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Medlemmerne af Folketingets Europaudvalg
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Asiatisk Plads 2
DK-1448 København K
Tel. +45 33 92 00 00
Fax +45 32 54 05 33
E-mail: um@um.dk
Telex 31292 ETR DK
Telegr. adr. Etrangeres
Girokonto 300-1806
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from : Mr Bernhard ZEPTER, Deputy Secretary-General of the European Commission

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to : Mr Javier SOLANA, Secretary-General/High Representative

Subject: Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: "Working together to maintain momentum"
– 2001 Review of the Internal Market Strategy

Delegations will find attached Commission document COM(2001) 198 final.

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.04.2001
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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

“Working together to maintain momentum”

2001 Review of the Internal Market Strategy

INTRODUCTION

Rapid change is all around us

We live in an era of breathtaking change. The new global marketplace puts enormous competitive pressure on our economic institutions. Citizens and businesses have access to information around the clock. It is an age of rising expectations: increasingly, citizens demand high-quality products and services as well as extensive choice, but on the basis of an economic approach that respects and preserves our environment for future generations to enjoy.

The Internal Market needs to adapt to this change

Europe needs an Internal Market that works even better for our businesses and citizens. A market that is flexible and adaptable, free of unnecessary regulations and red tape, and which continues to be a catalyst for our prosperity. An Internal Market that empowers our businesses and citizens as much as it serves their needs.

Achieving positive change requires an effective and lasting partnership

Optimising the functioning of the Internal Market is not a single event. The effort to maximise its performance is a process, which must be underpinned by a long-term commitment to change. The job is never "completed". Nor is the Internal Market simply a set of laws and regulations adopted at European level. To deliver on the promise of the Internal Market requires all of us – European institutions, Member States, business, and civil society - to work together. The European Commission cannot be – and should not be – the Internal Market's sole caretaker.

More competition has transformed our economies

As a result of market integration and increased competition, the Internal Market has transformed Europe's economy over the past decade, boosting competitiveness and stimulating growth. The Union is better off as a result of it. Yet still more effort is needed. And now is the time.

A better Internal Market is within our grasp

If we succeed, we will begin to see a different Internal Market. The cost of utilities will go down further. The quality and range of goods and services on offer will go up. Our companies will become stronger. Our capital markets will become deeper and more liquid. There will be more funding available for innovation and frontier technologies. If you run a small business, you should have fewer forms to fill in and less red tape. Our air will get cleaner. Our citizens will be better skilled, more mobile and better off. Our economy will be healthier and more resilient. There will be more jobs of higher quality.

There is a window to take bold steps. That window may not be there for too long

Of course, achieving agreement on some of the proposed reforms requires considerable and sustained political will. Some of the target actions may create short-term discomfort. But, with economic conditions deteriorating internationally, it is crucial for Europe to press ahead with reform in order to get our economy firing on all its cylinders. Rather than taking the easy road and postponing difficult decisions to a later date, this is the time to move forward decisively.

If not now, when ?

The Internal Market at the heart of structural and economic reform

The Strategy focuses attention on strategic priorities

To make a reality of our vision of an Internal Market that works more effectively for companies and our citizens, the Commission brought forward its five-year Strategy for Europe's Internal Market in November 1999¹. Endorsed by Heads of State and Government, its purpose was to identify areas requiring action and to keep these strategically vital areas under the sharpest political focus. The Strategy centres on four **Strategic Objectives** each of equal importance:

- Enhancing the efficiency of Community capital, product and services markets ('Markets')
- Improving the business environment ('Business')
- Improving the quality of life of citizens ('Citizens')
- Exploiting the achievements of the Internal Market in a changing world ('External')

Lisbon has shaped our agenda

These longer-term strategic objectives are combined with **operational objectives** and shorter-term **target actions** which are reviewed and updated every year. In order to focus political efforts, the first review of the target actions in May 2000 prioritised those target actions which it was felt would have the greatest and most immediate impact in improving the functioning of the Internal Market. Most of the priority target actions were drawn from the conclusions of the Lisbon European Council² which placed the Internal Market at the heart of a 10-year Strategy designed to make the EU "the most competitive and dynamic knowledge-based economy in the world."

Stockholm emphasised continuity and a sustained effort

The present Communication sets out the second review of the target actions which have again been prioritised. The choice of priority target actions is largely based on the conclusions of the Stockholm European Council³ which emphasised the need to press ahead with the agenda agreed at Lisbon and re-affirmed the importance of the Internal Market as the driving force behind economic and structural reform in the Union.

The Commission has paid close attention to the views of other institutions, Member States, business and citizens

The other priorities in this review have been selected on the basis of the Commission's own analysis and monitoring (in the Cardiff Report⁴, the Broad Economic Policy Guidelines⁵, the November 2000 Single Market Scoreboard⁶ and the feedback from the Dialogue with Citizens and Business). The Commission has also been guided by the conclusions of the March Internal Market Council and the important contributions from the European Parliament, individual Member States, the Economic and Social Committee and the Committee of the Regions. In addition, the Commission has paid close attention to what was said by citizens, consumers and SMEs at the Internal Market Forum⁷, a large-scale event organised by the Commission, the Parliament and the French Presidency in November 2000, with the active participation of the Economic and Social Committee.

1 COM(1999)624 Final
2 Conclusions of the Lisbon European Council 24-3-2000
3 Conclusions of the Stockholm European Council 23/24-3-2001
4 COM(2000)881 Final
5 COM(2000)214 Final
6 SEC(2000) 2088
7 <http://www1.europarl.eu.int/forum/mi/dispatch.cgi>

This Review contains fewer, more outcome-oriented actions

As well as prioritising specific target actions, there has also been a conscious reduction in the overall number of target actions in the current review from 130 to under 80. The Commission has been more selective in setting new target actions – including only result-oriented actions that are likely to have a measurable impact on the functioning of the Internal Market. The result is a more streamlined Strategy with a much clearer sense of priorities.

The balancesheet of the last twelve months: a combination of breakthroughs and setbacks

Overall, progress in completing target actions has been disappointing

Before introducing our agenda for the next 18 months, it is useful to review progress so far. Of the 36 target actions scheduled to be achieved by June 2001, only 20 (56 %) are expected to be completed on time. This is a disappointing performance in the first year since the Lisbon Strategy was agreed.

Performance on priority target actions has been slightly better...

Performance was only slightly more encouraging as regards those target actions selected as priorities, with 8 out of 12 being delivered on time. Notable successes include the adoption in record time of the Directive establishing the regulatory framework for e-commerce. Once implemented, this will greatly facilitate the take-up of e-commerce activities in the Union. For their online business, our companies will to a large extent (i.e. within a co-ordinated field) only need to comply with regulatory standards in the Member State of origin. Potentially, the savings will be huge if consumer confidence in e-commerce is established so that it grows beyond the current low level of approximately 1 % of retail sales.

