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SECOND REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the implementation of the Commission's
White Paper on completing the internal market

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INTRODUCTION

1. Developments in the European and in the World economy give greater, not less, importance to the programme for the Completion of the Internal Market. With economic activity in Europe not growing as fast as we had hoped and with a slow-down in the world economy and in international trade, it becomes more and more important that the competitive edge of industry in the Community should be sharpened. The only way that this can be done is if the people of Europe can draw upon their united strength; if they deploy the full reserves and opportunities of an internal market of 320 million people; and if they remove internal barriers and restrictions which divide them and impose wholly unnecessary and avoidable additional costs.

2. The cornerstone of any Community is mutual dependence and support. This constitutes the very heart of what the Community means and what it really stands for. All the Community countries depend upon one another. We must realize, reinforce and profit from this interdependence to achieve the progress and prosperity that can be achieved only in a single unified market.

3. The Community is the biggest trading bloc in the world. 50% of that trade is done among Member States themselves. It represents goods and services, indeed people and capital, circulating within the Community. And this despite the barriers, the impediments and the obstacles. We must maximise that trade and the opportunities it offers. We can only do so by removing the barriers and allowing Europe to operate as a single entity. That is what is really meant by "Completing the Internal Market".

4. There is another, related imperative. We have 16 million of our people unemployed. So long as Europe remains divided, the prospective growth rates which can be foreseen offer no hope of any significant or long-lasting improvement in that figure. Europe needs to make, must make, a quantum leap forward - in efficiency, in

mobility, in investment, in economic and social cohesion, in monetary cooperation, in science and in research. None of these things will happen by themselves. They will only happen if we set the right framework in which they can happen. And that framework is the completed Internal Market.

5. Investment requires confidence. We are offering industry the greatest opportunity and indeed the greatest challenge that has faced them for many a year. With a market base of 320 million people, industry in the Community will have at long last an equal - or more than equal - opportunity with its major competitors overseas to maximise its efficiency, reduce its costs and sharpen its competitive edge. We need to do better and we can do better to meet competition from abroad in our domestic markets and competition world wide in our export markets. This will require massive investment in industry itself and in the infrastructure of the Community - in transport, in energy, in science and elsewhere. All these factors will combine to form a growing circle of prosperity and employment in the Community. The funds needed will be very great, but they will be forthcoming if there is confidence on the part of industry and Governments that the opportunities most assuredly will materialise. That confidence can only be built on a perceived and unshakable determination on the part of the Member States of the Community that the Internal Market will indeed be completed by 31st December 1992 as provided in express terms by the Single European Act, and - and this is very important - on timely and demonstrable progress towards that goal being achieved. The whole purpose of the timetable included in the White Paper and in the Progress Reports we in the Commission present each year is to impose the necessary discipline, to measure progress, to identify shortcomings and to demand solutions. Rarely has it been necessary in human history to provide such moral sanctions to persuade or cajole people into doing what is so obviously and unmistakably in their own interest to do.

Developments affecting White Paper progress

6. Since May 1986 when the Commission published its first progress report (COM(86)300) there have been a number of developments which have had an impact on subsequent progress in implementing the White Paper Programme.

7. At the time of its first progress report, the Commission looked forward with eager anticipation and optimism to the early implementation of the agreement reached at the Intergovernmental Conference held in Luxembourg in December 1985. By January 1986 that agreement had been finalised in the form of the Single European Act, signed by all Member States. What was not foreseen in May 1986 was the considerable and regrettable delay that would eventually occur in the Single Act being ratified by all the Member States and so put into effect. This delay has had serious consequences.

8. The Single Act represents a first and a radical revision of the Treaty of Rome introduced with the completion of the Internal Market very much in mind. Its implications for the White Paper programme, which it mentions by name, are immense. The Single Act enshrines within the Treaty and in the most categorical terms the commitment made on so many occasions by the Heads of State and Government to create between now and the end of 1992 an area without internal frontiers in which the free movement of goods, persons, services and capital is assured. Never before has there been such an explicit and solid basis for the internal market programme as set out in the Commission's White Paper. But, equally important, to achieve this objective the Single Act also improves significantly the Community's institutional system by extending qualified majority voting to some two-thirds of the proposals set out in the White Paper programme and by enabling Parliament through the "cooperation procedure" to play a much larger and more active part in the decision making process on internal market proposals. The acid test will be whether the Council does in fact change over to qualified majority voting where this is provided for in the Single Act. No less crucial will be the practical implementation of the "cooperation procedure".

9. The Single Act also envisages for the Commission wider executive powers to implement rules laid down by the Council. The Intergovernmental Conference in December 1985 specifically called upon the Council to adopt, in advance of the entry into force of the Single Act, principles and rules governing the definition of the Commission's executive powers in each case. To this end the Commission on 3 March 1986 submitted its proposals to the Council in the form of a draft Regulation, to translate into law the express request of the Intergovernmental Conference that on internal market matters priority should be given to the advisory Committee procedure.

10. Regrettably, on the eve of the entry into force of the Single Act and some twelve months after the Commission submitted its proposal, the Council has still not adopted the necessary principles and rules. As a result, important Commission proposals - notably those implementing the new approach to food law - on which valuable progress might otherwise have been made, remain delayed in the Council on the committee procedure issue. The Commission believes the strengthening of its own executive powers to be an essential instrument for completing the Internal Market programme. It therefore calls upon the Council as a matter of urgency to adopt the principles and rules it has proposed.

