirmed certain rigidities in the mechanisms already adopted, notably in the case of VAT, as regards taxable transfers, contract work, certain services and work relating to movable tangible goods, chain transactions, and triangular operations.

These difficulties, examined within the scope of the "Comité d'écoute" for enterprises have either been found practical solutions in collaboration with national administrations, or have been, or soon will be, made the subject of legislative initiatives on the part of the Commission. The directive of the 14 December 92 has considerably simplified triangular operations. Other measures for simplification will be the subject of new proposals by the Commission before the end of February 94.

The approximation of rates of VAT (a common minimum rate of 15% for normal rates of VAT) and of excise duties in force since 1 January 1993 has ensured the realisation of one of the fundamental principles of the single market: the freedom for the European consumer to go and purchase whatever he desires, tax paid, in the Member State of his choice, whatever his country of residence.

Particular difficulties have manifested themselves in the operation of the specialised regimes for sales of goods to final consumers (mail order and sales of new private vehicles), by virtue of the complexity of the mechanisms put in place and of the obligations which these impose on the operators.

The only satisfactory solution to this problem would be the moving over to a definitive system characterised by the payment of VAT in the country of origin.

In any case, the treatment of intra-community exchanges will be reviewed in the light of the acquired experience, and with the goal of the approximation of tax rates for operations within a member state itself, an issue on which the Commission shall propose a directive re a definitive VAT regime before the end of 94.

Although the functioning of the new general excise regime has posed no major difficulties, the Commission will present in 1994 a proposal for a simplifying directive to overcome certain problems, both for operators as for national administrations, linked to the application of certain particular dispositions such as distance selling. Moreover, the Commission will have to reexamine levels of excise tax in the light of

the experience acquired and various other policies recommended by the Commission, such as its environmental policy, health policy and energy policy.

The Commission's actions in the field of indirect taxation will concern, inter alia:

- following up its efforts in the field of VAT as well as excise duties, and in collaboration with the tax administrations, by making proposals for a directive in order to facilitate the functioning of the regimes;
- in the matter of administrative cooperation, the ad hoc committees presided over by the Commission will continue their coordinating work in 94 and the Commission will present a report on the functioning of the VIES system and experience with this system;
- the report on and the proposal for the passage of a definitive VAT regime, which will be presented before 31.12.94.

b) Direct taxation

The guiding principle of Community policy in the field of direct taxation is to eliminate the double taxation of cross-border activities whilst ensuring taxation at least once. Concrete measures, such as the proposed Directives for interest and royalties, the offsetting of losses, and the proposed extension of the parent-subsidiary and merger Directive have already been tabled before the Council of Ministers. All of these measures enjoy the full support of economic operators and would make a significant contribution to improving the tax environment in which cross-border activities are planned and executed.

However, adoption of these measures would only go part of the way towards resolving the problem of double taxation. The guidelines laid down in the Commission communication to the Council and Parliament in response to the Ruding¹⁰ report provide a detailed blueprint for further Community action in this field.

Action points

a) Double taxation of enterprises

- On the basis of guidelines laid down in response to the Ruding report, the Commission will come forward with proposals for further action to eliminate double taxation. These measures would take the form of either a general obligation to abolish all cross-border double taxation or a phased approach the priorities for which would have been set by mutual agreement with the Member States;
- Increased fiscal competition can influence the allocation of resources in the Internal Market. Solutions can be envisaged to resolve two series of problems:
 - the first element is represented by the use of fiscal measures to attract very mobile factors such as financial services;
 - the second consists in the differences in the conventions concluded on the subject of double taxation between Member States and third countries
- The Commission will press for greater coordination of the approach to double taxation agreements between Member States and third countries. Large discrepancies between Member States lead to financial distortions as capital flows with the rest of the world are diverted through Member States providing the most advantageous tax treatment with the third country concerned.
- Ongoing discussions, at regular intervals, between the heads of the national direct taxation administrations will be stepped up with a view to implementation of the policy guidelines defined in response to the Ruding Committee report. These will include increased cooperation in the field of mutual assistance, and the development of mutually compatible policies where differing systems interact adversely.
- The Commission will simplify procedures for the application of Community legislation and of bilateral taxation agreements which provide for the reduction or elimination of withholding taxes.

¹⁰ SEC (92) 1118 final: Commission communication to the Council and Parliament subsequent to the conclusions of the Ruding Committee indicating guidelines on company taxation linked to the further development of the Internal Market. June 26 1992

- Action is needed to ensure equal treatment of crossborder investment by financial service providers, where the managing funds do not enjoy the same treatment under the different bilateral double taxation agreements between Member States.

b) Small and Medium sized enterprises

- *Reinforcing the self-financing capacity of non-incorporated enterprises* - In most Member States, reinvestment of profits by non-incorporated enterprises is taxed at the marginal rate of income tax, which is generally higher than the rate of corporate tax which is applied to reinvestment of profits by incorporated entities. Consequently investments made by unincorporated firms through self-financing is penalised. A solution to this problem might be to tax the reinvested profits of non-incorporated enterprises at the rate of corporate tax which is levied on incorporated enterprises. A proposal will be made shortly.
- *Transfer of enterprises* - In many Member States, the transfer of a non-incorporated enterprise in the event of the owner's death often results in heavy taxation which may jeopardise the survival of the firm. A second problem for firms having assets in several Member States concerns succession duties. Of the 66 possible bilateral relations between the Member States, only 12 are covered by conventions on the prevention of double taxation in the field of succession duties. There is therefore a risk of double taxation in the event of transfer of ownership of an enterprise which the Commission intends to eliminate. The Commission will submit a proposal for a Recommendation on problems relating to the transfer of enterprises to the Council in the first half of 1994.
- *Reduction of the administrative constraints on SMEs* - SMEs often reject expansion of their activities in other Member States by means of permanent establishments, fearing an excess of administrative burdens linked to the necessity of conforming to another code of fiscal legislation. The Commission is therefore examining the possibility of submitting permanent establishments in other Member States, in the start-up phase, to the tax legislation of the Member State where the firm has its headquarters.
- *Venture capital* - The Commission will also make proposals to abolish tax obstacles to the use of venture capital by SMEs. Venture capital funds often suffer from double taxation of the income generated, firstly at the level of the fund and secondly, once income is distributed to the investor. This difficulty is magnified if the same fund wishes to invest in more than one Member State.

c) Taxation of frontier workers

- The Commission will soon envisage issuing clear guidelines for resolving tax problems affecting Union residents working in a Member State other than their State of residence. In particular, these guidelines will aim to ensure that tax relief is granted in a non-discriminatory fashion.

d) Life assurance and pension funds.

- The different tax treatment of insurance products presents major difficulties for the proper functioning of the single market in insurance products. The decision of the Court of Justice in the Bachmann case is of importance in this respect. This ruling acknowledges that, under certain circumstances, Member States may be justified in not granting tax relief for life assurance contracts which have been concluded with insurance undertakings which are not established in that country as a means of safeguarding the coherence of the national tax system.

7. Upgrading European standardization, conformity assessment and quality

a) European standardization

The "new approach to technical harmonization" has brought European standardization and conformity assessment to the forefront of the campaign to eliminate technical trade barriers to intra-Union trade. Barriers stemming from differences between national standards and certification requirements persist. The Community, therefore, has a strong interest in supporting further development of the European standardization, conformity assessment and quality infrastructures in order to ensure that the elimination of remaining technical trade barriers proceeds as swiftly and as effectively as possible. In addition, European standardization and conformity assessment instruments are an invaluable tool in the implementation of other policies (e.g. environment, energy, food quality, safety at the workplace, and Trans-European Networks). On the basis of in-depth interservice discussions, the Commission will

come forward with a report highlighting the potential role of European standards in these policy areas by early 1994.

