COMMUNICATION FROM THE COMMISSION

TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

DRAFT ACTION PLAN
FOR THE SINGLE MARKET

This draft summarises the Commission's current thinking concerning an Action Plan for the Single Market. The final Action Plan will be presented by the Commission to the European Council in Amsterdam.
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1. The European Single Market is the world’s largest domestic market. It has contributed significantly to growth, competitiveness and employment. It has been responsible for an increase in EU income of between 1.1% and 1.5% and for the creation of between 300,000 and 900,000 jobs but its potential is still to be realised. Barriers still stand in the way. Europe needs a better Single Market for more growth, more innovation and more jobs, a market that works for everyone - citizens, consumers, small companies and larger business - a dynamic, knowledge-based market, socially responsible and sensitive to the concerns of everyone affected by it. A consolidated and properly functioning Single Market will help to ensure a transition to the single currency in the most favourable conditions and will contribute to a successful enlargement. The Commission’s 1996 Report on the Impact and Effectiveness of the Single Market contains recommendations on what still needs to be done: The Report has received a very wide degree of support from Member States. The political will is evident. This needs to be translated into targeted action.

2. The Single Market is not simply an economic structure. At its heart are 370 million people seeking better employment opportunities, improved living and working conditions, and a wider choice of quality products and services - including access for everyone to services of general interest - at lower prices. The Single Market is working in their interests. Much has already been achieved. Individuals already enjoy the right to move and work throughout the Union. The Single Market sets basic standards of health and safety, equal opportunities and labour law. However, more needs to be done to enforce these rights effectively. In addition, social policy must help smooth the process of change, promoting a new interplay between flexibility and security, for example through appropriate information and consultation. The European employment strategy, agreed at the Dublin European Council, underpinned by the Commission’s Confidence Pact for Employment, will help to give people the opportunity to upgrade and improve their skills. Similarly, the Commission will work with Member States to help modernise social protection systems and make them more employment-friendly.

3. The Single Market stands or falls on confidence; confidence that all the key rules are in place; that they are fully and fairly applied; that problems will be addressed quickly; that the ground-rules for fair competition are fully respected; confidence for consumers in the reliability of goods and services and of information: confidence for smaller companies, the employment generators, that the market can work for them; confidence that each and every government is committed to making it work. Doing business, moving, living or working in the Union’s “area without internal frontiers” should become as easy as within any Member State.

4. The Action Plan announced in the conclusions of the Dublin European Council has the clear objective of improving the performance of the Single Market in the years ahead. The third stage of EMU represents a critical juncture, at which the Single Market must provide underlying economic support for monetary union and the
Euro will provide added value and efficiency to the Single Market. The actions proposed are ambitious. It will take considerable political will to carry them through. Time is short. But if we succeed, confidence will improve and Europe will have a Single Market capable of generating more growth and more jobs, while safeguarding the European social model. The final version of the Action Plan will be put to the European Council in Amsterdam when the Council will be invited:

• to make a firm commitment to the full execution of this Action Plan before 1 January 1999 and the start of the third stage of EMU;
• to provide for the necessary priority treatment of any legislative proposals in the Action Plan (a “fast-track” approach);
• to review progress at each meeting of the European Council in the run-up to December 1998.

The Commission will regularly publish and draw to the attention of each Internal Market Council and European Council a “Single Market Scoreboard” containing detailed indicators of the state of the Single Market and of Member States’ level of commitment to fulfilling the Action Plan.

THE DRAFT ACTION PLAN: FOUR STRATEGIC TARGETS

The Action Plan follows the Commission’s report on the Impact and Effectiveness of the Single Market. It sets priorities to allow a clear and strategic vision of what is now needed. At this stage, four Strategic Targets have been identified. They are of equal importance and must be pursued in parallel:

1. Making the rules more effective: The Single Market must be based on confidence. Proper enforcement of common rules is the only way to achieve this goal. Simplification of rules at Community and national level is also essential to reduce the burden on business and create more jobs.

2. Dealing with key market distortions: There is general agreement that tax barriers and anti-competitive behaviour constitute distortions that need to be tackled.