The European Company Statute has finally been approved thirty years after it was first proposed. This will offer our companies the opportunity to structure themselves more efficiently in the Internal Market, although it does not deal with fiscal aspects. Furthermore, the Directive on Copyright in the Information Society is close to final adoption. Once implemented (and it is essential that it is), it will ensure a more competitive environment, enhance investment security for companies and provide consumers with more choice and opportunities. And as a result of difficult and intensive negotiations, there has been significant progress on the so-called tax package. Meanwhile, the Commission has responded to the Lisbon Council request to develop a comprehensive strategy⁸ to remove obstacles to the provision of services within the Union. It must now be fully implemented if the Union is to reap the benefits of a more dynamic services sector.

...But there is no room for complacency

These successes confirm the usefulness of the prioritisation process. But they should not induce a false sense of complacency. We have also witnessed serious setbacks. The proposal to open up further postal services is still pending in Council, despite a firm commitment from the European Council to action. Business and citizens continue to be denied the benefits that will flow from this modest liberalisation, and the development of e-commerce could be hampered. Progress towards adoption of the proposals to open up public procurement is too slow, especially in the Parliament, although it would probably have helped the debate had the Commission presented its Communications on the link between procurement and the environment and that on social aspects earlier. Much too slow too is progress on the Community Patent, despite substantial work over the last 6 months

and the change introduced in the Nice Treaty in order to allow for the creation of a centralised jurisdictional system. Regrettably, the European Council was unable to break the deadlock. These are all major initiatives which can contribute significantly to achieving our overall strategic objective but already deadlines have been missed. In relation to the free movement of people, very little progress has been made – indeed, in some areas, discussions in the Council have not even started.

Only 3 Member States have met the transposition target

Not only have key legislative proposals been delayed, but progress in implementing existing Internal Market rules has been disappointing. Only three Member States – Denmark, Sweden and Finland - met the target established in the Internal Market Strategy of reducing their transposition deficits to 1.5% by December 2000 - with Spain coming close. The transposition deficits of Greece, France and Portugal are still more than three times as great as those of the best performers. There is no justification for failure to transpose. There should not be a transposition deficit to begin with. Nearly 13% of all Internal Market legislation has not been transposed in one or more Member States. This means that we only have a partial Internal Market operating well below its full capacity. To end delays, our approach has to change.

The Commission is keen to improve the flow of information between the Member States and the Commission concerning the transposition of Internal Market Directives. The current paper-based system is outdated, and can lead to misunderstandings and inaccuracies. It is time to harness the potential of new technologies to improve the efficiency of the system.

The target actions form a coherent whole. Partial delivery will not do

The task of improving the rate of progress is shared between the Commission, the Council and the European Parliament. The priority target actions identified in the 2001 Review are mutually reinforcing but also interdependent. They form a coherent whole. What is required is the simultaneous implementation of large numbers of changes in the way the Internal Market works. Piecemeal delivery will not do. Sectoral considerations must not be allowed to break the links between different policy strands that are essential if we are to achieve our overall objective of becoming the most dynamic economy in the world.

The approach for the next 18 months: some new actions, but a strong emphasis on the "nuts and bolts" and on preparations for enlargement

The Review stresses the need to maintain the momentum behind the Lisbon agenda...

Our agenda for the next 18 months reflects the need to press ahead with the ambitious programme of structural and economic reform agreed at Lisbon and consolidated at Stockholm. Many of the priority target actions set out in the current review centre on themes already seen last year: the need to open up to competition "bedrock" sectors such as transport and utilities; the need to create an integrated market for capital and financial services; the need to unleash the potential of the services economy and ensure genuine liberalisation of big sectors of the economy, such as public procurement; all of these are key determinants of competitiveness across the whole economy. The review also focuses on the need to improve the quality of the regulatory framework and promote innovation.

...It also takes up a few new elements introduced in Stockholm...

At the same time, the Stockholm European Council introduced a small number of new elements which are also reflected in the choice of target actions. These new elements include actions to exploit the potential of "frontier technologies", such as life sciences and genomics, and a "New European Labour Market Initiative" designed to increase labour market flexibility in the Union. This will respond to the needs of increasingly integrated European businesses who need to be able to recruit from the European labour pool, as well as workers who want to move across borders to pursue their careers without unnecessary red tape. It was also decided to add a sustainability strand to the Lisbon Strategy based on the results of the forthcoming Göteborg European Council.

...Whilst emphasising the need for strong foundations

But while new actions are required to reform our economies, there is a constant need to ensure that the basics of the Internal Market continue to work well. This was the clear message from the Internal Market Forum and the European Parliament. In the drive to introduce new proposals, it is easy to overlook the "nuts and bolts" issues of the Internal Market: the operation of the mutual recognition principle; progress on European standardisation; the need to strengthen market surveillance; and full transposition and enforcement of existing Community legislation. We cannot take these for granted. The Review identifies a number of actions to address weaknesses in the foundations.

Building up consumer confidence

The Internal Market Forum also highlighted the continuing concerns of both citizens and small businesses about the need for better access to public administrations to get their problems solved, information in plain language and simplification in legislative and administrative procedures. The Forum also brought out very clearly the need to build up consumer confidence in the functioning of the Internal Market, through access to affordable and effective out-of-court redress and other measures. The priority target actions set out below reflect the Commission's continuing commitment to tackling these fundamental issues.

Candidate Countries must be ready to apply rules effectively from day one

In an increasingly global economy, we ignore the external dimension of our Internal Market policy at our peril. There are very concrete steps that can be taken gradually to make the Candidate Countries part of the management of the Internal Market, so that by the time of accession they are ready to play their full part. If countries join before they are 'ready', the existing 'acquis' would be endangered and the Internal Market would be at least partially eroded. This would serve nobody's interest, not that of all that of the candidate countries themselves. Hence the need to step up effective institution- and confidence-building to ensure that Internal Market rules can and will be applied effectively from day one.

Interacting with a changing world

The Internal Market needs to keep pace with international developments. In several areas, internationally agreed rules need to be incorporated into our legal framework, for example, in accounting standards which will enable our companies to compete effectively for global capital. This "outside-in" imperative to keep the Internal Market up-to-date is reflected in several target actions. Conversely, it is desirable to 'export', whenever appropriate, our Internal Market rules ("inside-out"), particularly in cases where there are obstacles which prevent our companies from penetrating new markets. There is, of course, a lot of ongoing work, both at bilateral and multilateral level. For the purposes of the Review, however, the Commission has only included actions that have a direct link with the Internal Market; whose achievement is broadly within the Union's control; and, as with the rest of the Review, where concrete and measurable results can be expected within a specified time-frame.

Economic and structural reform, the "nuts and bolts" issues and strengthening the enlargement and external dimension : these are the themes underlying the priority target actions outlined below. They have been grouped according to the Strategic Objectives defined in the original Strategy Communication. A number of the priorities could justifiably have been classified under more than one of the Strategic Objectives. Those relating to the "New European Labour Market Initiative", for example, could be classified under either "Citizens" or "Business". In cases such as this, a choice has been made according to what appeared, on balance, to be the most appropriate classification. Some priorities, however, were felt to be of a truly horizontal nature, cutting across the four Strategic Objectives. These have been grouped together under the heading "horizontal priorities."