In order to exploit fully the potential contribution of European Standardization to the effective functioning of the Internal Market, the Commission proposes the following directions for action:

- **Financing of European Standardization** - In 1994, the Commission will undertake a review of the way in which European standardization could be financed over the medium term. This review will aim to identify ways in which the resources which are invested by Member States, the Community and private sector in national and European standardization can be best harnessed for the purposes of developing a standardization system which meets the requirements of European integration.
- **Maximising the benefits from European standardization** - It is essential that the work programmes of the European Standards bodies are closely attuned to the needs and priorities of the single market. The Commission will see to it that the Community contribution to standardization goes to standards projects which generate the greatest value-added in terms of market integration and realization of other Union policies.
- **Increasing transparency** - Steps will be taken to improve the visibility of standards, render the process and results of European standards-making more accessible and comprehensible to economic operators. The Commission will enter into discussions with European standardization bodies with a view to ensuring that a wide ranging public enquiry takes place on the technical merit of proposals for European standards. This consultation should specifically focus on the adaptations that switchover to the new standard might imply for enterprises, and in particular for SMEs. In addition, the Commission will compile annual progress reports, monitoring the use of standards in Community policy and headway in the writing of European standards which have been mandated by the Commission.
- **Proper coordination of European standardization activities** - Coherence between the activities and products of the European Standardization bodies must be developed, through measures such as the development of mutually agreed work programmes.
- **Standards and research** - The links between standardization and research will be developed through the promotion of effective and timely transfer of research results to standardization, and particularly by Community support for research which is targeted on providing scientific data which is required for standardization activities. The Commission will devote increased attention to capitalising on the results of Community expenditure on R&D linked with standardization, measurement and testing undertaken within the context of the Fourth Framework Programme on Research and Development (Commission proposed expenditure under this heading amounts to 188-250 mio Ecu).
- **Ensuring the effectiveness of European Telecommunications** - European Telecommunications Standards (ETS) drafted by ETSI are not quickly transposed or referenced into the list of national standards and remain too often ignored by network operators or telecommunication administrations. The Commission will propose that an increasing number of ETS be accorded the status of harmonised standards.

b) Conformity assessment and quality

The objective of this policy will be to promote the development of a common "quality environment" which will allow operators to develop and market products, services, and production processes on a Union-wide basis through reference to mutually recognised quality benchmarks and concepts. Given that quality is market-driven and that quality constitutes an important dimension of company competitiveness, any attempt to impose the use of particular quality instruments on the marketplace through regulation would be misconceived and have serious potential risks. Instead, the Union will aim to promote a voluntary shift towards quality tools which ensure that products or services delivered in conformity with this framework enjoy Union-wide acceptance with respect to both regulatory and market requirements.

The "new approach to technical harmonization" and the "Global Approach to Conformity Assessment" have extended the boundaries of public policy in the field of technical specifications beyond the imposition of binding technical regulations. The Community and national authorities now realise that standardization, conformity assessment and other tools which may be used for the purposes of quality management by firms are important features of the business landscape and can

contribute to the successful development of Union enterprise. Public authorities have a role to play in fostering improved quality through the introduction of appropriate incentives and structures, and the incorporation of quality issues when implementing other policies. The Commission is beginning work on the formulation of a Union quality policy which is due to be finalised by the end of 1994.

The elements of a quality policy will be as follows:

- Supporting the integration of quality considerations and a commitment to excellence on the part of companies at all stages in the quality chain (design, production, after-sales services etc).
- Encouraging mutual recognition of results and certificates between conformity assessment bodies and quality certification institutes through accreditation to common standards (EN 45000), and participation in European networks and infrastructures linked to the European Organization for Testing and Certification (EOTC).
- Appropriate European standards and conformity assessment procedures will have an important role to play in Community quality policy. For certain products and services, compliance with recognised standards and certification will represent a means of embodying given quality performance characteristics. The greater emphasis on building a coordinated approach to quality will lead to increased market pressure for a closer alignment of quality tools.
- Ensuring the effective coordination and orchestration of national actions in the field of quality policy.
- Integrating quality policy objectives into other Community policies (e.g. regional policy, measures to support SMEs, actions to assist industry restructuring).
- Establishment of an Observatory on quality.
- Promotion of the use of appropriate quality techniques in service industries.
- The development of all aspects of quality in the agricultural and food sectors, both through instruments specific to the different agricultural products and through horizontal measures such as those in favour of organic farming and other environmentally friendly techniques.

8. Catering for SMEs

SMEs form the bedrock of the Union economy, accounting for 99% of the population of Union enterprises and generating 70% of private-sector employment. It would therefore be misleading to treat SMEs as a homogeneous group, confronted with identical challenges and opportunities. The Commission, for its part, will continue to ensure that relevant Community policies are tailored to the requirements of small and medium-sized enterprises. Through the structural funds, for example, the Community contributes substantially to the cofinancing of measures aimed at SME's. In recognition of the fact that SMEs have the potential to act as the motor for employment and wealth creation in the Union, the Council has approved a Commission multiannual programme for 1993-96 which is designed to stimulate the development of SMEs. In this context, the Commission has a key role to play in improving awareness on the part of SMEs of relevant policy and market developments. Existing channels for the provision of information and advice will be reinforced and upgraded, and the Commission will pursue an active role in disseminating "best-practices" and innovative solutions to problems confronting SMEs. In addition, the Commission intends to launch a number of horizontal actions designed to tackle constraints which impede SMEs from reaping the full advantages of the single market. The following issues will be targeted for action in line with the conclusions of the SME Council on 11 November 93.

Action points

- **Financial problems experienced by SMEs** - Many SMEs are undercapitalised and encounter difficulties in gaining access to adequate finance because of an inability to provide collateral. There must be a rapid follow-up to the measures foreseen by the European Councils of Edinburgh and Copenhagen which represent the first response at Community level to these problems. Particular attention should be paid to the development of operational mechanisms. The advantages in their entirety should be destined for the final beneficiaries, the SME's. Other measures must be found to improve the access of SME's to credit and finance. A particular aspect of these problems is that of payment terms - In the wake of the the Commission's working document and the subsequent consultation process on the problem of delays relating to commercial transactions, proposals to alleviate these problems will be examined in the first half of 1994.
- **Helping SMEs to adapt to standardization, certification, and quality assurance procedures** - All SMEs should have access to detailed information on existing and draft European Standards, and their interests should be taken on board in the process of standards-writing. Even those SMEs which do not contemplate trading across frontiers may find themselves confronted with changes in standardization and conformity assessment arrangements at a local level which are driven by European standardization and conformity assessment. This wider audience of SMEs must be kept fully informed of any new developments of relevance to them. Proposals for practical measures to disseminate "best-practices" and measures to help SMEs to adapt to changing standardization and conformity assessment requirements will be drawn up on the basis of a review of current action within the EUROMANAGEMENT programme.

The Commission will devote attention to ways in which trade associations representing SMEs can be more actively integrated in the processes of European standardization.
- **Opening up public procurement to SMEs** - SMEs find it difficult to compete effectively for contracts because of onerous administrative requirements and the need for partnership with reliable partners in the Member State where contracts are being awarded. The Commission will publish a comprehensive explanatory guide to clarify the steps which a company needs to take before submitting a bid for a public procurement contract in another Member State in the second half of 1994.

The Commission will also table a list of concrete measures to improve access by SMEs to public procurement markets in other Member States for consideration by the Council during the first half of 1994. Amongst others, these measures will suggest ways in which:

 - the BC-NET and BRE networks can be used to create inter-firm partnerships for the purposes of competing directly or as sub-contractors for public procurement bids;
 - to adapt training programmes for public procurement markets to the specific needs of SMEs;
 - the quality of advice available on public procurement matters from public and private organizations can be upgraded, particularly in less-favoured regions;
 - information support can be provided to improve access to subcontracting opportunities;
 - the Tenders Electronic Daily (TED) information system can be rendered more accessible and user-friendly; an important pilot project on an information system for public procurement (SIMAP) will be launched at the beginning of 1994.
- **Administrative simplification** -The Commission will continue to develop its Business Impact Assessment system which is intended to highlight any administrative difficulties for SMEs in complying with or benefiting from a proposed Community initiative. The Business Impact Assessment will be reinforced by the use of cost-benefit analyses, where feasible and appropriate.
- **Transfer of enterprises** - The transfer of businesses touches all enterprises but is a particular problem for small and family owned businesses. A growing number of businesses are unable to solve the problems of transfer and have to close down. The Commission will therefore be issuing a Recommendation to the Council covering the problems relating to the transfer of business (see also "direct taxation").

