Basic information

2003/2149(INI) INI - Own-initiative procedure	Procedure completed
Internal market: strategy, priorities 2003-2006 **Subject** 2 Internal market, single market 2.10 Free movement of goods 2.40 Free movement of services, freedom to provide 3.40.14 Industrial competitiveness	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
JURI Legal Affairs and Internal Market	MILLER Bill (PSE)	11/09/2003

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs (Associated committee)	RADWAN Alexander (PPE-DE)	06/10/2003
ITRE Industry, External Trade, Research, Energy	HARBOUR Malcolm (PPE-DE)	10/07/2003
EMPL Employment and Social Affairs	VAN DEN BURG Ieke (PSE)	09/07/2003

Council of the European Union

Council configuration	Meetings	Date
Competitiveness (Internal Market, Industry, Research and Space)	2510	2003-05-19
Competitiveness (Internal Market, Industry, Research and Space)	2525	2003-09-22

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	

Key events

Date	Event	Reference	Summary
		COM(2003)0238	Summary

07/05/2003	Non-legislative basic document published		
19/05/2003	Debate in Council		
04/09/2003	Committee referral announced in Parliament		
22/09/2003	Resolution/conclusions adopted by Council		
19/02/2004	Vote in committee		Summary
19/02/2004	Committee report tabled for plenary	A5-0116/2004	
10/03/2004	Debate in Parliament		
11/03/2004	Decision by Parliament	T5-0183/2004	Summary
11/03/2004	End of procedure in Parliament		

Technical information	
Procedure reference	2003/2149(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55 Rules of Procedure EP 57_o
Stage reached in procedure	Procedure completed
Committee dossier	JURI/5/19837

Internal market: strategy, priorities 2003-2006

2003/2149(INI) - 27/01/2005 - Follow-up document

PURPOSE: Second Implementation Report of the Internal Market Strategy 2003-2006.

CONTENT: This report forms part of the economic and employment policy “implementation package”

together with the Broad Economic Policy Guidelines (BEPG) and the Employment Guidelines (EG) implementation reports. All three reports were presented in support of the Commission’s Report (Lisbon Mid Term Review) to the Spring European Council 2005.

The recent Kok report reminds us of the importance of the Internal Market in enhancing competitiveness and creating the wealth necessary to raise living standards and maintain the European social model. This echoes the principal message of the Internal Market Strategy 2003-2006.Whilst each Member State has prime responsibility for ensuring that its own economic policies are conducive to promoting growth and prosperity, the Internal Market is a common project to which all Member States must contribute and from which we all stand to gain. In EU-25, this is an even greater challenge but the potential rewards are also greater. This was the second main message of the Internal Market Strategy.

Economic success for the European Union thus relies upon collective responsibility; a combination of Member State initiatives and European action designed to integrate national markets into one large Internal Market. Such action needs to address both the supply and the demand side, taking account of the interests of businesses and consumers. This report on the implementation of the Internal Market Strategy 2003-2006 confirms the need to act together.

Its analysis of the progress and delays so far shows that more needs to be done to get agreement on key proposals and to make the Internal Market work better in practice, whilst market integration remains more or less static.

Internal market integration may have temporarily stalled but the expansion of the internal market to the ten new Member States since last May has gone relatively smoothly. Market integration in EU 25 will offer opportunities for a fresh economic impulse. As last year’s Implementation Report pointed out, there remains scope for a significant increase in trade and investment between EU 15 and EU 10 in the short to medium-term. There is reason therefore to be optimistic about the contribution that the Internal Market will continue to make to Europe’s competitiveness.

In addition to the positive effects of a larger internal market, several measures have been adopted over the last few years, in areas such as financial services, network industries or company law, which can be expected to begin producing positive effects on the ground.

It is also encouraging that two thirds of the actions foreseen have been achieved by the end of 2004, although many of these tend to be Commission proposals, which in order to contribute to growth and competitiveness still need to be decided upon in Council and Parliament and implemented effectively by the Member States.