Annex 1 contains a list of completed target actions. A consolidated list of existing, rescheduled and new target actions can be found in Annex 2. The priority target actions are in bold.

PRIORITY TARGET ACTIONS

Horizontal priorities

Member States should halve their deficits on the way to completely eliminating them

Full, accurate and timely **transposition** of all Internal Market legislation is a legal obligation on all Member States and a prerequisite for the proper functioning of the Internal Market. Transposition deficits must therefore be eliminated. The European Parliament, the Commission and the Economic and Social Committee all attach particular importance to the achievement of this objective. The Commission will continue to monitor Member States' progress towards meeting the interim target of reducing transposition deficits to 1.5% (even though this target should already have been met by December 2000). A full review of progress with reference to this interim target will be prepared in time for the 2002 Spring European Council. The Commission also takes the view that Member States should halve their transposition deficits (as recorded in the November 2000 Single Market Scoreboard) by December 2001. For those Member States still some way off achieving the interim target of 1.5%, this additional target will provide a useful intermediate objective to aim for.

Make it easier to find out about rights ...

The Internal Market offers exciting opportunities - to citizens wanting to live, work, travel or study in another Member State and to businesses wanting to market their products throughout the Union. But, as is frequently pointed out by both the European Parliament and the Economic and Social Committee, individuals and small businesses often do not know their rights, or how to exercise them. Public authorities at all levels in the EU need to work constantly to raise awareness of Internal Market rights. After awareness at a general level, citizens and businesses need to know where to go for detailed information and help with particular problems. There are already a number of possibilities open to them, including the Commission's **Dialogue with Citizens and Business**⁹ and the **contact points and co-ordination centres**¹⁰ established within each national administration, as well as the Euroguichets (consumer information centres).

⁹ For citizens : <http://www.europa.eu.int/citizens>

¹⁰ For business: <http://www.europa.eu.int/business>
http://europa.eu.int/comm/internal_market/en/cp/cit/intro.htm

... and provide timely help in case of problems

The Commission believes that these different structures should be better integrated, so that they complement each other. This is not about setting up new structures. It is about using existing structures better and making people more aware of their existence. The ultimate aim should be to develop a "cascading" structure, capable of tackling quickly and effectively the full range of problems encountered in the Internal Market. The Dialogue should act as a first port of call for those seeking information or assistance. The Commission will soon launch an improved Citizens' website and a new "Citizens Signpost Service". The challenge now is to raise awareness of the Dialogue's existence so that more people will use it. Often the query can be resolved at that level. If the problem cannot be resolved, complainants should be directed to their national contact point or co-ordination centre for action. If a citizen, for example, has a problem with the recognition of a diploma, then this should be sorted out – within strict deadlines – by the two co-ordination centres most directly involved, making full use of modern communication technologies. The same, of course, goes for business problems, for example, in the field of mutual recognition. The network should draw fully on the important work carried out by Euro Information Centres (EICs). Where problems cannot be resolved through other means, as a last resort, the Commission will continue to take decisive action, necessary, through infringement proceedings.

Interactive policy-making : asking and listening

Better policy-making begins by listening to those on the receiving end. The Commission's **Interactive Policy-Making** initiative aims to do just this. It will use the Internet to collect and analyse reactions in the marketplace for use in the EU's policy-making process. The system will be used by the Commission both to evaluate existing EU policies and for open consultations on new initiatives. It involves the development of two internet-based mechanisms. The first of these is a feedback mechanism which will use existing networks and contact points as intermediaries to gather reactions from the marketplace, covering economic operators, consumers and citizens. The second internet-based mechanism will be a consultation mechanism which will allow very rapid and structured collection via the Internet of stakeholders' reactions to new initiatives. The new mechanism will fill a gap in existing consultation tools. Feedback will be more structured than is presently the case (e.g. in reactions to general consultation documents such as Green Papers) and will, at the same time, be able to accommodate more complex issues than is possible using existing online questionnaires or opinion surveys. The Commission is open to co-operation with a wide range of representative organisations in the context of this new consultation mechanism.

PRIORITY TARGET ACTIONS: HORIZONTAL

The Member States should

- halve transposition deficits by December 2001 and not be above 1.5% by Spring 2002

The Commission will

- set up an effective online, inter-active problem-solving network by June 2002
- increase the awareness of the Citizens and Business Dialogue (as measured by Eurobarometer surveys) by December 2001
- conduct a first Interactive Policy-Making consultation by December 2001

Enhancing the efficiency of Community capital, product and services markets

Telecoms prices have fallen for both business and residential users

Telecommunications liberalisation has yielded significant benefits for both consumers and business in terms of lower prices (between 1998 and 2000, telecoms prices fell by 4-13 % for residential users and 12-21 % for business users) and improved quality of service. Prices have fallen less for local calls than for long-distance calls, which is due, in many cases, to a re-balancing of tariffs. However, it also indicates that work towards strengthening competition in local access networks needs to continue. Europe's telecoms sector can hold its own against its global competitors. We are ahead of the US in mobile communications. Adoption of the electronic communications package will put the EU industry in a position to lead the world.

Further reforms are needed in postal services, energy and transport...

The major challenge, however, is to press ahead with structural reforms in **postal services** and the **energy** and **transport** sectors. The Stockholm European Council urged the adoption of the postal services Directive by the end of the year in order to achieve a balanced opening of this sector. It also agreed to the objective of opening gas and electricity markets but without agreeing on a timetable for this. Action is also required to eliminate problems, notably the delays in air transport, which are costly to business and a great inconvenience to our citizens. In the railway sector, while inviting the Member States to implement without delay the recently agreed infrastructure package, the Commission will propose later in the year to open further the market to national freight services and international passenger services. At the same time it will propose to reinforce the organisational aspects of safety as well as a European agency to deal with safety and interoperability aspects.

...and in financial services

Europe has a single currency but not a single, **integrated financial market**. Our fragmented market structures are not providing business with the multiple sources of capital it needs to compete in the modern global economy. Consumers still do not have a wide enough choice of high-quality financial products. The Financial Services Action Plan (FSAP)¹¹ sets out a blueprint for action. Its full implementation by 2005 is a pivotal element of the Lisbon agenda. Significant progress has been made. But the Stockholm European Council called for the pace of work to be accelerated, with key proposals to be in place by the end of 2003. This task will be greatly facilitated by the endorsement at Stockholm of recommendations put forward by the Lamfalussy Group¹² for a new regulatory approach in the securities field to agree common standards in framework legislation, implement them in practice, update them quickly and flexibly and enforce them effectively. Two new committees are being created to assist with this.