9. Commercial communication and media

The Commission will adopt a Green Paper on commercial communication in order to ensure the coherence and transparency of Community policy in this field, as well as to prevent possible new obstacles to the free circulation of commercial communication

services (advertising, sponsorship, direct marketing, promotions etc). The main elements of this Green Paper are summarised below.

1. Green paper on commercial communication

The Commission will publish a *Green Paper on commercial communication* in mid-1994 which will examine the nature and extent of legislative and technology-based obstacles which interfere with all forms of commercial communication including advertising, sponsorship, direct marketing, promotions, and packaging. This initiative represents the first comprehensive and thorough attempt on the part of the Commission to address these issues. Furthermore, the Green Paper will be based on wide-ranging consultation and contacts with all interested parties, including business, communication service providers, and consumer associations. The results of this consultation process and the findings of a survey of parties involved in commercial communication will be published in late February 1994. The subsequent Green Paper will outline possible role for the Commission in facilitating cross-border commercial communication. Three broad areas for Community involvement will be envisaged:

- The Commission can act as a coordinator and contact-point, disseminating information on the development of the market and undertaking impact analyses of specific measures
- The Commission can fulfil a "market monitoring" function and attempt to preempt the emergence of new difficulties stemming from insufficient coordination of national legislative measures, and uneven implementation of new technologies
- The Commission can organise a country-by-country review of national systems of legislation governing commercial communication.

2. Media services

In the field of media services, there are a number of problems which interfere with the freedom of establishment and free circulation of related goods and media services. In response to some of the most pressing problems, the Commission will take action on the following two fronts:

- Evaluate the need for community action on the basis of the *Green Paper on "Pluralism and concentration in the media in the internal market"*. In particular, the Commission will take a decision in early 1994 on the need for an action on the issue of media ownership.
- A reflection document will also be drawn up on the question of *the protection of coded signals for televisual and audio broadcasting*. This document will examine the issue of whether new Community measures, incorporating recent technological advances, could play a role in removing technical barriers to trade in signal decoders. This measure will address the need for effective protection of coded signals against illegal pirating.

10. Commerce and distribution

Efficient and competitive commerce and distribution systems, which allow products manufactured in one Member State to be effectively marketed and distributed in another Member State under commercially attractive conditions are required if the benefits of the Internal Market are to be maximised. This requires that attention be given to improving access to distribution networks and the fostering of links between firms in developed and less-developed regions, between large and small firms, and between firms in different Member States. To this end the Commission will continue close consultation with representatives of the commerce and distribution sectors within the forum of the Commerce and Distribution Committee, and with Member States through regular meetings with officials, Director-Generals of Commerce, and experts. In addition, the Commission will take action along the following lines.

- The setting up, in collaboration with the Member States, of an integrated system for the collection, processing and distribution of homogeneous statistics on commerce and distribution at the Community level. The gathering of reliable and detailed data is a prerequisite for the formulation of further Community policies in this field.
- The second phase of the "COMMERCE 2000" initiative, designed to encourage the integration of new technologies for improving internal communications, inventory management, logistics and distribution.

is in the pipeline. Greater emphasis shall be given to developing cross-border nature of projects supported under this second phase.

- The Commission shall give further support to self regulatory measures, such as voluntary codes of conduct in the areas of means of payment, franchise arrangements and mail-order sales, as one means of developing market-led solutions to pan-European problems in commerce and distribution.
- Publication of brochures by the end of 1994 explaining Community and national regulations relevant to the retail and distribution sector concerning freedom of establishment, competition law, consumer protection and urban planning.

11. Energy

The achievement of the Internal Market for energy aims to provide consumers with an easier access to the different sources of energy, in the framework of a more competitive market which will put energy supply on a wider basis and thus improve security of supply.

In order to provide for effectively increased competition and business opportunities in the energy sector, a series of measures, initiatives and orientations exist, with regard to both the internal and the international dimension.

1. Internal dimension

- Energy policy accompanying measures have a great role to play. In this context, the Commission energy policy aims to reduce disparities within the Union regions as regards access to energy resources, energy dependence, structure and security of supply. Actions are undertaken in the framework of the regional and urban energy planning and the structural funds.
- Development and strengthening of trans-European energy networks are paramount. The Commission is engaged in the preparation of Community "guidelines". These networks can ensure a diversification of energy resources, and consequently increase supply links also with areas outside the Community.
- A co-ordinated energy policy on reserve stocks and crisis measures remains another key issue.

2. International dimension

- The Energy Charter will provide a legal framework for energy trade, investment and co-operation with the former planned economies. That means more opportunities for business, diversification and security of supply.
- Bilateral technical assistance programmes for the Republics of the former Soviet Union and for the countries of Eastern and Central Europe, combined with association agreements and other links and programmes, although designed to assist economic development and general stability, contribute to the long term security of energy supplies.
- In the same context, the strengthening and deepening of the producer-consumer dialogue, particularly with North Africa and the Mediterranean countries, remain essential.

III. Further improving the environment for the Consumer

The Internal Market has not been created for business alone and it will not operate properly without strong and effective consumer participation. The citizen as consumer is entitled to benefit from greater competition and a greater choice of goods and services, while being assured that his safety and other essential interests are adequately protected. At the same time well-informed consumers exercising market choices can accelerate the positive economic effects of an integrated market. The consumer therefore has a critical role to play in forwarding the objectives of the Internal Market Programme.

Besides the measures mentioned in other parts of this programme which will clearly be of benefit to consumers, such as greater transparency of Community legislation and specific information activity aimed at consumers, the Commission believes that other legislative measures may be necessary in order to ensure that the consumer can treat the Union as a genuine single market. The priority areas concerned are legal and commercial guarantees and financial services.

The Commission therefore proposes the following actions:

- On the basis of public reactions to its October 1992 Green Book on guarantees and after-sales services, to be given by April 1994, the Commission will come forward with appropriate proposals during the second half of 1994.
- With respect to financial services, the Commission intends to address the following issues:
 - Work will start to examine to what extent the rules for transparency for other forms of consumer credit, such as those provided for in Directives 87/102/EEC and 90/88/EEC, can be applied to mortgage credit. A draft proposal will be submitted in early 1995.
 - The 1988 Recommendation in respect of payment systems, including credit card systems, will be reviewed and may be transformed into a binding instrument. A decision will be taken by the end of 1994.
- The action already mentioned above in respect of facilitating transnational payments will also be to the benefit of individual consumers.
- The Commission will reflect on the possible form and content of measures to improve the safety of some services which, with the advent of the Single Market, take on a greater cross-border dimension.

IV. The relationship between sustainable development and the Internal Market

There is no inherent conflict between the completion of the Internal Market and the fight against environmental degradation. They are and should be mutually supportive. This special relationship is already recognised in the Single European Act and is reinforced by Article 2 of the Treaty where it is clearly indicated that the completion of the Internal Market will be an important means to reach, inter alia, "a sustainable and non-inflationary growth respecting the environment".

Short term economic gains at the expense of economic partners and of the environment should be replaced by an attitude which constitutes the basis for greater efficiency and competitiveness, both at a Union level and internationally, for a more sustainable economic pattern in the long run. At an international level, the Commission will support efforts to develop an international framework to resolve trade conflicts arising from application of national or regional measures designed to protect the environment. In addition, the Commission will support future efforts to strengthen the rules and safeguards contained in the GATT Code on Technical Barriers to Trade in order to ensure that environmental Regulations are not abused for the purposes of artificially restricting trade.

Union environment policy is at a very important juncture. Following the UNCED agreements, and in accordance with the Treaty on European Union and the Fifth EC Environment Action Plan, an integrated approach is being developed in order to ensure that the most effective policy is applied to enable a move towards a more sustainable path of social and economic development. This is not only vital for the environment itself but also for the long-term success of the Internal Market. Its success is dependent on the sustainability of the policies pursued in the fields of

industry, energy, transport, agriculture and tourism, which are in turn dependent on the capacity of the environment to sustain them. Many environmental issues such as climate change, acidification and waste management can only be tackled by an interplay between the main economic actors and sectors, not only through the use of legislation but also by using an extended and integrated mix of other instruments, such as standards and/or certification systems, voluntary schemes or economic instruments. This interplay can best be achieved within a Community framework, without which there is a risk that actions taken will fail to have their full impact or that the integrity of the Internal Market will be jeopardised. This framework, however, should not be designed or felt to be a straitjacket. It should be flexible enough to encourage all concerned to accept their responsibilities and to develop and apply an optimal mix of instruments tailored to their local and regional circumstances but without creating unnecessary and unjustified distortions.

