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REPORT FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

THE SINGLE MARKET IN 1994

The First through the Seventh Reports (1986-1992) were published as *Report of the Commission ... concerning the implementation of the White Paper on completing the Internal Market*. The title of the 1993 report is *The Community Internal Market*. The 1994 and 1995 reports are titled *The Single Market*. The annexes to the 1994 and 1995 reports were published as *State of Community law concerning the internal market* and are on AEI-EU as separate documents. The series ends with the 1995 report.

NOTE

References in the body of the report to Council or Commission legislation and to Treaty articles are followed by an asterisk* without a footnote. Full titles and references of legislation and the text of Treaty articles are given in Annex 2 to the report.

Annexes to the 1993 Report have been replaced by an independent publication "*State of Community law concerning the Internal Market*", which is updated twice yearly and which is available from DG XV.

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Introduction

For our citizens and European business the completion of the single market and the steady improvement of its operating effectiveness are crucial to the competitiveness and political credibility of the Union. The single market remains at the heart of our efforts to safeguard the competitiveness of our industry, to create jobs and to stimulate economic growth. Its creation and consolidation is a continual and dynamic process which constitutes a cornerstone of the achievement of the convergent economic environment essential to the creation of EMU.

The key message from the Commission in this, its second Annual Report on the Community Single Market, is that, taken as a whole, the single market is working, but there are still problems in several areas. It is therefore necessary to improve and reinforce the legal and administrative framework both at Community and at national level in the interests of citizens and business. The removal of border controls on the movement of goods is being reflected in greater efficiency and lower costs for European business, capital is moving freely between Member States, service providers are operating in new markets and more firms are competing for public contracts. Individuals, too, are availing themselves of the opportunities offered by the single market for working in other Member States. Where barriers persist, administrative machinery is being developed to resolve problems quickly without the need for infringement proceedings.

The central importance of the single market has been reflected in repeated political endorsements from successive European Councils. However, such expressions of political commitment now need to be matched by action. During 1994, little progress was made in adopting the few (but important) legislative measures needed; in particular, no progress was made on the elimination of border controls on people. In some areas, adopted measures are not being implemented in national legislation in accordance with the agreed timetables; a further crucial issue is how the measures which have already been transposed are actually applied. Business and consumer interests have confirmed that, for a number of key sectors, delays in implementation and the inadequate enforcement of Community law remain the greatest threat to the single market.

Consolidation of the internal market requires the Commission and the Member States to ensure strict observance of the existing rules. This should involve stricter monitoring of Community regulations to ensure that national implementing legislation is fully effective and that citizens have the necessary means of action to assert their rights. The completion of the internal market can be pursued, on the one hand, by ensuring that the principle of mutual recognition is applied as broadly as possible, and, on the other hand, by adopting measures, in keeping with the principle of proportionality, designed to eliminate any obstacles that prevent citizens from fully benefiting from the new economic and legal environment.

The single market is one of the most important achievements of the Community, which has led individuals and businesses to expect tangible benefits from Community action. The necessary political effort of the past needs to be renewed to reap the economic and political rewards. Faster and more substantial progress in making the single market work is needed to match expectations.

The Commission continues to work to ensure that the rules of the game are not only in place but also applied in practice. It is pressing on with the Strategic Programme "Making the Most of the Internal Market" (1), which it adopted in December 1993 and which was endorsed by the Council. In particular, the Commission has been vigorously pursuing legal proceedings against any Member State which has fallen behind in implementing single market legislation. A lot of progress has been made in identifying and tackling outstanding trade barriers by the development of contact-point networks between the Member State administrations and the Commission for the rapid solution of practical problems as they arise.

The European Council decided at its Brussels meeting in 1993 that the Annual Report on the Internal Market should be considered as part of the follow-up to the action plan for employment. A summary report was therefore forwarded to the European Council for its Essen meeting in December 1994. In its conclusions the presidency of the European Council stressed the importance of the internal market and the need for uniform and effective application of the rules.

The Commission intends this Annual Report to be an increasingly useful tool for individuals and businesses. It is intended not only to keep them informed of legislative and other developments designed to enhance the operation of the single market, but to provide a basis for discussion and debate on its practical advantages and remaining problems. This was a particular concern of the European Parliament and of the Economic and Social Committee in their reactions to the 1993 report. The Commission has included more concrete information on outstanding problems, although it has not been possible to respond in full to these requests. Representative organizations have also been encouraged to contribute their views on the operation of the single market in the course of the preparation of this report, and contributions from interested parties will continue to be welcome for future reports. The Commission intends to incorporate more economic analysis of the single market in future reports, as the instruments which will facilitate such analysis are developed and data from the major study to be published in 1996 become available (see paras 39 to 42).

The analysis of the state of the single market in this report shows that much still remains to be done to make a really open area in which persons, goods, services and capital move freely and effectively. Existing Community rules must be enforced, the application of the principle of mutual recognition of national legislation must be strengthened, the adoption of the relatively limited number of legislative measures still required must be speeded up.

Among the key issues where progress will have to be made over the next few years, as mentioned in the Commission's annual programme for 1995, are the following:

- completing the single market for citizens, so that they will see the advantages of European integration in their daily lives;
- achieving full freedom of movement of people, through the elimination of border controls within the Union;
- further harmonising tax legislation;
- promoting a more effective single market for business, in particular in the field of company law and intellectual property rights;
- ensuring equivalent enforcement of Community law, including access to justice and effective penalties in the case of infringements;
- preparing the appropriate basic regulatory framework for services relating to the information society;
- liberalizing public utilities;
- assisting the Central and Eastern European countries to adapt to single market requirements, giving priority to the preparation of the White Paper on the subject.

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