Internal market: strategy, priorities 2003-2006

2003/2149(INI) - 07/05/2003 - Non-legislative basic document

PURPOSE : to present an internal market strategy and to lay out the priorities for the period 2003-2006. CONTENT : this Strategy sets out what the European Union needs to do over the next three years to derive maximum benefits from the Internal Market after enlargement. The Commission has already described the achievements of the Internal Market over the last decade. This analysis shows the significant benefits that a properly functioning Internal Market can and does bring, but it also shows that the Internal Market does not yet function optimally in a number of ways and that sizeable benefits are therefore being missed. A fresh impetus is required to eliminate remaining weaknesses and allow the Internal Market to deliver its full potential in terms of competitiveness, growth and employment. There are three main reasons why Europe needs to improve the Internal Market. First, if the EU is to reach its goal of becoming the most competitive and dynamic economy in the world by 2010, it needs to act decisively now. Second, enlargement offers unprecedented opportunities for existing and new Member States alike. But for those to be realised, the EU needs to strengthen the foundations of the Internal Market and boost its performance. Third, the EU, in common with other parts of the world, is currently facing a slowdown in economic growth and job creation. This makes it all the more essential to press ahead with structural reforms in order to increase the capacity of our economies to grow. Removing the bottlenecks in the Internal Market will put Europe in a much better position to face up to the ever stiffer competition from emerging economies. It will also leave the Union better protected against future fluctuations in the economic cycle and provide it with a stronger economic basis to deal with the huge challenges of an ageing population. The Internal Market Strategy sets out ten main strands of action: 1) Enforcing the rules : not only the Commission, but also Member States, have a responsibility to ensure that EU laws are applied properly and made to work in practice. Yet the Internal Market Scoreboard has recently shown that national delays in implementing EU law are worsening and the number of infringements increasing. When things do go wrong, citizens and businesses need effective remedies. The Commission will, of course, continue to pursue infringement procedures where this is the most effective way to achieve a solution. Going before a national court is another option. But alternative means of problem solving such as the SOLVIT network - are often more effective, quicker, and less expensive. The Strategy proposes to study the setting up, for example, of national mechanisms that could monitor application of Community law. The Commission will also offer Member States its help in implementing Directives into national law, including through a Recommendation on best practice. It will urge the Council to set ambitious new targets for reducing delays in implementation at each Spring European Council and will invite the Council and Parliament to fix a standard period 24 months after adoption - within which all EU laws should be implemented. 2) Integrating services markets : services represent about 70% of EU GDP and employment but as the Commission's report of July2002 on the Internal Market for Services showed, integration is very limited and this is costing prosperity and jobs. The Commission will propose a Directive on services before the end of 2003, based on mutual recognition, administrative co-operation, harmonisation (where necessary) and encouraging European codes of conduct in service industries. The Strategy also emphasises the need to complete the Financial Services Action Plan and for more progress on creating an Internal Market in retail financial services. 3) Improving the free movement of goods : the Strategy proposes a more structured approach to mutual recognition, whereby conformity with national laws in products' Member State of origin allows them to be marketed everywhere else in the EU. It outlines a new Regulation the Commission will propose to introduce a range of new disciplines (e.g. mandatory notification in cases where mutual recognition is refused, procedures to allow companies to appeal). The Commission will consult Member States and industry before making any proposals. The Strategy also proposes linking EU funding for standardisation agencies to clear performance criteria, in order to ensure standards are produced quickly and well. It advocates boosting the "New Approach", whereby for some types of goods EU legislation sets essential requirements, but avoids technically detailed standards. 4) Meeting the demographic challenge : a more efficient Internal Market can help generate the growth and employment which will lead to higher government revenues and help pay for state pensions. Rapid

adoption of the Pension Funds Directive will secure better protection for pensioners and allow multinational companies to run single EU-wide pension funds. The Commission will also consider action to help people who move between jobs in different countries to take their pension rights with them (following consultations with the social partners). And it will continue to tackle tax discrimination against pension funds established in other Member States. 5) Better essential services : "Network industries" such as energy, transport, telecommunications and post are crucial to all EU citizens, a significant part of business costs and enormously affect overall economic competitiveness. The Strategy focuses on further opening up markets to competition while ensuring that a universal service continues to be available to all citizens, wherever they live and whatever their income. The Commission will also study the competition situation in the water sector which remains fragmented and where there are potential gains to be had from modernisation. Following this study, all options will be considered, including possible legislative measures. The Commission will also clarify how competition and state aid rules apply to private/public partnerships and publish a Green Paper on ensuring that such partnerships are compatible with public procurement rules. 6) Improving conditions for business : most policy measures required to foster entrepreneurship and innovation are in the hands of Member States. But there are some areas where the EU must act. For example, the Council and Parliament need to adopt quickly the Community and proposed Directives on the patentability of computer implemented inventions and on the enforcement of intellectual property rights. The Commission's forthcoming action plans on company law and onstatutory audit will help ensure that businesses produce reliable accounts which give investors the confidence to provide the funds Europe's economy needs to grow. The Commission will also propose Directives to facilitate cross border mergers and transfers of company headquarters. 7) Simplifying the regulatory environment : the Commission will invite Member States to appoint representatives to work with it to implement its Better Regulation Action Plan. It will during 2003 consult on the best "legislative architecture" for the Internal Market, to ensure the EU chooses the right approach for each situation: for example, harmonisation or mutual recognition, "new approach" or more detailed rules, regulation or self-regulation, Directives or Regulations. The Strategy points out that the Council and Parliament, when they amend Commission proposals, and Member States, when they implement Directives in national law, also need to make sure that their lawmaking is clear, simple and effective. The Commission will develop the Parliament's idea of a "compatibility test" for all new national law, to prevent conflict with Internal Market rules. 8) Reducing tax obstacles : the Commission will propose revisions of the Parent/Subsidiary Directive and of the Mergers Directive, to eliminate double taxation within the EU and reduce certain tax charges. It will also explore different options for introducing a common consolidated corporate tax base at EU level and to simplify VAT rules so that businesses established in one Member State but supplying products and services in several others could pay VAT in their home country only. On vehicle taxation, the Strategy argues for registration tax to be replaced by increased road and fuel taxes. 9) More open public procurement markets : non-compliance with the procurement rules remains a serious problem. Across Europe, procurement still relies heavily on paperwork. The first step to improving the situation is for the European Parliament and the Council to adopt the legislative package proposed by the Commission in 2000 to streamline award procedures and encourage electronic procurement. The Commission will in 2004 propose an action plan aimed at ensuring that a significant part of procurement transactions are carried out on an electronic basis by 2006. Generalised e-procurement should be achieved by 2010. 10) Providing better information : for the Internal Market to work, citizens and businesses need to know about their rights and opportunities and how to exercise them in practice. The Commission will step up its efforts in this regard, particularly in the new Member States. It will set up a new web portal for citizens and businesses, as a "one-stop shop" for a wide range of practical information and advice. It will vigorously promote Europe Direct, a web and telephone service providing information on all aspects of the EU and which is accessible via a single freephone number across Europe (00 800 67891011). The Commission will convene regular meetings of high-level representatives of the Member States specifically to deal with information issues. The Internal Market Scoreboard will also regularly assess Member States' information efforts.