Broad guidelines of the economic policies of the Member States and the Community for 2000

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The Commission presents its second report on the functioning of product and capital markets in response to the mandate from the Cardiff European Council. This Council called on the Member States and the Commission to produce annual reports on matters within their sphere of responsibility relating to regulatory reform of product and capital markers. This process lends impetus to economic reform by providing input for the preparation of the Broad Economic Guidelines and serves as the basis for Commission proposals to update target actions included in the Internal Market Strategy. This report contributes to the process of economic reform in two ways. Firstly, it monitors and assesses product and capital market performances to identify regulatory failure at EU level. Recent trends in trade, investment and capital market integration are examined: - trade continues to be a dynamo for market integration. - cross-border direct investment and mergers and acquisitions remain the strongest vectors for structural change in today's Internal Market. - there is further evidence of market integration in that retail price convergence is continuing, albeit more slowly than in the early 1990s. - the report also documents the way in which integration has helped the poorest parts of the Community catch up with the rest of the EU. The track record of the peripheral regions of the EU has disproved the theory that efficiency and social cohesion are contradictory policy objectives. Secondly, the report lists policy prescriptions needed to sustain economic reform. policy prescription to lighten and improve the quality of the Community's regulatory framework and to remove barriers to the efficient functioning of markets are set out. They include: - the recommendation to Member States to reduce the general economic and regulatory costs of creating new businesses and to review on a systematic basis the existing regulatory framework with a vies to improving its quality; - the proposal to consider the extension of the application of the New Approach to technical harmonisation to new sectors; - the recommendation to Member States to maintain the current overall downward trend in the volume of state aids and to make additional efforts to avoid sector-specific (and especially ad hoc) aids; - the full and rapid implementation of the Financial Services Action Plan to encourage business and investment activities whilst improving the confidence of consumers and investors, as well as stabilising the financial system; - in the utility sectors, the adoption and full implementation of the Community regulatory framework and the strict enforcement of competition rules; - the creation of a comprehensive framework for the free movement of Information Society Services and the development of an integrated policy combining government and industry regulation and rules for consumer protection are needed to enhance consumer trust and confidence; - the elimination of restrictions impairing reform in the distribution sectors.