The reports reaches four broad conclusions:

- While much of the Internal Market's legal framework is already in place, there are still important gaps in key economic areas. In the field of goods, the revision of the New Approach and a possible regulation on the application of the mutual recognition principle stand out. Important proposals for action, such as the Services Directive, are on the table of the Council and the Parliament and need to be adopted and implemented as soon as possible. The same goes for the Community Patent and computer-implemented inventions and the remaining FSAP measures.

- Agreeing rules at European level is only the beginning. To produce the desired effects on the ground they must be implemented on time and effectively enforced in each of the twenty-five Member States. It is the Member States who have a crucial role to play in making the Internal Market work on a day-to-day basis. In particular, this involves co-operating more with each other and with the Commission, exchanging information, providing mutual assistance and solving problems. Such networking needs to be facilitated by modern information systems, such as those that underpin the SOLVIT network. In addition, optimal use has to be made of business networks, including for SMEs, such as the network of European Information Centres (EICs).

- Internal Market policies do not operate in a vacuum. They need to be dovetailed with other important policy objectives, wherever possible, to establish synergies. The immediate priorities are the links to consumer, competition and environmental policy. Synergies with other areas, such as regional and agricultural policies, are also important. The competition effects of an efficiently functioning Internal Market benefit consumers in the form of wider choice and more competitive prices. In turn, the importance of a strong consumer dimension of a well-functioning Internal Market has been recognised by the European Council and is a priority for all Community institutions. Consumers must also be confident that products are safe and that their rights will be well protected. Measures must therefore be designed in such a way as to preserve the competition-stimulating effects of free movement on which economic benefits for consumers depend whilst protecting them from health, safety and other risks. In addition environmental policies, combined with free movement, may provide opportunities for innovation and greater competitiveness through better resource efficiency and new investment opportunities.

- In today's highly globalised economy, the impact of legislation adopted thousands of miles away is increasingly felt in the EU and vice versa. Where companies increasingly operate globally, for example in finance, regulation cannot lag behind. The strategy therefore calls for a strengthening of dialogue with major trading partners. The aim of dialogue is to arrive at effective legislation that enhances market opening and reduces the regulatory burden for businesses participating in world markets. Thus, the dialogue should promote convergence and reduce regulatory divergence or conflict. The rewards possible from successful cooperation can be significant in terms of jobs and growth.

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.

Internal market: strategy, priorities 2003-2006

2003/2149(INI) - 21/01/2004 - Document attached to the procedure

With momentum for the application of internal market provisions faltering the European Union agreed in 2003 to a set of action plans in a bid to boost the ailing internal market. To try and focus minds the "Internal Market Strategy" 2003-2006 was devised with the aim of reinvigorating momentum for the internal market and to address some of the key internal market issues relating to enlargement. This is a summary of the Commission Report assessing progress on the Internal Market Strategy to date. In the eight months since the Strategy was agreed the Commission reports mixed results on what has been achieved. Over half of the actions due by the end of 2003 have been delivered on time. Unfortunately, those, which have been delayed, are important legislative files crucial to the right and proper functioning of the internal market. Indeed, when assessing the state of the internal market the Commission Report announced, "warning lights are beginning to flash red". Economic indicators would suggest that the internal market is becoming weaker. For example, the value of manufacturing trade inside the EU is beginning to falter - it barely grew in 2001 and actually shrunk in 2002. Other signs include a lack of price convergence across the EU compared to the United States. The Commission concludes that this lack of price convergence points to reduced cross-border trading. Other worrying trends include a down turn in Foreign Direct Investment (FDI) into the EU partly the result of an imperfect internal market. On the question of EU enlargement the Report notes that enlargement has the potential to provide the Internal Market with a significant new stimulus. Trade between the EU-15 and the Acceding Countries increased more than eight-fold between 1995 and 2000. For all of this to succeed both the existing EU Member States as well as the Acceding Countries need to accept, respect and apply the Internal Market's obligations and provisions. On the actual progress to date of the actions outlined in the Strategy the Commission notes that of the 45 actions due before the end of 2003 only 27 have been delivered on time. The service sector is one notable area in which lack of harmonisation is particularly weak. This leads the Report to conclude that there is in fact no genuine Internal Market for services. The EU service sector grew 0.6% between 1996 and 2000 compared to productivity gains in the US over the same period - the US managed a productivity gain of 1.5%. On the question of ensuring high quality network industries (energy, transport, telecommunications and post) the Commission notes that good progress has been made over the past six months - even though a final push is needed to open freight services in the railway sector. The Commission is also conducting an analysis of the legal and administrative arrangements relating to water services and wastewater treatment. Reducing the impact of tax burdens is another key feature for the proper function of the EU's internal market. The Commission regrets that progress in this area is limited and points out that qualified majority voting should replace unanimity in the Council for tax matters deemed essential for the functioning of the Internal Market. The Commission further notes that lack of movement in the field of Intellectual Property Rights has a negative effect on research investment, innovation