THE OVERALL PICTURE

11. Less than two years have passed since the White Paper was published and during this start-up period in the programme considerable effort has had to be put into devising and improving working procedures. It has taken some time for the three principally involved institutions to translate this effort into positive results, but the performance of each during 1986 can be summed up as follows:.

first, the Commission considerably speeded up its tabling of proposals, clearing almost all the 1985 backlog and submitting most of the proposals scheduled for 1986;

second, the Council in 1986 also speeded up the rate at which it adopted proposals as compared with 1985, but is nevertheless even further behind schedule than it was when the Commission published its first progress report in May 1986; and

third, the Parliament, though reasonably up-to-date in its processing of White Paper proposals, could become a factor for delay if the rate at which it submits its opinions to the Council does not match that at which the Commission submits its proposals for the Parliament's opinion.

12. The coming into force of the Single Act once it is ratified will definitively mark the end of the start-up period of the White Paper programme. The necessary tools will then exist to build upon the foundations which we have laid since June 1985. The rate of progress should increase markedly as a result provided the institutions use the Single Act for the purpose it was intended. In practice, progress in future will depend in large measure upon how effectively and diligently the Commission, the Council and the Parliament use the tools which the Single Act provides.

Progress in the Commission

13. In total the Commission has now tabled some 175 out of the 300 proposals set out in the White Paper timetable. Since publication of the White Paper, a number of the proposals originally envisaged have been either withdrawn, as further examination has shown them to be unnecessary, or in some cases a group of proposals have been amalgamated into a single proposal. Taking these factors into account, the Commission has dealt in all with nearly 60% of its programme. This represents good progress towards the ultimate objective - even though we would have liked to have been somewhat further ahead. The Commission's original target was to have submitted some 200 proposals by now. In fact its total backlog is 29 proposals.

14. Nearly half of this backlog relates to the agricultural sector, in particular to the abolition of veterinary and phyto-sanitary controls: the delays are due to continuing staff shortages. The Commission is taking steps within the framework of the 1987 budget to deal with these staffing problems and expects to put this sector back on track before too long.

15. Work since 1985 on completing the Internal Market has revealed a need for proposals which, although not originally envisaged in the White Paper programme, do complement that programme. Wherever possible the Commission has endeavoured to react to and meet that need. Consequently, it has submitted an additional 20 proposals linked to the objective of completing the internal market which were not included in the White Paper when it was published.

16. The Commission's initiatives are not confined to - and cannot be measured simply by - the number of proposals tabled. Completing the internal market means establishing all the conditions for the

harmonious functioning of the Community. The Commission has accordingly continued its work to ensure compliance with the competition rules and development of the principle of mutual recognition of national rules on the basis of Article 30 of the Treaty.

Progress in the Council of Ministers

17. Up to date the Council of Ministers has adopted 58 of the White Paper proposals submitted by the Commission. This leaves 112 White Paper proposals outstanding before the Council awaiting its decision. This can only be described as a most disappointing result.

18. The Council has made a serious effort to improve the organisation of its work. The decision taken in 1985 to establish a rolling work programme involving three successive presidencies was followed by the appointment in 1986 of a coordinating group to facilitate the groundwork of delegations for Council meetings on Internal Market matters. As a result there has been an improvement in some areas in the pace of work in the Council. Two examples may be quoted: first the adoption of the Directive on the protection of microcircuits barely a year after the proposal was put forward; and second, the adoption of a joint position on the proposal on public supply contracts only six months after the Commission submitted it. These are examples of what the Council can achieve when it has a mind to. But overall progress is unsatisfactory. Of the 112 White Paper proposals still before the Council, 58 were scheduled for adoption in 1986 under the White Paper timetable and remain outstanding. This is a measure of the failure of the Council of Ministers to instil a new and necessary sense of urgency.

19. It should be noted that the rate of progress varies with the configuration of the Council. The "internal market" Council meetings, under pressure from the European Council and the

Presidency, achieved much better results in the latter half of 1986; but the Council meetings on agriculture and economic/financial affairs were of much more limited success. During the past twelve months, no proposals were adopted in the vitally important agri-foodstuffs sector and only 8 directives were adopted in the veterinary and phytosanitary fields. During the same period only 2 directives - of very limited scope - were adopted in the fiscal sector. The fact remains that the objective of a Community without internal frontiers as laid down in the Single Act will only be achieved if the necessary progress is made in all areas including in the veterinary and phytosanitary field and in the fiscal field.

Progress in the Parliament

20. Parliament has an important influence on the rate of decision-making by the Council. All the proposals in the White Paper must receive the opinion of the Parliament before they can be adopted: two decisions could not be taken in December 1986 solely because Parliament had not delivered its opinion. The entry into force of the Single Act will further enhance Parliament's role in the decision-making process. Except in the veterinary and phytosanitary, fiscal and transport fields and a few sectors under Article 235, all White Paper proposals involve the "cooperation procedure" and in those that do not the Parliament's opinion is still required.

21. At the time of the Commission's first progress report, 17 proposals were before Parliament. That number has now risen to 32 as proposals are being tabled faster by the Commission. Of these 32 proposals, 24 are scheduled for adoption by the Council before the end of 1987 under the White Paper timetable.