3. Removing sectoral obstacles to market integration: The Single Market will only deliver its full potential if remaining barriers - and, of course, new ones - are removed. This may require legislative action to fill gaps in the Single Market framework, but also calls for a significant change in national administrations’ attitudes towards the Single Market.

4. Delivering a Single Market for the benefit of all citizens: The Single Market generates employment, increases personal freedom and benefits consumers, while ensuring high levels of both health and safety and environmental protection. But further steps are needed. And to enjoy their Single Market rights to the full, citizens must be aware of these rights and be able to obtain redress.

Within each strategic target, the Commission has identified a limited number of specific actions to be achieved by 1 January 1999 (a list is given in the Annex). This is a selective approach, but clearly action in other areas to consolidate the Single Market will be pursued.
**Action 1: Put agreed Single Market legislation into force**

Only 65% of Single Market rules are fully operational in all 15 Member States. The Single Market clearly cannot function optimally in these conditions. Member States will be called on to submit their detailed timetable and to demonstrate political commitment to eliminate, by 1 January 1999 at the latest, any delay in transposition. The Single Market Scoreboard will be used to keep track of progress. Meanwhile the Commission will continue vigorously to pursue infringement procedures against Member States which fail in these obligations using, where necessary, the possibilities of sanctions against Member States.

**Action 2: Establish a framework for enforcement and problem-solving**

Problems need to be sorted out quickly in today's Single Market to avoid undermining of confidence of business and consumers. The informal arrangements for cooperation between Member States and between them and the Commission have proved only partly successful and now need to be upgraded. The Commission will therefore press each Member State to designate a coordination centre within its administration responsible for ensuring that any problems raised by other Member States or the Commission are solved by the authorities directly concerned within strict deadlines. This will be a key component in a simple but effective framework for enforcement cooperation, which will also provide for more transparency about enforcement structures and peer review or mutual audit of national enforcement. Telematic links between enforcement authorities will be further developed under the second IDA programme. The Commission intends to submit serious cases of non-application to the Internal Market Council to ensure strong commitment and involvement in problem solving at political level and, in parallel, will accelerate its treatment of infringement procedures. Strengthening of the Commission's enforcement powers under the Treaty would be desirable to further reduce delays in problem solving.

**Action 3: Strengthen checks on products**

At present the checks that are carried out on compliance with product rules are uneven and could compromise consumer protection and fair competition. The Commission will make legislative proposals to strengthen common rules for market surveillance by, for example, providing for joint inspection schemes or more detailed inspection procedures in areas that will include industrial and consumer products, foodstuffs, pharmaceutical products and medical devices. Scientific expertise, which is important for the application of the legislation and linked to market surveillance, must be mobilized and used more widely for legislative purposes at Community level.

**Action 4: Better access for business to the right information**

Access to information is essential to ensure that businesses are aware of opportunities in the Single Market, how to exploit them and how to solve problems. Information must be made accessible rapidly and in user-friendly ways. The Commission will set up an Internet shop for information on all Single Market regulations affecting business, to complement and be coordinated with the Euro Info Centres, which have been assigned a "first-stop" objective under the multi-annual programme for SMEs (1997-2000). This service will be part of the Europa Website and will also be linked to the Member States' Websites.
will be able to provide feedback on their experience on the ground.

**Action 5: National and Community rules must be simplified and improved**

Over-regulation is the enemy of job creation - the Union's top priority. Over-complex rules, most of them national, impose unnecessary costs on operators. The Commission will set up a permanent rolling programme of simplification and improvement of Single Market legislation, combining SLIM and other simplification exercises. It will include VAT, banking, insurance and securities, fertilizers, consumer services, telecommunications, customs rules and procedures and possibly other sectors, including company law. The Commission will undertake pilot projects to improve consultation procedures with business regarding the costs of implementing certain new legislative proposals, including consultation of a European Business Test Panel.

Member States will be called upon to commit themselves to a parallel programme of simplification, including the use of more comprehensive regulatory impact analysis procedures and to simplify national regulatory and administrative procedures for business start-ups.

Businesses and citizens' organisations will be invited to alert the Commission to national rules which they consider to be abnormally burdensome. The Commission will publicize and take up the most significant cases with the Member State concerned.