Although progress has been made since the adoption of the Single European Act, a number of issues remain to be resolved if the implementation of the Fifth Action Programme and the functioning of the Internal Market are to be fully reconciled. During 1994, further reflection will be undertaken concerning the link between the Internal Market and sustainable development.

Action Points

- **Environment and competitiveness** - In its Communication of 18 November 1992¹¹, the Commission stresses the potential benefits of the integration of environmental considerations into product and service development and production processes in terms of bolstering competitiveness on Union and world markets. In particular, effective action on this front could provide Union firms with a first-mover advantage on international markets. Community actions such as Eco-labelling and Eco-auditing, as well as appropriate fiscal incentives, could be used to support the development of these strategies by Union firms.
- **Waste** - The Commission will elaborate proposals for reconciling the principle of the free circulation of products with the special waste regime.
- **Vetting of proposed national environmental measures to ensure their compatibility with the Internal Market** - The current proposal to widen the scope of Directive 83/189/EEC to include voluntary agreements or economic instruments designed to achieve, inter alia, environmental objectives, will provide a means for making progress on this front.

V. Establishing trans-European networks

The Commission's working document of June 1993 has put the emphasis on the need for a coordinated and coherent approach in the development of networks. This approach should integrate aspects of interconnection, interoperability and access to networks. Indeed the development of networks has to be demand driven and submitted to the rules of the market. The White Paper on growth, competitiveness and employment emphasised the need to realise projects judged to rank as a priority, whilst proposing a strategy to accelerate their implementation. However, in order that networks policy may make a contribution to economic growth, which goes beyond the projects themselves, there is a need to undertake certain horizontal actions in order to facilitate the emergence of trans-European networks.

¹¹ Communication of the Commission to the Council and to the European Parliament: *Industrial Competitiveness and the protection of the environment*. SEC(92) 1986, November 1992.

The proposals made in the Strategic Programme complement the proposals of the White paper. Whilst respecting the specific characteristics of each sector, they must contribute in a positive manner to the implementation of Title XII of the Treaty on European Union and to the creation of confidence, whether of public authorities, industrialists, bankers or operators of the networks. These proposals sketch the measures necessary to ensure the coordination of networks policy at the Community level, stimulate the participation of the private sector in their financing and to ensure their interoperability. In addition, it should be recalled that the various Community financial instruments contribute to the cofinancing of a significant number of projects forming part of the trans-European networks.

1. Promotion of a convergence of interests and coordination

The difficulties in establishing priorities and projects of common interest are as well known as the reasons for these: divergence of interest and priorities at the national level, the absence of a forward looking European vision and a poorly adapted legal and administrative framework. In the perspective of an increased integration of European infrastructures for transport, telecommunications and energy, it will be necessary to reinforce coordination at the Community level, in order to progressively integrate the European interest into the national dimension of networks and to optimise the use of the available resources while respecting the principle of subsidiarity.

Action points

- The adoption by the Council of network plans, identifying possible guidelines for the development of networks in the medium term, constitutes the first step in this sense. These plans are based on a dialogue at the European level that it would be advisable to deepen, and play an essential role in directing some Community instruments towards those projects which are judged to rank as priorities in eligible Member States and regions. The work undertaken by the Commission has already resulted in the adoption by the Council of four masterplans in the field of transport. Other network plans are still being discussed in the Council and at the Parliament, whilst the Commission intends to present new proposals in the immediate future (see table in annex 2). Work is under way to:
 - have the plans already proposed adopted by the Council and the Parliament;
 - present to Council, the Parliament, the ESC, and the new Committee of the Regions the supplementary proposals currently being prepared;
 - promote the integration of networks in space and between different nodes and in particular in the transport area where a multimodal plan is being elaborated;
 - identify the areas which are directly connected to the efficiency of networks such as the quality of service offered and the different conditions necessary to ensure efficiency and to make the appropriate proposals.
- The reinforcement of strategic and operational coherence is the second step. The master plans are necessary instruments to implement the TEN policy but without further coordination these could result in an assembly of complex and fragmented activities. In maintaining a comprehensive strategy for TEN's, which has proved to be successful in the establishment of the Internal Market itself, it will be necessary to co-ordinate the various instruments, assign the required resources between sectors and monitor the progress achieved. A decision therefore, is needed on the institution of an appropriate co-ordination mechanism to reinforce coherence for the implementation of the TEN policy. The Commission will make specific proposals shortly.
- An improvement of statistics is necessary to improve the diagnosis of needs. The lack of comparable and reliable statistical information at the Community level in the field of infrastructures has often been raised. This can only be corrected with the active support of the Member States. The Union must equip itself with adequate means of observation in terms of methods, standardization and instruments of measurement. The Community's Statistical Office will be making appropriate proposals in the course of the first half of 1994. In the sphere of telecommunications, this will involve providing the means of conducting an in-depth analysis of the market for services.

- An in-depth examination of the pivotal role that European towns are intended to play in the development of energy and transport networks and in parallel to this, of the contribution that trans-European telecommunication networks can make towards the harmonious development of these towns. In the definition of a new European approach to infrastructures the nodes and arteries of communication must be treated simultaneously. The Commission is considering work in order to study the impact of trans-European networks on the development of the urban fabric. With the results of these analyses the Commission will be able to make appropriate proposals in 1995.
- The development of a prospective vision, the exchange of data and reflections at a Community level on the future development of infrastructures must be promoted. The Commission intends to support public or private efforts with a view to stimulating Community reflection and dialogue between the interested parties (promoters of projects, operators of networks, industrialists, universities, national regional and local authorities). A first private initiative supported by the Commission concerns the establishment of a European Centre for the Study of Infrastructures launched by the European Round Table.

2. Stimulating private investment

Pressure on constrained national budgets and wider competition makes the funding of trans-European networks increasingly problematical. More needs to be done to stimulate private investment in major infrastructure projects and overcome any obstacles that may inhibit it.

Stimulating the participation of private finance in TEN projects would have a direct effect on growth, competitiveness and employment in the Union in the medium term by bringing forward infrastructure projects that would not otherwise take place or would be considerably delayed.

Although the financing of specific projects should be decided on a case-by-case basis (see specific proposals contained in the White paper), **market conditions could be generally improved** in order to minimise the risks under the control of public authorities and to offer an appropriate return for the risks undertaken by the private sector. The Community should play a more active role in "unlocking" private investment.

Action points

a) Putting in place a legal framework that encourages greater private sector involvement

While it is necessary to keep a balance between the profitability of investments and the social role of major infrastructure projects, convergence of conditions for private investment should be encouraged in order to stimulate such investment in networks throughout the internal market. Competition policy has an important role to play in opening up national markets (see Section A IV above). In many instances, the regulatory environment requires careful adjustments in order to provide a flexible framework for the development of transborder network projects. A detailed analysis, is necessary, however, of existing legal and regulatory barriers that may impede private sector involvement in networks. Specific proposals may be made once the results of such studies are made available (end of 1994).

b) Improving administrative procedures in order to accelerate the planning of infrastructure investment

An important element for the development of networks consists in simplifying administrative procedures and reducing delays in the planning process. Multiple administrative layers and complex consultation and decision-making procedures prolong the planning process for infrastructure projects and thereby frustrate investors and users while increasing the costs and risks of infrastructure projects.

- Member States should review their current practice concerning the treatment of planning applications, with a view to simplifying procedures and accelerating the planning of infrastructures. The elaboration of a handbook of best practice in the Union is being considered by the Commission in order to provide a yardstick for public authorities.

- As part of the Commission's efforts to enhance the role of the Declaration of European Interest, clear guidelines and other advice will be issued to interested parties by mid-1994 on the policy aspects in which the Commission has an interest, in particular in the fields of environmental, competition and public procurement policy.

c) Attracting institutional and retail investors in Union financial markets for financing projects in trans-European networks

Some trans-European network projects are financially viable in the private sector in their own right. In these cases, the public sector's role may be restricted to providing an appropriate legislative and regulatory framework. In addition, the Declaration of European Interest could stimulate the interest of the private sector by facilitating the access to Community financial instruments and accelerating certain administrative procedures (see proposals below).