and creativity - thus undermining the EU's ambition to become the most competitive knowledge-based economy in the world by 2010. Lastly, one of the greatest failures is the lack of rule enforcement. This, the Report concludes, is a serious problem. With the EU increasing in size the trust needed to enforce the rules must be reinforced and not undermined. Bar a few exceptions, Member States are failing to implement large numbers of key internal market Directives into national law. The current transposition deficit is 2.5% - far from the 1.5% target set by successive European Councils. Currently, the Commission is still awaiting 527 notifications of national implementing measures. As many as 131 Internal Market Directives are yet to be implemented into national law in all of the Member States representing around 8.5% of all internal market Directives. An Annex to the Report indicates which countries are implementing the Directives in a correct manner and those which are not. Denmark and Spain are commended for having the best performance records and for having shown a real commitment to improve their records. The worst are Belgium and the Netherlands. Nor do, France, Germany, Luxembourg and Greece get off lightly. They have a transposition deficit that is more than double the 1.5% target set by the European Council. The Internal Market Strategy proposed that the number of infringement cases should be reduced by at least 50% by 2006. Regrettably, cases have gone down by as little as 3% - from 1033 cases to 1006. France, the Netherlands and Luxembourg have seen the number of infringements cases against them increase. The Commission urges a sharp improvement in the status quo. Progress and a real commitment to the internal market, the Report suggests, would bring a number of much needed improvements not least of which would be a boost in intra-EU trade, enhanced productivity, increased investment in trans-European networks and R&D as well as putting the EU in a stronger position to deal with outside competition.