**Action 6: Tackle weaknesses in the existing legal framework**

There are a number of areas where the existing Single Market framework needs to be improved. The Commission intends, as a priority, to propose action in the following areas:

- **public procurement**: action will be proposed on the basis of the consultation undertaken following publication of the Green Paper;
- **application of the mutual recognition principle**: Member States and the Commission will need to cooperate closely on cases of non-recognition made under Council Decision 3052/95 and ensure that adequate political attention is given, including at Council level, to the effective application of the principle of mutual recognition;
- **European standardization**: a new impulsion will be given to standardization policy;
- **conformity marking of products**: a re-evaluation of CE marking will be undertaken in view of the proliferation of national marks;
- **construction products**: modifications will be proposed to the construction products Directive to ensure its effective operation;
- **transit rules**: computerisation of transit procedures is needed in order to reduce fraud and the administrative burden on business;
- **the Single Market and the environment**: the Commission will produce guidelines on how Single Market policy can further contribute to sustainable development and how any potential conflicts between Single Market and environment policies can be remedied.
**Action 1: Remove tax distortions**

Tax barriers and distortions to the Single Market have not yet been tackled with sufficient determination. Harmful tax competition increases Member States' difficulties in restructuring their tax systems and delays progress towards a more coherent tax system within the Union. A co-ordinated approach is essential. Member States, by acting together, can tackle this issue.

Member States will therefore be asked to agree to a tax package designed to achieved a balance between their interests comprising:

- the elimination of distortions in the taxation of capital income, in particular, through adoption of a modified proposal for a Directive on the taxation of savings;

- the elimination of tax obstacles to cross-border economic activity, in particular by eliminating withholding taxes on interest and royalty payments between companies;

- a code of conduct designed to tackle harmful tax competition that causes difficulties for every Member State.

In this context, the Commission will also clarify the scope and improve the coherence of the application of Community competition rules, including rules on state aids.

Progress on this package should help Member States to make their tax systems become more employment-friendly, reducing the burden on labour and thereby promoting job creation. Further work is also needed on removing double taxation of frontier workers.

**Action 2: Create a common system for value-added tax**

The current VAT system imposes an excessive burden on business and discourages cross-frontier trade. The Council and Parliament are invited to adopt the proposals for the modernization and a more coherent and uniform application of the tax together with the proposals to advance administrative cooperation among Member States and to engage as quickly as possible in the process of change to the radically simpler origin-based VAT system proposed by the Commission.

**Action 3: Restructure the Community framework for the taxation of energy products**

At present, only mineral oils are subject to a Community system for minimum taxation. For other products, Member States are free to tax at the rate of their choice or to apply no tax at all. This leads to distortions between the different sources of energy and between the Member States. For this reason the Council is called upon to adopt the Commission's proposal that the Community minimum rate system be widened to all energy products and that there should be a gradual approximation of national rates of taxation for all energy products.

**Action 4: A rigorous approach to competition policy**

The rigorous application of competition policy is essential to ensure that anti-competitive practices on the part of companies or national authorities do not choke off the competitive dynamics of the single market.

The volume of state aids granted in the EU remains at worryingly high levels, representing annually 95 billion ECU and
between 0.4 and 2.6% of GDP in the different Member States during the 1992-1994 period. In addition, 85% of aid to industry is accounted for by 4 important economies of the Union. As well as being a source of distortion of competition, the high level of aid weighs on public budgets and risks endangering the efficient functioning of the Single Market. Inasmuch as aids tend to concentrate on large enterprises they also damage the competitive position of SMEs.

Commission action alone is not sufficient. A dialogue with the Member States to fix precise objectives and a timetable for the reduction of overall aid budgets appears therefore as a necessary complement to the Commission's action. To redress the negative impact on cohesion of the present situation, the Commission will propose new guidelines on regional aids aiming at reducing regional disparities by concentrating aid in the poorest regions and lowering the maximum levels to better take account of the socio-economic situation of each region. It will concentrate resources on assessment of those aid cases which represent the greatest threat to competition and the functioning of the Single Market, particularly where regional aid is concentrated on large investment projects. The Commission will also further tighten the rules on rescue and restructuring aid, while taking account of the role of appropriate levels of aid in cushioning the social effects of restructuring. Furthermore, it will examine whether state aid rules can be modified to limit the risk of state aid providing unfair incentives for delocalisation.