Not enough money is channelled into innovative start-ups

In comparison to the US, EU firms have to operate in a business environment that is less conducive to research, innovation and ICT. An environment where venture capital is still too scarce. In 2000, a total of \$36.8 billion cash was raised to finance biotech companies all over the world – approximately \$30 billion of this was raised in the US and only \$5.5 billion in Europe¹³. There are 2,300 biotechnology companies in the world, of which over 1,100 are in Europe. So, European

¹¹ COM(1999)232 Final

¹² The Committee of Wise Men on the Regulation of European Securities Markets
http://www.europa.eu.int/comm/internal_market/en/finances/general/lamfalussyen.pdf

¹³ Bio Century (the Bernstein Report on biobusiness), Volume 9, N° 10, 26, February 2001

companies are grossly under-financed. They need to raise a lot more cash in future years to compete with their US counterparts, and only vibrant, liquid, supportive European stock exchanges can provide this. Real improvements can be achieved through the full implementation of the **Risk Capital Action Plan¹⁴** by 2003.

Patent protection is slow and costly

Action is required at EU level in order for the Community to be able to reap the full benefit in particular of "frontier technologies", such as biotechnology. The procedures for obtaining appropriate patent protection in the whole Community are far too slow and costly. The cost of the current European patent has been shown to be three to five times higher than that of Japanese and US patents. Work on the proposed Community Patent Regulation should therefore be accelerated as a matter of priority. As the establishment of the Community Patent also requires a revision of the European Patent Convention, this revision should be carried out as a matter of priority. Member States should also implement on time existing Community legislation particularly to further frontier technologies, such as the Directive on the legal protection of biotechnological inventions. Although the deadline for transposing this key Directive has passed (30 July 2000), only four Member States – Finland, Denmark, Ireland and the United Kingdom – have done so.

The new R&D Framework Programme will help promote "frontier technologies"

The new 6th Research and Development Framework Programme for the EU recently proposed by the Commission will also play a key part in promoting the development of frontier technologies. The proposed budget for the new programme is 17.5 bn euro over a four-year period (2003-2006) – representing a 17 % increase over the budget of the current research framework programme. This will go some way towards reducing the R&D spending gap between the EU and the US. The programme is part of a wider political initiative aimed at creating a European Research Area, as endorsed by the Lisbon European Council. It is also one of the key priorities identified at Stockholm.

PRIORITY TARGET ACTIONS: MARKETS

The Council and the European Parliament should adopt

- an **Electronic Communications Package** by December 2001
- rules to further liberalise **Postal Services** by December 2001
- proposals on opening up **electricity and gas markets** by December 2001
- revised rules on **airport slot allocations** by December 2002
- a **Directive on Prudential Supervision of Supplementary Pension Funds** by June 2002
- **Directive on Prospectuses** by June 2002
- a **Directive on distance marketing of financial services** by December 2001
- **6th Community Research Framework Programme** by June 2002

The Council should reach agreement

- on the **Community Patent** by December 2001

The Commission will

- propose package of measures to open up **domestic rail freight** and international passenger markets by December 2001
- adopt Decisions establishing the European Securities Committee and the European Securities Regulators Committee
- adopt a **strategy for life sciences and biotechnology** by December 2001
- revise the **framework for state aid for research and development** by June 2002

The Member States should

- ensure that they are in conformity with Community law as regards the implementation of the Directive on the **legal protection of biotechnological inventions** as soon as possible (except for those Member States which have already fully transposed the Directive)

Improving the business environment

The Union needs to make better rules that are easier to understand...

The Union needs better rules and more efficient rule-making. Nobody is, of course, arguing against regulation as such. Or indeed in favour of a lowering of standards. Our system of laws and rules is the foundation of our economic success. It defines and protects our rights and provides for the orderly conduct of social and business affairs. But some aspects of rule-making do not work well. We have slipped into bad habits. Some of our laws, at national and European level, have become too complicated and contain excessive detail. Compliance costs have often not been taken into account.

...And make them faster

We have no precise measurements of how much excessive regulation costs or how much time it takes away from productive work. But there is no disagreement that the costs can be enormous; some estimates put it at between 4 and 6% of GDP¹⁵. At the same time, it is becoming more and more difficult for regulators to keep pace with rapid market and technological developments. It often takes more than 5 years from the time a need for regulation is identified for a Directive to come into effect. We risk imposing yesterday's rules on tomorrow's economy. Governments need to give themselves the tools to write rules at a much faster speed. The recent report from the Lamfalussy Group puts particular emphasis on improving the way decisions are reached in the field of securities markets, but it has wider validity.

The European Parliament and the Economic and Social Committee have continually emphasised the importance of putting in place the right regulatory framework. The Stockholm Council endorsed a series of new ideas on **regulatory reform** put forward in a Communication prepared by the Commission¹⁶. Based on these ideas, and those put forward in the Mandelkern Report¹⁷, the Commission will produce a full and co-ordinated strategy before the end of 2001 which will embrace the need for regulatory simplification and improvement at both Community and national

¹⁵ Doorn Report A50351/2000

¹⁶ COM(2001)130 Final

¹⁷ This is an initial report prepared by the high-level consultative group of experts set up by Ministers of Public Administration

levels. More widely, the issue of regulation will form an important part of the Commission's forthcoming White Paper on Governance.

*Delivering the goods,
at last, in the field of
services*

The last decades have seen a profound change in the composition of the EU economy. In almost all EU Member States, the commercial service sector is now at least double the size of the manufacturing sector in terms of GDP and employment. The information society has transformed the services market in many ways – for example, the cost of transmitting and acquiring information has been cut and the need for proximity removed in many cases. But the services sector is still rife with barriers. In many fields, there is not yet an Internal Market.

*Providing services
across the EU should
be as easy as it is
nationally*

In response to a specific request from the Lisbon European Council, the Commission presented, in December 2000, a major new strategy for dismantling these barriers by 2002. In its paper, the Commission suggests taking a new approach to services, one which complements the classic sectoral approach that has been followed until now, for example, in financial services. Many barriers are common to different services sectors, for example, in establishment or licensing. With a view to removing as many barriers as possible, a horizontal instrument may be needed. The aim of the Strategy is to ensure that providers of services can operate as easily throughout the EU as they can in any single Member State.

*Streamlining
procurement and
giving a boost to
electronic tendering*

Public procurement represents over 10% of EU GDP. If modest savings of only 5 % could be realised, this would amount to nearly €50 bn of savings each year. At a time when governments are making major efforts to reduce budget deficits and lower taxes, this would make a significant contribution. EU legislation has already yielded good progress in terms of enhancing market transparency; numbers of public tender invitations have risen steadily since the 1980s. But there is yet to be any significant impact on the level of cross-border public purchasing. Our procurement rules must be reconfigured, particularly to promote electronic tendering, which is the way of the future. Lisbon set 2003 as the target date for e-tendering in the EU. Public procurement ought to be a major driver in Europe's embrace of the New Economy.

