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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

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

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STRATEGIC PROGRAMME

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 Commission's 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.