Anti-trust rules will be simplified and modernised by the revision of policies on vertical restraints and horizontal cooperation agreements. Action will be taken to focus attention on the most serious infringements and to decentralise the application of the competition rules to the Member States as far as possible without endangering the level playing field within the Single Market.

**STRATEGIC TARGET 3:**
**REMOVING SECTORAL OBSTACLES TO MARKET INTEGRATION**

*Action 1: Break down the barriers in service markets*

Service markets account for 70% of Union GDP but they are less integrated than other markets. In financial services, the lack of a real Single Market for investment funds is a major handicap for Europe's potential to channel savings into productive investments. Far-reaching steps are required. The Commission will propose a framework directive on Undertakings for Collective Investment in Transferable Securities (UCITS) to tackle the remaining obstacles. Member States are called upon to adopt the directive by the January 1999 deadline.

Some Member States impose strict quantitative rules on the investments of pension funds. These result in lower returns which raise indirect labour costs (and thus reduce job creation) and reduce the potential of a European capital market. EMU will make currency matching restrictions irrelevant. Member States are called upon to move towards the elimination of these restrictions in anticipation of the introduction of the Euro. Further work is also needed to improve the availability of capital to SMEs.

The balanced opening of public utilities, taking full account of the need to promote access for everyone to services of general interest, will contribute to a better overall allocation of resources. The liberalization of gas supplies has to be agreed. The Community Institutions and the Member States must ensure that the national measures required to implement agreed market opening in telecommunications and electricity are taken in time and that networks are effectively open to competition.
In transport, priority will be given to opening up access to the provision of crossborder railway services, and railfreight freeways. In the air transport field, new rules for charges and the allocation of slots at Community airports and the creation of new institutional structures for air safety and air traffic management are essential for effective market integration.

**Action 2: Improve the business environment for cross-frontier operations**

Companies incur unnecessary costs and delays by having to comply with different national registration rules when operating in more than one Member State. The Commission calls upon the Council to adopt, by 1 January 1999, its proposals on the Tenth Company Law Directive on mergers and on the European Company Statute, in the light of the recommendations of the group chaired by Viscount Davignon.

Increasingly long payment periods have serious consequences for all European firms, in particular SMEs whose cash-flow, profitability and competitiveness and opportunities to trade across frontiers are undermined. In particular, SMEs' competitive position as suppliers to larger firms is often distorted by deliberately long payment delays by the latter. The public sector should also set a better example. The Commission will publish a report shortly which shows that little action has been taken by Member States to reduce this problem, and that the payments situation is getting worse. In the absence of sufficient action by Member States before the end of the year, the Commission will propose a draft directive to reduce late payments in Europe.

**Action 3: Face the challenge of innovation and new technology**

Electronic commerce offers enormous opportunities for cross-border trading in Europe. A clear regulatory framework will give consumers the confidence to use it and businesses the incentive to make the necessary investments. The Commission seeks early agreement on its proposal for a transparency mechanism and, as indicated in its recent Electronic Commerce Initiative, it will make proposals on distance-selling of financial services, copyright, digital signatures and conditional access services. The Commission’s new proposal on the protection of biotechnological inventions should be adopted in the same timeframe.

**Strategic Target 4: Delivering a Single Market for the benefit of all Citizens**

**Action 1: Eliminate border controls**

The continued existence of controls on individuals at internal frontiers represents the Single Market’s most important failing for many citizens. In the light of the outcome of discussions in the IGC, Member States are called upon to agree and apply the flanking measures necessary to provide a secure framework for the free movement of people so as to allow urgent adoption by the Council of the Commission’s proposals on eliminating frontier controls.

**Action 2: The right of residence**

The High Level Panel on the Free Movement of People and the Commission’s report on Citizenship of the Union have highlighted a number of shortcomings in the way citizens can exercise their right to move and reside freely within the territory of the Member States.

In order to remedy this situation and to give full value to citizenship of the Union, the Commission will propose, inter alia,
arrangements for short-term residents and adaptation of the right to reside and to remain in the host Member State. Member States are called upon to act swiftly on these proposals in order to give its full meaning to the notion of Union citizenship.