*Standards and the
principle of mutual
recognition are corner-
stones of the Internal
Market*

After more than ten years experience with the application of the “New Approach” Directives, the time has come to evaluate some of the key elements in the existing body of law. This includes, for example, looking at the impact of conformity assessment procedures, the designation of notified bodies and CE marking, where difficulties continue to be reported. The objective of this evaluation will be to make the existing procedures more efficient without, however, changing the essence of the “New Approach”, which has generally served us well. The Commission will make concrete recommendations by the end of the year.

There has been significant improvement in the development and adoption of European standards, for example, in crucial areas such as that of construction products. The Commission has launched a multi-annual programme with the aim of developing a total of 600 standards in this sector, together with 1,500 testing methods. Over 50 standards have already been agreed and the short-term aim is to take this number to 120 (i.e. 20 % of the total) by December 2001.

The mutual recognition principle is fundamental to the optimal working of the Internal Market. The Commission will produce a Report by the end of this year looking at the steps already taken to improve the functioning of this principle and

drawing conclusions as to what still remains to be done. It is also important to review the effectiveness of the early warning mechanism provided by Regulation 2679/98 in order to deal with obstacles which lead to serious disruption of the free movement of goods.

State aid levels are still too high

A competitive market economy requires an effective and coherent **competition policy** at Community and national level. A reform of the Community competition rules is currently underway. For this reform to work in the interest of the Internal Market, there is a need to promote a common competition culture throughout the Community and to avoid competition being distorted by companies having to comply with different competition law standards. There is still too much sectoral and ad hoc state aid which has a particular tendency to distort competition. Member States should focus on reducing further the volume of these aids. In addition, the system must be made more transparent. There is also a need to put in place a clear policy framework which will allow public financial support to be given to new ventures in frontier technologies without creating distortions in competition.

Tax obstacles continue hamper economic growth

EU businesses are still confronted with a single economic zone, in which **15 different company tax systems** apply. This prevents them from fully exploiting the benefits of the Internal Market and biases their choices towards national rather than European economic activity. The Commission's forthcoming Communication on Company Taxation will propose solutions to the tax obstacles that hamper cross-border economic activity within the Internal Market. Further progress on the implementation of the **tax package** is vital to remove barriers to trade and address harmful tax competition. On indirect taxation, a major effort to modernise and simplify VAT rules is now needed, especially in the area of **invoicing**.

PRIORITY TARGET ACTIONS: BUSINESS

The Council and the European Parliament should

- reach agreement on new **public procurement rules** by December 2001

The Council should

- agree modernisation of the **VAT regime** (on electronic invoicing) by December 2001
- adopt a new **Regulation implementing the antitrust rules** in Articles 81 and 82 of the EC Treaty by June 2002

The Commission will

- present a co-ordinated **strategy to simplify the regulatory environment** by December 2001

- in co-operation with standardisation bodies increase the number of agreed standards in the construction products sector to, at least, 120 by December 2001
- publish an inventory of barriers to cross-border trade in services by December 2001, and propose a horizontal instrument to remove barriers common to several services sectors by June 2002
- take position on the vehicles block exemption for by December 2001

The Member States should

- reduce the overall level of state aid to below current levels by December 2001, taking into account the need to redirect aid towards horizontal objectives of common interest, including cohesion objectives
- roll-back all harmful tax measures, as identified by the Code of Conduct Group, by December 2002

Improving the Quality of Life of Citizens

Increased labour mobility will benefit both employers and employees

The Union's economic and social future depends on the quality and **mobility of its workforce**. Our citizens' futures, too, depend on whether they have marketable, flexible skills with which to adapt to the changing demands of new technologies and the global competition. Mobility in the Internal Market is being seriously impeded by a number of factors. For example, different national tax and benefit systems, insufficiently transparent, coherent and flexible conditions for the recognition of professional qualifications, together with difficulties in transferring supplementary pension and health insurance rights across borders, act as strong brakes on mobility.

The Commission will present an action plan to remove barriers

Removing these barriers would help to increase labour market flexibility and facilitate the transfer of skills across borders. This would have a particularly beneficial effect on R&D and in high-tech sectors where acute skill-related problems exist. According to estimates, the skills shortage in Western Europe will reach 1.7 million IT professionals by 2003. These issues are addressed in the Commission Communication to the Stockholm European Council on New European Labour Markets¹⁸. The Commission will present an Action Plan for the Madrid European Council to achieve a labour market that keeps pace with the integration of the Internal Market and the dynamism of Europe's new economy, drawing on the recommendations of a High Level Skills and Mobility Task Force. The Commission will also bring forward, this year, proposals with a view to the simplification and improved operation of the regime for professional recognition.

The Internal Market's contribution to a cleaner environment

The EU can and must consolidate and further develop the positive interaction between the operation of the Internal Market and environmental protection and **sustainable development**. This has been a central aim of the Internal Market Strategy from the outset. With the European Council in Göteborg in June 2001, this objective will undoubtedly receive added impetus. It is important that the actions set

out in the 1999 Communication on the Single Market and the Environment¹⁹ be carried out. There are, however, already delays, for some of which the Commission is itself is to blame. It is essential that the revised deadlines for action are now met. This Review identifies some concrete, innovative actions which, once implemented, can be expected to impact positively on the quality of the environment and climate change. For example, proposing a framework for greenhouse gas emissions-trading, tackling the environmental liability issue and promoting renewable sources of energy. The Commission will also play its part in implementing the Council strategy on integrating environmental protection and sustainable development into Internal Market policy which will be presented to the Göteborg European Council.

*The Internal Market at
the service of
consumers*

E-commerce and the euro make cross-border shopping in Europe far easier. But when consumers feel uncertain about the safety or quality of imported products or unsure of their rights of redress, they will not buy from suppliers in other Member States. Concrete measures are required to strengthen consumer confidence in the proper functioning of the Internal Market. The continuing wide divergence in consumer protection laws in Member States fragments the Internal Market. This results in barriers to business and reduces consumer confidence in cross-border transactions. The Commission will produce a working document for discussion which will form the basis for further consideration of the adoption of a general regulatory framework for consumer protection and for co-operation between administrations. This document could envisage different options, including greater use, at European level, of self-regulation and co-regulation, based on the ideas set out in the Commission's Communication on simplification and improvement of the regulatory environment presented at the Stockholm European Council.

*We need quicker and
more effective cross-
border dispute
resolution mechanisms*

The right legal framework and access to justice are essential. The recent adoption of the Brussels Regulation will strengthen consumer confidence. But fast, effective and cheap redress mechanisms can solve many problems without having to go to court which is expensive and time-consuming. The Commission is therefore placing high priority on the development of cross-border **alternative dispute mechanisms**. The Commission has adopted 2 Recommendations to provide a firm basis for the setting up and the development of out-of-court settlement bodies. In the field of financial services, a Memorandum of Understanding has been signed between national bodies dealing with out-of-court complaints allowing the creation of a co-operation network (FIN-NET). The aim is now to extend this kind of mechanism to other areas, particularly through the Commission's European Extra-Judicial Network (EEJ-Net) initiative. In addition, the Commission's '**e-confidence**' initiative is designed to reinforce the role of e-commerce codes of conduct in boosting consumer confidence. Rapid progress is needed to bring the initiative to a successful conclusion.