In the case of projects indispensable for the functioning of the network but not generating sufficient revenue to attract private investors a public financial contribution should be considered. The usual form is a grant but alternatives exist, such as interest rate subsidies, tax incentives or credit guarantees. The possibility of developing such instruments at Community level is being studied, in particular with regard to attracting institutional and retail investors. Among the proposals being considered are an innovative approach to guarantees and insurance in connection with the EIF, provision of interest rate subsidies in conjunction with Community or EIB loans, tax incentives to attract long term capital or the provision of some equity capital through the EIF for new infrastructure projects. A communication containing detailed proposals will be made in the second half of 1994.

d) The Declaration of European Interest to serve as a catalyst for stimulating investor interest for trans-European network projects.

The principal features of the enhanced DEI could be summarised as follows:

- The Declaration of European Interest could be used as a badge showing the intention of the Community to address any administrative and legal problems with minimal delay in order to allow the project to proceed.
- Specific follow-up actions in connection with the granting of DEI could be decided in order to help mobilise private capital, such as:
 - reimbursement for successful DEI projects of costs related to preparatory studies;
 - priority consideration for credit enhancement by the European Investment Fund, once the EIF is in place;
 - active Commission "sponsorship" of successful projects in Union financial markets;
 - eligibility for equity participation by the EIF, once EIF rules so allow;
 - tax incentives for bond issues related to DEI projects.

3. Ensuring interoperability

Differing regulatory requirements and technical specifications and the multiplicity and diversity of administrative structures and management rules result in absence of cross-border interoperability and market fragmentation. With a few exceptions, interoperability of trans-European networks has not been addressed in a systematic way. Community mandates to the European standardization organizations have concentrated on the implementation of Community policies, in particular technical legislation, public procurement and the development of information technology and telecommunications.

The Community should adopt an approach which allows for the full participation of the parties concerned in the research of networks interoperability. This is an area where national public authorities traditionally exercise an important regulatory role and, at least in part, interoperability cannot be achieved without recourse to obligatory technical specifications. The emphasis however, should be laid on specifications agreed by network and market operators themselves.

Action points

- In a general manner, an inventory will be drawn up during the course of the first half of 1994 of the areas in which actions must be envisaged to improve solutions to the problems of interoperability.
- For each area the procedures requiring harmonization actions will be identified, whilst making as clear a separation as possible between:
 - the regulatory procedures which come under the Member States' administrations because they involve a collective interest and are traditionally reserved for public authorities;
 - the regulatory procedures which are generally delegated to the operators of the networks and which in the administrative and technical domains represent obstacles to the interoperability of systems or simply to the fluidity of exchange flows;
 - the technical specifications which require the participation of the actors directly associated with the establishment of infrastructures or with the provision of equipment for networks.
- On the basis of these results the Commission will propose actions in 1995 to determine the most appropriate legal instruments to resolve the problems of regulation and envisages being able to entrust:
 - to competent bodies those tasks which correspond traditionally to the work of a regulatory body in a country of the Union;
 - to the European standardization bodies those tasks which normally fall within the ambit of standardization, having made sure that these bodies are in a position to manage tasks which will be appreciably different from those of traditional programmes.
- A proposal for a directive on the interoperability of high speed trains will shortly be presented to the Council. The proposal would envisage the elaboration of technical specifications of interoperability, the respect of which will be compulsory, and of European standards, for which mandates will be given to CEN/CENELEC/ETSI.
- Action should be taken by the Commission and Member States to promote the participation of network operators and industry in the elaboration and application of European standards both within the Union and with its neighbours.
- Where necessary common technical specifications on essential elements for interoperability will be made obligatory.

4. Early development of telematic networks between administrations

Within the scope of the Commission's policy on trans-European networks there have been established a certain number of computerised networks for the exchange of information between the national administrations of the Member States dealing with tax and customs matters on the one part and between the Member States and the services of the Commission on the other part. The Commission will proceed with a feasibility study in the coming months whose goal will be to initiate the creation of a truly common network of communication for customs and indirect taxation, which will act as a medium for all existing or future applications.

Concerning applications, the customs systems must be concerned with the development of an integrated Community Tariff, which will allow the Commission to communicate information relative to customs duties and agricultural levies (TARIC system), to decisions re the classification of goods ("Information on restricting tariffs"), and to ceilings and quotas (QUOTA). These systems will contribute to the effectiveness of customs administrations, who will be able to make decisions quickly on the basis of reliable information updated daily, and therefore represent a considerable benefit at the level of the economic operators.

The fiscal systems concerning the exchange of information relevant to the levying of VAT on intra-community flows of goods (VIES system) and the exchange of information relevant to excise duties (being developed). These systems permit Member States to develop régimes for indirect taxation in intra-community exchanges following the abolition of fiscal barriers.

More generally, the establishment and operation of an efficient, reliable and user-friendly system of communication and data exchange infrastructure between the thirteen administrations, as proposed in the earlier section on administrative co-operation, will provide a motive force for implementation of the priorities and main lines of action defined in the proposed guidelines for telematic networks now before the Council, particularly for the proposed IDA programme (Interchange of Data between Administrations). It has close affinity with the growth initiative in that it incites investment decisions, results in a more favourable economic climate through improved efficiency, and strengthens industrial structure.

Quite apart from its relevance to the effectiveness of administrations of the Internal Market, this network will demonstrate a significant industrial policy potential. It could contribute to the dynamics of the European industry by providing industry (hardware and software suppliers, system integrators, network operators, service providers) in a structured and co-ordinated way with indications of where the users in public administrations intend to go in the longer term. Its activities will produce a common denominator in the e-mail systems and services used by the public administrations, which will influence other users as well. Consequently, industry will be faced with an increasingly converging set of requirements which enables industry to provide inter working solutions for a Europe-wide market without losing its innovative capabilities and its freedom for product differentiation. Wider implementation of e-mail in the administrations will provide industry, thanks to the public procurement policy of the Community, with an opportunity to sell homogeneous products within a significant home market, which in turn should exert a significant pressure for quality improvement and bring prices down.

Although electronic mail will be able to provide satisfactory solutions for many information exchanges, there are certainly requirements which can be met more adequately by adding either supplementary capabilities or applications using the underlying infrastructure (e.g. EDI) or else using completely different technologies. The proposed IDA programme, which aims to provide Community support to the implementation of the trans-European communication and data-exchange networks, aims to be the main instrument in this area, through its ability to support the implementation of projects of common interest and its concern for interoperability between networks and applications. Action should build on existing networks and take into account developments in cooperation between administrations which go beyond the Union scale.

Section D - A dynamic and open external policy

The effective management of the Union's external frontiers and a dynamic commercial policy are essential if individuals and firms, of both Union and third country origin, are to reap the full benefits of the internal market. Actions on both fronts are needed to stamp out illicit or distortive practices which could undermine the competitive functioning of Union markets.

I. Management of the Union's external frontier

The completion of the internal market, in conjunction with the entry into force of the Maastricht Treaty and the imminent enlargement of the Union, have pushed issues related to customs administration at the Union's external borders to centre-stage. The Member States, in cooperation with the Commission, have been busily reviewing the manner in which customs activities are accomplished within the framework of the "Customs 2000" initiative. Measures needed to achieve the objectives of the "Customs 2000" document will be finalised in early 1994. The main elements of this programme are indicated below.

a) Controls at external frontiers:

- The primary objective is to ensure a high quality of control at the external frontier, which facilitates the free flow of traffic while being applied in an effective, efficient and homogeneous manner. Equivalent results, both in terms of control and trade facilitation, must be achieved by the customs services at the external frontier if confidence is to be maintained in the operation of the Customs Union and the internal market. This will avoid trade deflection and distortion of commercial flows with the rest of the world.
- The national customs services, in cooperation with the Commission, will submit a report in 1994 on the question of whether differences between administrative sanctions applied by Member States in the event of breaches of customs rules give rise to trade distortions, and on whether there is a need for some approximation of penalties.
- Close cooperation between national administrations, organised by the Commission, is needed to prevent infringements of customs rules and other conditions for access to the Union market. Priority areas include fraud prevention, protection of intellectual property rights - particularly trade marks, designs and copyright - and measures to combat counterfeiting.

b) Facilitation and control:

- A delicate balance needs to be struck by the customs services between deterring and detecting evasion on the one hand, and the need to ensure minimum disruption to legitimate trade and free circulation of persons and minimisation of compliance costs on the other. The Union has a role to play in disseminating best practices based on new technology, and in extending the use of simplified procedures and risk analysis techniques.

c) Resources and efficiency:

- A planned approach is needed to identify objectives and allocate resources according to priorities. The Commission can act as a mediator in order to ensure that an agreed framework is put in place which takes into account the needs of the Union as a whole.
- Customs recruitment and training should be modified to enable customs officials to adapt to more flexible working practices and new work techniques (risk analysis, audit-based controls, computerisation of routine tasks etc).
- Computerisation of customs procedures will proceed apace to allow computerised clearance of goods by traders. Progress on this front will take into account the possibility of using traders' computer

systems to meet customs requirements, the need to develop links between national systems, and the facilitation of customs operations across Member States, using computer control mechanisms.