**Action 3: Protecting social rights**

Social policies have a crucial role to play in the development of the Single Market by defining a new interplay between flexibility and security. This will help create the conditions for change, and promote new ways of working while guaranteeing adequate social rights. The social dialogue has a vital role to play in this respect. Negotiations are currently taking place between the social partners on part-time work, and the recent Green Paper on partnership for a new organisation of work has launched a broad debate on how to respond to these new challenges. This will be followed by specific initiatives in the framework of a new Social Action Programme in early 1998.

Industrial restructuring resulting from market integration is beneficial to the Union's economy but can have serious social consequences for the communities involved. The Commission will monitor closely the application of the Community rules on the consultation of workers. It calls on the Member States to review national provisions for the enforcement of these rules and the penalties which apply. It will also soon launch consultation of the Social Partners at European level on possible Community framework rules on information and consultation at national level. Finally the Commission will continue to define a more balanced and coherent approach in the application of all Community policies affecting industrial restructuring. This will include efforts to encourage companies and the Member States to anticipate the consequences of restructuring and ensure the employability of workers by adapting training and social protection systems.

**Action 4: Promoting labour mobility within the Union**

Although the Treaty has long guaranteed European citizens the right to live and work in any Member State, labour mobility in the Single Market remains low. This is partly due to remaining barriers to the free movement of workers, which must be eliminated. Building on the report of the High Level Panel referred to above, the Commission will propose a package of measures designed to overcome these barriers. In parallel, it will present a proposal on supplementary pensions, and work towards the simplification and modernisation of the system coordinating social security arrangements for people moving about the Union. The Council is also called on to adopt the Commission's proposals on extending the scope of family reunion and consolidating the right to equal treatment as regards social benefits.

To raise awareness of job opportunities in other Member States and increase labour mobility the Commission will improve the EURES database on pan-EU employment opportunities. Member States will be invited to make this information more widely available by integrating it into the mainstream of their public employment services.

**Action 5: Consumer rights and health protection**

Consumers may hesitate before buying goods and services, including financial services, across frontiers because they are unsure of their rights. Agreement on the proposal on consumer guarantees would be one of the important step for improving consumer confidence.

Consumer health protection will be reinforced through more effective use of scientific advice, control and risk analysis. This will be used to ensure that consumer health is taken into account during the drafting of new legislation, that current legislation is properly applied and that
Community interests are defended in the international context. In addition, the Commission is considering whether primary agricultural products should be covered by Directive 85/374 on producers' liability for defective products.

**Action 6: Dialogue with the Citizen**

Most European citizens are keen to find out more about the rights and opportunities offered by the Single Market; more than half a million people have already made use of Citizens First to find out what they need to do in practice to reside, study or work in another Member State. Building on experience, the Commission considers that a permanent mechanism is necessary for dialogue with citizens on their rights and how to exercise them. A Signpost Service will also be made available to advise citizens who run into problems and need help. Feedback from this mechanism will help to identify and eliminate administrative obstacles and keep the Commission informed about how Community rules are respected in practice.

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**The International Dimension of the Single Market**

The Single Market cannot be considered in isolation from its wider economic and political environment. Its size and potential growth already constitute an asset in terms of attracting international trade and investment to Europe. The Single Market is providing the conditions for improving European international competitiveness and its success serves as a model for other regions. These strengths will be reinforced by a single currency. The Union should capitalise more on these advantages.

(i) Preparing for enlargement

As agreed by the European Council following the Commission's 1995 White Paper, the associated countries preparing for accession must be assisted to prepare for their integration into the Single Market. The extension of the activities of the Technical Assistance Information Exchange Office (TAIEX) beyond 1997 will contribute to that objective. Where the Community acquis has been fully integrated, the Conformity Assessment Agreements offer the possibility of opening markets.