*Restore confidence in
food safety*

Beyond measures to strengthen consumer confidence in general, there are areas where specific policy interventions are required. Foremost among these is **food safety**. The recurrence of the consumer confidence crisis, brought about primarily by the spread of BSE, clearly shows that the mere announcement of measures, however impressive, is not going to restore consumer confidence in the food supply or in the food regulatory system, unless it is followed up by concrete action. A safe food chain from farm to fork, correctly regulated and effectively controlled, is thus

the road to building this confidence. The establishment of a new and coherent regulatory framework in the field of food safety, as laid down in the White Paper on Food Safety²⁰, and the start of the new European Food Authority, which should be operational by 2002, are fundamental activities to enhance citizens' health and safety and their confidence.

Pursue rationalisation efforts in the pharmaceuticals sector

There are continuing calls for further liberalisation of the **pharmaceuticals sector**. However, there is as yet no consensus between the pharmaceuticals industry and the different health systems of the Member States as to how best to respond to the challenges of liberalisation. Discussions are continuing between the interested parties with a view to reaching a consensus. In the meantime, the Commission will continue the rationalisation process with the forthcoming review of legislation concerning the different procedures for the marketing authorisation of medicinal products.

Give the non-profit sector the tools to organise themselves efficiently at EU level

With the imminent adoption of the European Company Statute (ECS), the way is now open for the formation of European companies. The same possibilities should also be available to the non-profit sector in the EU. The adoption of the ECS should allow the rapid adoption of associated proposals concerning **European associations, European co-operatives and European mutual societies**. This is a good example of an area where Community policy can have a direct bearing on the concerns and aspirations of our citizens.

PRIORITY TARGET ACTIONS: CITIZENS

The Council and the European Parliament should adopt

- a Regulation to establish the **European Food Authority** by December 2001
- a Regulation modernising and simplifying the co-ordination of **social security schemes** by December 2001
- proposals on **European Associations, European Co-operatives and European Mutual Societies** by December 2001
- a Regulation on the framework for the creation of the **Single European Sky**
- a Regulation establishing the **European Aviation Safety Authority** by December 2001, as well as a Regulation on the **organisation of airspace** in the **Single European Sky** by December 2002

The Commission will

- put forward to the 2002 Spring European Council an **Action Plan to open up new European Labour Markets**
- present proposals for an effective **regime for the recognition of professional qualifications** including ways of ensuring more widespread automatic recognition by December 2001
- present a proposal on the **portability of supplementary pensions** by December

2001

- propose a Framework Directive establishing strict liability by December 2001

- propose a Framework Directive on Greenhouse Gas Emissions Trading by June 2002
- propose a Regulation on food and feed safety controls as part of Food Safety Action Plan by December 2001
- define a policy on the integration of environmental considerations into the life cycle of products by December 2001
- present proposals on human and veterinary medicinal products by December 2001

The Member States in partnership with the Commission should

- ensure that EEJ-Net starts operations and is able to handle complaints by December 2001

Exploiting the achievements of the Internal Market in a changing world

There is renewed momentum behind the enlargement process

The Nice European Council has set a new milestone in the enlargement process. With the conclusion of the Inter-Governmental Conference, and the endorsement of the enlargement strategy proposed by the Commission, the Union has demonstrated its commitment to moving the accession process forward. To the extent this strategy is effectively pursued, and the Candidate Countries continue their preparations for membership, negotiations could be concluded in 2002 with those candidates that fulfil the accession criteria. In addition, at Nice, the European Council has expressed the hope that the first acceding countries will be able to participate in the elections for the European Parliament in June 2004.

Attention must focus on candidate countries' ability to enforce the Internal Market rules

Considerable resources have been devoted to helping Candidate countries transpose Internal Market legislation and to monitoring their performance. The challenge now is to ensure that they are able to apply the rules in practice. Attention must focus on improving the functioning of their **supervisory, enforcement and judicial structures**. Existing and new instruments must be mobilised to this end.

Exporting the Internal Market model and keeping it up-to-date

The Internal Market model is unique in the world. Many trading partners have expressed interest in it. The EU has an obvious interest in promoting Internal Market-type arrangements, particularly with neighbouring countries, as a way of helping them stabilise their economies and facilitating business transactions. The MEDA programme with Mediterranean countries is a good example of such an approach. The Internal Market also needs to reflect changing international rules, for example, in accounting or capital standards for globally operating banks and investment firms. If we fail to do so, we will jeopardise the competitive position of our own industry.

PRIORITY TARGET ACTIONS: EXTERNAL

The Council and the European Parliament should adopt

- a Regulation on the application of **international accounting standards** by December 2001
- a new **Capital Framework** for Banks and Investment Firms by December 2001
- **Prudential Rules for Financial Conglomerates** by June 2002

The Council should adopt

- a directive on adapting the VAT treatment of electronic commerce supplies by December 2001

The Commission will

- Conclude negotiations on the **Protocol to Europe Agreement on Conformity Assessment and Acceptance of Industrial Products (PECA)** with those Candidate Countries which meet the conditions
- Ensure that all key sectors of the Internal Market are covered by at least one **twinning arrangement** in each candidate country by December 2002
- Complete the **peer review process** among banking, insurance and securities supervisors from the Member States and a number of Candidate countries

MEASURING PROGRESS AND BENEFITS

Monitoring progress and benefits

To help maintain the momentum behind the Internal Market Strategy, it is important that progress is monitored as closely as possible. Although the annual Reviews count the number of target actions achieved, a broader measure of progress is also needed. Based on consultations with the Member States, the Commission is currently examining different options for the development of a **comprehensive set of indicators** which will measure progress towards meeting the Operational Objectives set out in the Strategy. A working paper will be produced by June 2001 and the first results will be published in the November 2001 Single Market Scoreboard. The indicators will measure outcomes, not inputs. Measurement will include an environmental and consumer dimension and should allow the degree of integration of Internal Market and other policies to be measured. The development of these indicators will take full account of existing Internal Market monitoring instruments, such as the Cardiff Report and the Single Market Scoreboard, and of the structural indicators developed in the framework of the Commission's Synthesis Report presented to the Stockholm European Council. In addition, the Commission is undertaking studies on the benefits (potential or realised) in certain sectors where the performance of the Internal Market needs to be enhanced.

CONCLUSION

*A gap risks opening up
between rhetoric and
reality*

Too often, commitments made at European Councils are not translated into concrete action at lower levels of decision-making. A gap opens up between rhetoric and reality. By retaining a sharp political focus on the Stockholm Internal Market priorities, it is hoped that this Review can help to prevent this from happening.

*The Commission is
seeking firm
endorsement of the
priority target actions*

It is hoped that the Review will give rise to substantive discussions in both the Council and the European Parliament resulting in clear, action-oriented conclusions. The Commission seeks firm endorsement of the Review, in particular of the priority target actions, and a commitment that deadlines will be met by all.