- An examination of approaches needed to ensure the adequate provision of resources will be undertaken in 1994. This review will take into account possibilities such as resources available under Community funding instruments, sharing or pooling of equipment, joint operations and similar arrangements.

The completion of the Internal Market calls for a strengthening of administrative cooperation and mutual assistance between Member States, and between the latter and the Commission to tackle the problem of customs and tax fraud. Since the adoption of Regulation 1468/81, the national and Commission investigation services have intensified cooperation and carry out joint investigations in third countries in order to ensure the correct application of customs and agricultural legislation. A proposal for a modification of this Regulation, which would have the effect of significantly improving its operation, has now been presented to the Council.

The Commission is also, in collaboration with the Member States, examining the possibility of upgrading cooperation in combating drugs. Following the adoption of a single framework for trade with third countries in drug-precursors¹², several sensitive third countries have undertaken to control trade in these goods on the basis of a regime for reciprocal cooperation. Although Community competencies in the field of drugs trafficking are currently in flux, the Member States have pressed for increased cooperation at Community level. To this end, a number of mechanisms for cooperation have been developed which will henceforth be administered by a customs working group which has been set up on the basis of Article K 4 of the Treaty on European Union.

II. Completion of the common commercial policy in the context of the Internal Market

Since the Community's inception in 1957, significant progress has been made towards the realisation of a common commercial policy for goods and, more recently, services. The finalisation of a common import and export regime for goods and services vis-à-vis the rest of the world is a precondition for an equivalent level of competition on Member State markets, and will facilitate the dismantling of customs formalities on the shipment of goods between Member States. Although the main elements of a common commercial framework are now in place, a number of loopholes remain. Apart from the completion of the common commercial policy, there are a number of areas in which further progress at a multilateral level can reinforce the benefits which flow from the operation of the internal market. The Commission will take steps over the coming years to address the points outlined below.

The Community has an array of trade policy instruments (Article 113, anti-dumping, countervailing duty regulations and the New Commercial Policy Instrument). The Commission has proposed to the Council improvements designed to speed up and streamline the procedures for deciding how and when to apply these instruments. It has also made it clear to the Council that more resources will be needed to make these instruments more efficient and effective. In the process of implementing the results of the Uruguay Round it will be important to ensure that the Community means remain adequate.

¹² Regulation 3677/92, 13.12.90. as modified by regulation 900/92 of 31.03.92.

- Action will be taken to ensure that all Member States apply effective export controls, based on common standards, for dual-use goods and technologies.
- The Commission will undertake action in the field of export credit insurance.
- The Commission will continue to press for the abolition of most remaining national quotas, or the "Communitisation" of selected quotas on trade with State-trading countries.
- In the field of the common transport policy, the Commission shall take the necessary steps to increase the consistency of national relations with third countries in the field of transport services. This work will require the progressive transformation of existing bilateral arrangements in the fields of road haulage, air transport and maritime transport with appropriate Community agreements and procedures. In addition, the Community will step up its participation in international fora relating to transport issues. To this end, greater attention should be given to direct participation of the Community in these fora.
- **Financial services** - Successful conclusion of the GATS will provide greater access for Union intermediaries to third country markets, given that the Union is already open to competition on this sector. The Union will work for further liberalisation of these sectors at a bilateral and multilateral level.
- **Competition policy** - The Commission will promote respect for the principle of "positive comity" of competition policy at an international level, by seeking to ensure its application in bilateral and multilateral fora. Respect for this principle requires the Union and its international partners to apply domestic competition policy provisions to practices in breach of these rules which create obstacles to international trade.
- **International standardisation** - The Commission and the European standards organisations will continue to support the activities of international standardisation, and the strengthening of multilateral frameworks for reducing technical trade barriers (notably, the GATT Code on Technical Barriers to Trade).
- **Mutual recognition agreements** - At present Mutual Recognition Agreements (MRAs), which constitute a potentially useful tool for facilitating trade with third countries, are used almost exclusively in the areas of conformity assessment and Good Laboratory Practice. The Commission will extend the use of Mutual Recognition Agreements to other areas.

Section E - Reviewing and adapting the Strategic Programme

This programme represents the requirements for consolidating and developing the Internal Market as seen by the Commission, following wide consultation, at the end of 1993.

As the Internal Market itself is subject to an ongoing process of development and change, the programme will need to be reviewed and adapted on a regular basis to take account of developments.

The Commission's Annual Report on the Internal Market will include a review of progress with the implementation of the programme, and it can be used by the Commission to indicate any necessary adjustments.

Interested parties, particularly those who contributed their views on the Commission's working document concerning the programme, are invited to develop their own systems for its regular re-evaluation in order to propose adaptations to the Commission.

Conclusions

The Strategic Programme represents a complex package of measures, each of which will require detailed consideration in its own rights on the basis of individual proposals. Nevertheless the Commission considers it essential that the Council consider, as a matter of urgency, the priorities identified in the programme, particularly where proposals have already been made. The Commission invites the Council to send a clear political message that the completion and development of the Internal Market remains one of its highest priorities. To give substance to this decision, the Commission proposes that the Strategic Programme be launched on the following basis:

- an endorsement by the Council of the general orientation provided in the Strategic Programme;
- a firm undertaking by the Council to accelerate discussion on the seventeen legislative proposals from the 1985 White Paper that are still before it, with a view to their final adoption before the end of 1994.

Annex 1 - Approaches to the monitoring of the quality of transposition measures in certain sectors

Foodstuffs - Although few complaints have been received with regard to transposition, this may reflect a lack of widespread knowledge of the measures as easily as a lack of problems. It has therefore been decided to call on specialist legal consultants to examine the transposition measures relating to the bulk of the foodstuffs directives.

Financial services - Contacts with market participants to identify problems; discussion on transposition and interpretation in Banking Advisory Committee and Insurance Committee; use of external consultants. Transparency is assisted by requirement to include reference to relevant Community directive in transposition measures and by requiring Member States to forward transposition tables showing the correspondence between Community and national measures.

Recognition of diplomas - Transposition is prepared by a "pre-group" of national coordinators who exchange drafts and discuss difficulties of interpretation; external consultants also used.

Intellectual property - Technical meetings with Member State experts; use of external consultants to examine the jurisprudence of national courts.

Veterinary and Phytosanitary legislation - As resources are extremely limited in relation to the scale of the task, it is necessary to concentrate on problems identified through the experience of operators or of national or Commission authorities. This task is facilitated by the existence of the regulatory committees in the veterinary and phytosanitary areas.

A more systematic approach to monitoring transposition, while desirable, would require substantial additional staff resources. However, other avenues for improving the situation will also be explored, particularly by reinforcing the information networks through which problems can be identified.