(ii) The global context of the Single Market

The Single Market is the reflection of Europe's open economy, with its rules and standards frequently a reference for many countries. This is an asset which should allow the Union to play a stronger role in international fora provided it speaks clearly with one voice. Action will focus particularly on the following areas:

- approximation of systems and rules in the Euro-Mediterranean area;
- attacking technical barriers to trade in third country markets;
- assisting SMES to compete in world markets;
- favouring the use of international standards in national and international technical regulations;
- negotiation of mutual recognition agreements;
- fighting intellectual property fraud;
- liberalising financial services (GATS);
- a common negotiating position for air transport;
- coordination of Member States in international fora for telecommunications;
- strengthening and expanding WTO disciplines for competition and investments.
An important step will be to ensure full Community participation in international organisations, particularly those responsible for the development of technical regulations and standards and full exploitation of other frameworks, such as the Trans-Atlantic Business Dialogue.

The policing of the Union's external frontiers requires further action to strengthen the ability of customs authorities to work together as effectively as possible, particularly in the fight against fraud.

CONCLUSION

The draft Action Plan is the key to unlock the full potential of the Single Market. It should improve the competitiveness and job-creating capability of business in the run-up to the introduction of the single currency. It represents a balanced and coherent approach which takes full account of the concerns of individual citizens regarding their personal rights, the environment, the protection of health and safety, and the social dimension.

The prize is immense. If we are successful confidence could be generated across Europe. The European Union will be able to draw strength before the end of the century from the convergence of several major developments: a first-rate single market, the single currency, new pan-European market opportunities as previously closed sectors open up and enlargement of the Union - all leading to more employment opportunities.

All Community institutions and the Member States are called on to play their full part in ensuring a strong positive response to this call for action to ensure that all the elements of the Plan finalized at the Amsterdam European Council are implemented before the 1 January 1999 deadline.

ANNEX: LIST OF ACTIONS (TO BE TAKEN BEFORE 1 JANUARY 1999)

1. Making the rules more effective

- All delays in transposition of the Single Market legislation to be eliminated
- Establishment of a framework for enforcement and problem-solving
- Adoption of new rules on market surveillance in selected sectors
- Adoption of second IDA programme
- Implementation of the Customs 2000 programme
- Speeding up infringement procedures
- Establishment of an Internet shop for information on all Single Market rules affecting business
- Extension of SLIM and other simplification work to new sectors: VAT, banking, insurance and securities, consumer services, telecommunications, customs rules and procedures and fertilizers
- Consultation of a European Business Test Panel for certain legislative proposals
- Simplification of national business start-up rules
- Follow-up to Commission initiatives concerning public procurement, mutual recognition, European standards, conformity marking, construction products, transit rules and the links between Single Market policy and the environment.
ANNEX: LIST OF ACTIONS (TO BE TAKEN BEFORE 1 JANUARY 1999) CONTINUED

2. Dealing with key market distortions

- Adoption of proposals for the modernization and more coherent application of VAT
- Restructuring the Community framework for the taxation of energy products
- Adoption of a tax package (modified Directive on the taxation of savings, Directive on crossborder payment of interest and royalties, code of conduct on harmful tax competition)
- Guidelines on regional state aid schemes, stricter rules on rescue and restructuring aids and simplification of anti-trust rules.

3. Attacking sectoral obstacles to market integration

- Adoption of a new general framework UCITS Directive
- Reduction of restrictions on investment by pension funds
- Agreement on the liberalisation of gas supply
- Implementation of telecommunications and electricity liberalization on time
- Agreements on crossborder railway services and railfreight freeways
- Adoption of new rules on the allocation of airport slots and on charges
- Agreements on creation of European Air Safety Agency and new EUROCONTROL convention
- Adoption of the proposals for the European Company Statute, related proposals for statutes on co-operatives, mutualities and associations and the Tenth Company Law Directive
- Adoption of proposal for a Directive on late payments
- Adoption of electronic commerce-related measures (proposals on transparency mechanism, copyright and related rights protection, distance selling of financial services, digital signatures, conditional access services)
- Adoption of Directive on the protection of biotechnological inventions

4. Delivering a Single Market for the benefit of all citizens

- Adoption of accompanying measures and of 3 Directives on abolition of frontier controls, restrictions on the right to movement and the right to travel
- Adaptation of right to reside and remain in another Member State
- Adoption of Directive on supplementary pensions
- Improvement and wider use of the EURES employment database
- Adoption of Directive on the sale of consumer goods and associated guarantees
- Establishment of a mechanism for dialogue with citizens
- Consultation of the social partners on information and consultation of workers.