TARGET ACTIONS COMPLETED BY JUNE 2001¹

BY THE COMMISSION

1. ENHANCING THE EFFICIENCY OF COMMUNITY PRODUCT AND CAPITAL MARKETS

- ✓ Adoption of the annual Report on Economic Reform (Cardiff Report)
- ✓ Implementation of the Financial Services Action Plan, including the Risk Capital Action Plan (The Financial Services Action Plan is to be implemented in full by 2005. Detailed timings appear in the Action Plan itself).
- ✓ Proposal to ensure that the existing VAT system is compatible with e-commerce
- ✓ Action to support initiatives for on-line out of court redress
- ✓ Communication as follow-up to Green Paper on counterfeiting and piracy
- ✓ Proposal for a European Parliament and Council Regulation amending Council Regulation 1191/69 (public services in inland transport)
- ✓ Proposal confirming rules on cross-border tariffication in the electricity sector
- ✓ Proposal for Regulation on checks of professional road drivers
- ✓ Proposals for future liberalisation of the Energy market
- ✓ Communication on progress in liberalising Energy markets including the completion of mechanisms for cross-border transmission tariffication
- ✓ Sixth Report on the implementation of the Telecoms Regulatory Package
- ✓ Implementation of the Communication on the creation of a single European sky
- ✓ Communication on the application of the principle of free movement of services for the use of antenna dishes

2. IMPROVING THE BUSINESS ENVIRONMENT

- ✓ Proposal for a Regulation on the modernisation of the rules on competition for the application of Articles 81 & 82 of the EC Treaty
- ✓ Adoption of block exemption Regulations for state aid to SMEs, for training aid and on the "de minimis rule"
- ✓ Proposal for a European Parliament and Council Regulation amending Council Regulation 1107/70 (state aids in inland transport)
- ✓ Review of the Commission's policy on horizontal co-operation agreements
- ✓ Proposals for modernisation of VAT legislation in the Internal Market
- ✓ Report to Council on the system of excise duties in the Internal Market on tobacco
- ✓ Report on company taxation in the EU
- ✓ Strategy for Removing Barriers to Trade in Services
- ✓ Communication on commercial communications and sales promotion
- ✓ Monitoring report on the application of the product liability Directive (85/374)

¹ Some of these target actions have not been completed at the date of the publication but are expected to do so by the end of June 2001. Target actions in bold are priority target actions.

- ✓ Agreement on 50 harmonised standards relating to construction products
- ✓ Proposal to amend the Machinery Directive (98/37)
- ✓ Proposals to modify the 1st Company Law Directives (post-SLIM) (68/151)
- ✓ Implementation Report on BEST Action Plan
- ✓ Conference / Seminar on SMEs and Public Procurement
- ✓ **Develop Business Dialogue on-line with Member States National Contact Points**
- ✓ **Making on-line statistical data from the Business Feedback mechanism available to Member States**

3. IMPROVING THE QUALITY OF LIFE OF CITIZENS

- ✓ Proposal for a European Parliament and Council Directive amending the Insolvency Directive 80/987
- ✓ Proposal for a Directive on liability and compensation for damages relating to oil pollution at sea
- ✓ Second cohesion report to provide an updated examination of the effects of the Internal Market on cohesion
- ✓ Recommendation on how to integrate environmental considerations into financial reporting
- ✓ Communication on Environmental Considerations in Public Procurement
- ✓ Proposal to amend driving licence Directive 91/439
- ✓ Communication on commercial communications and sales promotions
- ✓ White Paper outlining a new strategy on chemicals
- ✓ Communication on maritime safety
- ✓ Proposal to establish the European Aviation Authority
- ✓ Proposal for setting-up a European Food Authority
- ✓ Proposal for a general food law Directive
- ✓ Proposal for amending Directive 79/112/EEC on the labelling, presentation and advertising of foodstuffs
- ✓ Proposal for a Directive updating and revising rules on the right of residence
- ✓ Communication on the future of recognition of professional qualifications
- ✓ Provide a complete self-service package for job seekers and employers on the EURES internet site supported by the personalised service from the Euroadvisers
- ✓ Provide a complete and up-to-date database for the citizen on living and working conditions and on labour markets in the Member States
- ✓ Report on the application of Directive 91/477 on the control of the acquisition and possession of weapons
- ✓ Publication of guide on data protection rights
- ✓ **Commission and European Parliament Internal Market Forum on Enforcing Internal Market Rights and Means of Redress**
- ✓ **Develop Partnership with Member States Internal Market Contact Points for Citizens**

4. EXPLOITING THE ACHIEVEMENT OF THE INTERNAL MARKET IN A CHANGING WORLD

- ✓ Additional protocol to Convention 108 of the Council of Europe in line with Directive 95/46
- ✓ Decisions, based on Article 25, paragraph 6 of Directive 95/46, assessing the adequacy of the level of data protection in some third countries
- ✓ Complete negotiations with the Council of Europe on a Recommendation on the protection of personal data collected and processed for insurance purposes
- ✓ Continuing work on the setting of minimum standards at international level, notably in the framework of WIPO, on protection of audio-visual performances, broadcasters' rights and non-original databases
- ✓ Joint meeting of the Internal Market Advisory Committee and representatives of candidate countries
- ✓ Joint meeting of Heads of Co-ordination Centres and representatives of candidate countries
- ✓ **More targeted use of pre-accession strategies, such as intensification of twinning arrangements on Internal Market issues**
- ✓ Examine the possibility of initiating a peer review process among banking, insurance and securities supervisors from the EU and candidate countries.

BY THE COUNCIL AND EP

1. ENHANCING THE EFFICIENCY OF COMMUNITY PRODUCT AND CAPITAL MARKETS

- ✓ Adoption of Directive on copyright and related rights in the information society
- ✓ Adoption of Directive on artists' resale rights
- ✓ Adoption of proposal for a Regulation on Community designs
- ✓ **Adoption by European Parliament and Council of Directives modifying Directives 91/440 and 95/18 and replacing Directive 95/19 (rail infrastructure package)**
- ✓ Adoption of a Directive on the interoperability of conventional rail
- ✓ Adoption of a Directive on working time in road transport

2. IMPROVING THE BUSINESS ENVIRONMENT

- ✓ Adoption of amendments to Regulation 3911/92 on the export of cultural goods, and adoption of amendments to Directive 93/7 on the return of cultural objects unlawfully removed from the territory of a Member State
- ✓ **Adoption of the proposed Regulation and Directive on the Statute for a European company**

3. IMPROVING THE QUALITY OF LIFE OF CITIZENS

- ✓ Adoption of an amendment to Council Regulation establishing a Community eco-label award scheme (880/92)
- ✓ Adoption of an amendment to Council Regulation establishing a Community eco-label and audit scheme (EMAS) (1836/93)
- ✓ Adoption of a Directive on information and consultation of workers in the EC
- ✓ Adoption of the Directive on the transformation, presentation and sale of tobacco products