Annex 2 - Trans-European networks (indicative time-table of adoption of network plans)

	Commission	Council	Parliament
TRANSPORTS			
High Speed Trains	Update in the multimodal plan	Favorably-received 17.12.90 without formal adoption	Adopted 15.5.92
Combined transport	Update in the multimodal plan	Adopted 29.10.93	Adopted 26.10.93
Roads	Update in the multimodal plan	Adopted 29.10.93	Adopted 26.10.93
Inland waterways	Update in the multimodal plan	Adopted 29.10.93	Adopted 26.10.93
Multimodal plan:	June 1994	1st semester 1995	1st semester 1995
- Rail conventionnel	Elaboration in the framework of the multimodal plan		
- Advanced Road telematics	idem		
- Ports	idem		
- VTS	idem		
- Airports	idem		
- Air traffic	idem		
TELECOMMUNICATIONS			
Telematics between administrations	Adopted 12.3.93	1st semester 1994	1st semester 1994
ISDN	Adopted 1.9.93	1st semester 1994	1st semester 1994
IBC	Elaboration	1er semester 1995	1er semester 1995
ENERGY			
Electricity	Finalization	2nd semester 1994	2nd semester 1994
Natural gaz	Finalization	2nd semester 1994	2nd semester 1994

FINANCIAL MEMORANDUM

THE STRATEGIC PROGRAMME FOR THE INTERNAL MARKET

credits authorised in 1993		credits sought in 1994		variation in %	
Commitments	Payments	Commitments	Payments	Commitments	Payments
1	2	3	4	5	6
483.947.000		544.970.000		+ 12.60%	

1. Title of operation

The strategic programme for the Internal Market

2. Budget heading involved

cf. point 7.2 below

3. Legal basis

Treaty establishing the European Economic Community and, in particular, Articles 8A, 30-36, 59, 100A and 100B.

Treaty on European Union, and, in particular, Articles 129 A-D, and Chapter VI

4. Description of operation

4.1. General objective

- Completion of the basic legal framework;
- Management of the Community Area through ensuring quality and transparency of community rules transposed in national law; ensuring quality in enforcement;
- Setting in place a coherent system of administrative cooperation between the Member States, and between these and the Commission to ensure the effective application of community legislation;
- Assuring redress by access to justice and the improvement of judicial cooperation; evaluation of the impact of community rules;
- Development of the Internal market: to improve the environment for business and reinforce consumer protection; ensure proportionality and transparency in new community rules; developing communication and better targeting information; maintaining a dynamic and open external policy;

- Facilitating the development of trans-European networks in key sectors; stimulating private investment and facilitating the setting up of telematic networks between national administrations and their European counterparts.

The actions proposed are based on the following communications and resolutions:

a) *Communications*

- Communication from the Commission of 2 December 1992, "The functioning of the Internal Market after 1992 - Follow-up to the Sutherland Report" (SEC(92)2277 final).
- Communication from the Commission of 2 June 1993, "Reinforcing the Effectiveness of the Internal Market - Towards a Strategic Programme for the Internal Market" (COM (93) 256 final).

b) *Resolutions*

- Council Resolution of 7 December 1992, on the means to ensure the effective functioning of the Internal Market (OJ n°C334 18.12.1992, p.1).

4.2. Duration

Permanent action reaching beyond the 1993 deadline set down in Article 8A of the EEC Treaty, with a view to ensuring the proper functioning of the Internal Market and progress towards economic and monetary union.

4.3. Population affected by the action

National administrations, commercial and industrial circles, judicial bodies, citizens and consumers.

5. **Classification of the expenditure**

5.1. Non-compulsory expenditure

5.2. Differentiated appropriations

5.3. n.a.

6. **Type of expenditure**

The operational expenditure essentially comprises:

- financial contributions and subventions (particularly those destined for European bodies with the task of administrative cooperation and advisory and managerial scientific instances responsible for monitoring of community rules);
- financial obligations stemming from contracts for preparatory, feasibility or evaluation studies which contribute towards the functioning of the Internal market, (particularly in the frame of the establishment of telematic networks between administrations) and to the achievement of allied political objectives;

- subventions destined for the support of projects of community interest undertaken by external bodies;
- the financing of the exchange of national officials, training, and information and communication programmes.

7. Financial impact

7.1 Method of calculating total cost

Going beyond the 1993 deadline, where the accent had been placed on the achievement of the legislative objectives of the White paper, implied a significant revision of the headings of the Internal Market line for the preparation of the 1994 draft budget. This revision centered on a modification of the normal actions in line with the political orientations contained in the Communications from the Commission to the Council and the Parliament, of 2 December 1992 "The functioning of the Internal market after 1992 - Follow -up to the Sutherland report" (SEC (92)2277 final) and 2 June 1993 "Reinforcing the effectiveness of the Internal Market - Towards a strategic programme for the Internal market (COM (92)256 final). The draft programme aims to develop these modified type actions in view of the qualitative changes in the nature of the work of the services responsible for monitoring the implementation of community legislation in the framework of reinforced administrative cooperation with the Member States.

It is obvious that to a certain extent existing resources can be redeployed to face this new challenge. A detailed examination of current allocations will however be required to determine where such redeployment is possible. Furthermore it is clear that for certain tasks existing resources will be insufficient. In other cases it is equally apparent that the implications in terms of resources cannot be calculated until the complementary tasks described in the programme have achieved, allowing for a precise estimate of requirements. The other services concerned have been asked to furnish all relevant information in this respect. By way of example ,as far as headings BII, CIII and D are concerned, DG XXI has signalled the development of actions already envisaged in 1994 which will give rise to additional calls on resources in 1995:

- "Monitoring groups" (representatives of administrations and industry to ensure that the Internal Market keeps in step) - 4 Mio Ecus in 1995;
- "A citizen's Europe" (to identify possible difficulties arising from the Internal Market and to advise citizens) - 3MioEcus in 1995;
- "Pilot projects" (adaptation of traditional mechanisms of control to ensure a better protection of the external frontiers) - 7 MioEcus in 1995.

This having been said, this financial statement, as a first step, attempts to schedule those budget lines associated with Internal Market policies and to establish the order of magnitude of the sums devoted to the achievement of those policies. The "pro-memorias" may indicate where additional resources will be required.

7.2 Itemised breakdown of costs

The figures appearing hereafter represent the situation as it is appears in the preliminary draft budget for 1994;

Breakdown by broad lines of the programme * (indicates that the heading can also include new operations)	Budget lines involved (in whole or in part)	Budget 1993	APB 1994
A. Completing the basic legal framework	B5-3000 B5-301 B5-4020 B5-4023	cf B. below p.m. 17.800.000 7.000.000	cf B. below 750.000 18.100.000 5.000.000
B. Managing the community area	B5-3000 (including elements of A, B and C)	34.000.000	40.750.000
I. Quality and transparency in transposition			
II. Quality in implementation - administrative cooperation* - monitoring implementation* - preventing new barriers* - sanctions*	B2-5101 B2-5102 B3-4015 B5-108 B5-302 B5-3051 B5-306	14.000.000 4.000.000 30.000.000 1.000.000 p.m. 2.427.000 p.m.	19.000.000 4.000.000 - p.m. 1.000.000 2.900.000 7.500.000
III. Redress* Access to justice and judicial cooperation*	B5-100 B5-800	2.100.000 -	2.400.000 p.m.
IV. Evaluation of the impact of community rules*	B5-600	22.900.000	23.700.000
C. Developing the single market*		Budget 1993	APB 1994
I. Proportionality and transparency of new rules -communication and information policy*	B5-300 B3-303 B5-304 B5-401 B5-500	cf B above 6.800.000 28.000.000 8.000.000 10.000.000	cf B. above 7.820.000 39.000.000 10.000.000 11.200.000
II. Improving the environment for business*	B5-300 B5-303 B5-320	cf B.above 500.000 24.800.000	cf B above 700.000 26.800.000
III. Improving the environment for consumers*	B3-4111 B5-102 B5-105	650.000 6.000.000 3.500.000	650.000 6.700.000 3.500.000
IV. Trans-European networks*	B2-702 to B2-706 B5-700 B5-720 B5-7210 B5-7211 B5-7212 B5-7213	12.770.000 185.000.000 7.000.000 17.000.000 - 9.800.000 2.000.000	13.000.000 200.000.000 20.000.000 26.200.000 10.000.000 12.900.000 2.000.000
D. External policy -managing the frontiers*	B3-440 B5-600 B5-7214	3.300.000 22.900.000 700.000	4.800.000 23.700.000 900.000
TOTALS		483.947.000	544.370.000

* (indicates that the heading can also contain new operations).