Internal market: strategy, priorities 2003-2006

2003/2149(INI) - 11/03/2004 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Bill MILLER (PES, UK) on the Internal Market Strategy: Priorities 2003-2006. The Parliament strongly endorsed the Internal Market Strategy priorities 2003-2006, as set out by the Commission and commends the proposed policy framework as balanced and achievable and endorses the focus on strengthening the 'fundamentals' of the Internal Market. Parliament endorses the high priority given by the Commission to strengthening the 'basics' of the Internal Market, and strongly supports the package of initiatives that address the failure by Member States to transpose and enforce many Internal Market directives. It welcomes new ventures such as the SOLVIT project. It supports the Commission's view that the principle of mutual recognition is the cornerstone of the Internal Market and agrees that actions are needed to improve transparency in cases where mutual recognition is disputed. It considers that a new regulation to establish key principles could play a significant role in dealing with the frustrations expressed by many companies, particularly SMEs. Parliament emphasises the need for consistent and correct application of the CE mark, so that it can provide consumers with security in their purchasing decisions. It asks the Commission to intensify co-operation between Member States to combat fraudulent use. It calls on the Member States to give their strong support to the work of the Competitiveness Council in reviewing the barriers to improved competitiveness, and to place the completion of the Internal Market at the centre of their work. Parliament stresses that the social dimension of the Internal Market Strategy should be developed with the idea in mind that it should reinforce rather than hamper the effective and efficient functioning of the Internal Market. It considers that, in turn, the Internal Market should reinforce the social dimension by creating more and better jobs, wealth and social cohesion. It rejects efforts to make water and waste disposal services subject to a single market sectoral directive as it considers that liberalisation of water supply (including wastewater disposal) should not be carried out given the distinctive regional characteristics of the sector and local responsibility for provision of drinking water as well as various other conditions relating to drinking water. It notes that opening up of the market in the network industries sector has delivered major benefits for consumers and businesses, by way of increased competition, greater choice, improved technological innovation and lower prices and welcomes the proposals to continue liberalisation and opening up of markets in other sectors while always respecting universal service obligations. It insists that liberalisation of services should only proceed in a reasonable and flexible way that takes proper account of the realities of, for example, remoter parts of the Union and welcomes the potential for flexibility in relation to local transport services indicated by the recent Altmark judgment. Parliament welcomes the continuation of the benchmarking of liberalised services and calls on the Commission to ensure that benchmarking exercises are based on a broad set of criteria,including the protection of different groups of consumers, concentration of market power and any direct or indirect impact on employment or the environment. It believes that peer pressure, competition policy and benchmarking are effective instruments for the further completion of the Internal Market and for enhancing the EU's competitiveness in the global market place and that the continuing failure by Member States to fulfil their Internal Market obligations compounds the present economic difficulties and engenders disillusionment with the European Union among business people and citizens. It strongly criticises the Member States for allowing the transposition deficit to rise again and calls on the Commission to come up with new plans for dealing with infringements expeditiously and effectively. The EP notes that inconsistent national legislation, together with failure to respect the principle of mutual recognition, poses a major problem for the supply of goods and services across borders. It expresses, in this regard, the strongest possible support for the SOLVIT programme, but deplores the failure of Member States to provide adequate resources for this useful tool. The Commission is called upon to develop implementing guidelines on and tools for the new public procurement rules, in particular as regards the integration of social and environmental considerations. MEPs stress the importance of extending the benefits of the Internal Market to the accession countries and notes that there is a risk of market fragmentation unless Internal Market provisions are quickly enacted. It welcomes the proposals to provide support for accession countries in transposing and operating the Internal Market acquis. Parliament approves the Commission's insistence on administrative cooperation between existing and new Member States and urges that this cooperation be stepped up to ensure full and consistent implementation of Internal Market rules. It calls for coordination and cooperation also within the Commission so that other Directorates-General (DGs) concerned are involved and that social, environmental and consumer protection considerations are integrated into DG Internal Market proposals. It urges the Commission to conduct an inquiry into the 'gold-plating' of Community legislation, the imposition of unnecessary bureaucracy and the costs of non-application of the principle of mutual recognition and of requirements for local testing and certification and emphasises that European impact assessment could play an important part in alleviating the administrative burden created by European regulation. It calls on the Commission to evaluate the impact of Private/Public Partnerships on the democratic accountability of public authorities in providing public services, and the long-term viability of PPPs, to assess the social consequences for workers and users and to consult with relevant societal organisations, including the social partners, through the inter-sectoral and sectoral social dialogue structures. It welcomes the attention given to improving the climate for business, particularly in the area of regulatory reform and the intention of the Commission to adopt Parliament's proposal for an Internal Market 'compatibility test'. It endorses the new proposals to develop indicators to measure progress towards a better quality regulatory framework. The Commission is urged to step up its work to simplify the burdensome VAT system and to ensure that the real impact on business, in particular on SMEs, is more thoroughly evaluated whenever new legislation is proposed. MEPs underline the need to create a better legal framework for intellectual property rights in the Internal Market and look forward to the planned communication on the management of copyright and related rights. They point out that inconsistent

data protection laws and data transfer restrictions remain a major obstacle to Internal Market development and call on the Commission and Member States to expedite agreement on a model contract for data transfer and transposition of the Data Protection Directive. Parliament notes that, of the four freedoms of the Internal Market, the free movement of workers is the least developed and that ambition is lacking with regard to increasing labour mobility in the enlarged EU under good conditions, although this is a key answer to the problem of an ageing European population. Lastly, Parliament urges the Commission to reinforce the EURES networks, to organise them into a real cross-border employment service, to promote a clear link with the accessible and swift problem-solving mechanism SOLVIT for citizens and companies, and stimulate SOLVIT's activities in the field of cross-border labour mobility (for example, in relation to qualifications or social security).