8. Fraud prevention measures

The verification of subventions and the acceptance of services and the results of preparatory, feasibility or evaluation studies requested is carried out by the Commission services before payments are effected, taking into account contractual

obligations and the principles of economy and sound financial management; fraud prevention measures (surveillance, regular reports etc.) are included in all agreements or contracts concluded between the Commission and the beneficiaries of payments.

The framework contract concluded in 1992 between the Commission and the European standardisation organisations provides, for example, a very clear presentation of the costs associated with the preparation of mandated European standards which allows for effective control of actual expenditure.

In a general manner, all permanent actions are subject to regular follow-up by the services concerned, and for once-off actions there is an evaluation ex-post facto. Statistical and other information assists in the evaluation of the progress of Community actions and thus contributes to the consolidation of fraud prevention operations.

In many regulations, specific measures are envisaged and internal control measures are based on the verification by the responsible heads of unit that progress in relation to individual projects or programmes is in conformity with the facts.

9. Elements of cost effectiveness analysis

9.1. Specific and quantifiable objectives

The specific objectives of this action relating to the strategic programme for the Internal Market are set out hereafter.

A. Completion of the basic legal framework

The legislative programme set out in the White paper in 1985 has been realised by more than 95%, except for identity controls on persons at the internal frontiers. There are, however, still a number of proposals from this programme where the Council has yet to reach a decision and other complementary proposals have been introduced since 1985. Furthermore, additional proposals have just been presented to the Council relating to the free movement of persons. These matters concern, in particular the following dossiers:

- coordination in company law;
- proposals relating to double taxation;
- intellectual property - biotechnological inventions;
- indirect taxation;
- precious metals;
- counterfeit goods;
- exports of dual-use goods;
- personal data protection;
- deposit guarantee systems; etc.

Also envisaged are actions having a significant competition aspect, in the regulated sectors of energy, telecommunications and the postal services.

B. Management of the Community area

Involved here is the management of the application of community legislation which is achieved through:

- monitoring of Member States' respect of their community obligations through checking the quality of transposition into national law, and updating of information in relation to this legislation;
- ensuring the quality of implementation through a coherent framework for administrative cooperation with the necessary technical support, surveillance of the implementation of community rules and the means of resolving difficulties in this implementation, preventing the emergence of new barriers through transparency in national derogations, the notification procedure in the domain of services, the definitive harmonisation of tax régimes, and sanctions against Member states for infringements;
- facilitating redress, improving access to justice and judicial cooperation, improving access to legislation, facilitating recourse to national courts, reinforcing the free movement of judgements (Brussels Convention), analysing the conflict of laws in the frame of private international law and the Internal Market and modification of the Rome Convention;
- evaluation of the impact of community rules, the operation in practice of community legislation in the internal market and the economic impact on business, reinforcement of the INTRASTAT system for statistics on intracommunity trade.

C. Development of the internal market

The development of the single market supposes that the Commission puts at the disposal of the Member States, business and consumers appropriate tools for the achievement of this objective;

- proportionality and transparency in the preparation of new legislative measures, management of a coherent communications and information policy through the partnership with Member States, using where necessary as intermediaries, particularly the EICs, the industrial federations and professional organisations;
- improving the environment for business, ensuring coherence between regional, national and community action relating to environmental protection, improving cross-border payments, liberalisation of the markets in transport services, elimination of obstacles to protection in the area of industrial and intellectual property, coordination in company law questions, establishing direct and indirect tax régimes that are favourable to business, strenghtening European standardisation, certification systems and promoting quality policy, treatment of the specific needs of small and medium sized enterprises, Green Paper on commercial communication and distribution services, and the follow-up of work in the domain of the media;
- improving the environment for the consumer;
- establishing trans-European networks, the promotion of a convergence of interests and coordination, stimulation of private investments, ensuring technical interoperability and the development of telematic networks between administrations;

D. A Dynamic and open external policy

The sound management of the external frontiers is indispensable to avoid trade distortions and prevent illegal practices which can damage the functioning and competitiveness of the single market:

- reinforcement of the controls at the external frontiers and revamping the customs services in view of the objectives of "Customs 2000";
- completion and development of the common commercial policy, administrative cooperation to avoid infringements.

9.2. Grounds for the operation

The totality of this action springs from the principle of the attribution to the Commission of the powers of execution of rules adopted by the Council in the framework of the completion of the Internal Market. It should be recalled that the Council in its Resolution of 7 December 1992 on the means to ensure the functioning of the Internal Market, invited the Member States and the Commission to examine the necessity to reinforce cooperation in order to resolve any practical problems which could arise. The Parliament in its Resolution of 18 December 1992 also invited the Commission to take the necessary measures to meet the challenge which the proper functioning of the Internal Market represents. The Commission in responding to this objective by its decision of 23 December 1992 set up an advisory committee in the domain of the Internal Market.

For those actions underway there is truly no alternative to a community action, for every oversight by the Commission in the area of the completion and functioning of the Internal Market risks the emergence of divergent national policies.

The Commission, however, is permanently examining different possibilities to respond to the exigencies of economy and efficiency.

In this respect in the domain of standardisation, the strategy, which was initially founded on a detailed harmonisation of the national laws, currently pursues two complementary orientations:

- mutual recognition of national rules;
- the limitation of the approximation of legislation at community level solely to those cases where the objectives of the national laws are not equivalent.

Furthermore, the Commission, in the framework of the implementation of the Green Paper on standardisation, introduced significant changes to the system of financing European standardisation.

As concerns the programme for exchanges of national officials between the administrations of the Member States, the contributions of administrations participating has been fixed at 50% for the daily allowances payable. This programme is complementary to the other exchange programmes adopted by the Council in specific sectors, i.e. MATTHAEUS, MATTHAEUS-TAX and in the veterinary domain.

9.3. Monitoring and evaluation of the action

Performance indicators selected

- a) percentage of proposals issued by the Commission on the basis of its work programme, and percentage of decisions adopted by the Council.
- b) number of texts codified per sector and adopted in this form by the Council.
- c) number of exchanges carried through in the framework of the KAROLUS, MATTHAEUS, MATTHAEUS-TAX and veterinary programmes.
- d) number of standards adopted and remaining to be adopted.
- e) establishment and functioning of telematic networks between administrations responsible for the monitoring of the Internal Market and between these latter and the Commission.

- f) modification and ratification of international agreements on the application of commercial law.
- g) start-up of large infrastructure projects coming within the frame of transeuropean network policies.

Details and frequency of planned evaluations

The evaluation of work relating to the functioning of the internal market is done on an annual basis through the action and intervention of the committee responsible for the functioning of the Internal Market. An annual report is foreseen in the Communication of the Commission of 2 December 1992, " The functioning of the Internal Market after 1992 - Follow-up to the Sutherland Report (SEC (92)2277 final).

As regards the KAROLUS programme, Article 18 of the Commission decision (93/10/CEE) fixing the operational provisions for the programme, provides that the Commission establish an annual financial report on the execution of the programme, which is to be transmitted to the national coordinators to permit an evaluation of the programmes' implementation.

10. Administrative expenditure (Part A of the Budget)

Note: It must be recalled here that significant sums are already included in part A destined for specific surveillance tasks in certain sectors of the Internal Market.

This is the case, in particular, for the following lines:

Line	Entitled	Budget 1993	APB 1994
A 3531 (SG, VI, XXI)	Fight against fraud	4.341.000	4.145.000
A 3532 (I, XXI)	TAFI Fraud suppression in the textile sector	500.000	500.000

10.1. Will the proposed operation involve an increase in the number of Commission staff? If so, how many?

Yes. cf point 7.2 above. It is probable that the development of certain actions in the frame of the strategic programme will generate additional administrative expenditure and requests for increases in the numbers of staff. Although some partial and preliminary evaluations have been furnished to DG XV by some services, at this stage, and before analysing these requirements in detail, in collaboration, where necessary with the Member States, no reliable estimate is possible. The specific actions stemming from the strategic programme will themselves be the subject of financial memoranda when formally presented, giving all the elements necessary to determine the resource implications.

It is clear that requests for additional statutory posts or recourse to external personnel must be presented having regard to the financial perspectives and the agreed envelopes for the budgetary exercises concerned.

10.2. Indicate the amount of staff and administrative expenditure involved in the proposed operation. Explain the method of calculation

cf points 7.2 and 10.1 above.