- ✓ Adoption of Directives modifying Directives 95/21 (port state control), and 94/57 (ship inspections and surveys), and a Regulation on the accelerated phasing-in of double hull or equivalent requirements for single hull oil tankers (safety of the sea-borne oil trade)
- ✓ Adoption by the Council and the European Parliament of a proposal to amend the general product safety Directive (92/59)

BY THE MEMBER STATES

1. ENHANCING THE EFFICIENCY OF COMMUNITY PRODUCT AND CAPITAL MARKETS

- ✓ Implementation annually by the Member States of the country-specific recommendations on product and capital market reform contained in the Broad Economic Policy Guidelines
- ✓ Timely transposition and full implementation of Directive 96/92 concerning common rules for the Internal Market in electricity
- ✓ Timely transposition and full implementation of Directive 97/67 on postal services liberalisation

CONSOLIDATED LIST OF TARGET ACTIONS UP TO DECEMBER 2002

- | | |
|--|----------------------------|
| P | Priority Target Actions |
| ❖ | New Target Actions |
|  | Rescheduled Target Actions |

MARKETS 1

ENSURE FINANCIAL SERVICES DELIVER THEIR FULL POTENTIAL

DECEMBER 2001

- | | | |
|---|---|-------------|
| P | ❖ Council and EP to adopt Distance Marketing of Financial Services Directive to promote online financial services. | LEGISLATIVE |
| P | ❖ Council and EP to adopt the framework legislation to set up a European Securities Committee with a view to speeding up modifications to the legal framework so that it keeps up to date with market developments. | |

JUNE 2002

- | | | |
|---|---|-------------|
| P | ❖ Council and EP to adopt Directive on Prudential Supervision of Supplementary Pension Funds to remove artificial investment restrictions while maintaining prudential soundness. | LEGISLATIVE |
| P | ❖ Council and EP to adopt two upgraded Directives on Prospectuses to allow companies to raise capital on a pan-European basis using a single prospectus. | |

DECEMBER 2002

- | | |
|--|-------------|
| ❖ Council and EP to adopt Directive on Cross-border use of Collateral to ensure legal certainty and financial stability.
❖ Council and EP to adopt Directive on Market Manipulation to enhance investors' confidence in securities markets. | LEGISLATIVE |
|--|-------------|

MARKETS 2

ENCOURAGE CREATIVITY AND INNOVATION AND MAXIMISE THE BENEFITS OF FRONTIER TECHNOLOGIES

DECEMBER 2001

- | | | |
|---|--|-----------------|
| P | ⚡ All Member States to rapidly implement the Directive on the legal protection of biotechnological inventions which will help to obtain legal certainty for companies and promote innovation. | LEGISLATIVE |
| P | • Council to adopt Regulation on a Community patent to encourage investment in research and innovation and reduce costs, particularly for SMEs | |
| P | ❖ Council and EP to adopt the 6 th Community Research Framework Programme. | |
| P | ❖ Commission Communication setting out a strategy for life sciences and biotechnology up to 2010 including on ethical issues.
❖ Rapid and rigorous implementation of the Electronic Commerce Directive to ensure that European citizens and companies benefit fully from the development of cross-border electronic commerce in the Internal Market | NON-LEGISLATIVE |

JUNE 2002

- | | |
|---|-----------------|
| ❖ Council and EP to adopt Directive to be proposed on the patentability of software related inventions which, by making the legal situation more transparent, will promote creativity | LEGISLATIVE |
| P ❖ Commission to renew and improve rules on State Aid for Research and Development so that innovation can be promoted without distorting competition | NON-LEGISLATIVE |

MARKETS 3

MARKET OPENING LEGISLATION IN THE UTILITIES AND TRANSPORT SECTORS

DECEMBER 2001

- P ❖ Council and EP to adopt amendment to Postal Services Directive (97/67) to increase liberalisation, and to improve efficiency of sorting and distribution techniques consistent with maintaining a universal service.
- P ❖ Commission proposals for liberalisation of the market for national freight and international passenger services in order to complete rail liberalisation.
- P • Council and EP to adopt five proposals for a new regulatory framework for electronic communications networks and services. A Framework Directive and four specific Directives covering Authorisations, Access & Interconnection, Universal Service & Users' Rights and Data Protection, as a means of encouraging increased competition in all segments of the market while at the same time ensuring that the basic rights of consumers continue to be protected.
- P ❖ Council and EP to agree proposals to open up electricity and gas markets to greater competition leading to lower prices and greater choice.

LEGISLATIVE

DECEMBER 2002

- P ❖ Council and EP to adopt proposals to open up airport landing/take-off facilities ("slots") to provide greater competition, lower prices and greater choice for consumers.
- ❖ Council and EP to adopt proposals to provide greater competition on port services (e.g. Pilotage, towing and mooring).

LEGISLATIVE

BUSINESS 1

REMOVAL OF ANTI-COMPETITIVE PRACTICES WHICH THREATEN MARKET INTEGRATION

DECEMBER 2001

- P ❖ Overall levels of state aid to be reduced to below current levels
- ⚙️ Commission proposal to revise the Notice on agreements of minor importance which do not have sufficient impact on competition and/or trade between Member States (the 'de minimis' Notice) to improve the operation of the EU's competition policy.
- P ❖ Commission to present its intentions regarding the regime for motor vehicle distribution and servicing applicable as from 1st October 2002 in order to ensure that the Internal Market can operate efficiently to the full benefit of consumers
- ❖ Commission to open the State Aid Register and provide regular information in the form of a Scoreboard.

NON-LEGISLATIVE

JUNE 2002

- P ❖ Council to adopt new Regulation implementing the antitrust rules in Articles 81 and 82 of the EC Treaty which will decentralise the application of EU competition law.

LEGISLATIVE

BUSINESS 2

ELIMINATE TAX BARRIERS AND UNFAIR TAX COMPETITION

DECEMBER 2001

- P ⚙️ Council to adopt Directive on energy taxation which will result in a more efficient use of energy.
- P ❖ Council to adopt Directive on simplification and modernisation of VAT invoicing conditions (including electronic invoicing), with a view to enhancing the competitiveness of European industry.

LEGISLATIVE

DECEMBER 2002

In the framework of the Tax Package :

- ❖ Council to adopt Directive to ensure effective taxation of savings income in the form of interest payments within the Community
- ❖ Council to adopt Directive on a common system of taxation applicable to interest and royalty payments between associated companies in different Member States.

LEGISLATIVE

In the framework of the Tax Package :



- P ❖ Roll back of all harmful tax measures contained in the November 1999 Report of the Code of Conduct Group


NON-LEGISLATIVE


BUSINESS 3

IMPROVE THE REGULATORY AND ADMINISTRATIVE ENVIRONMENT FOR BUSINESS, PARTICULARLY SMES

DECEMBER 2001


P  Council and EP to adopt public procurement legislative package to simplify and introduce more user friendly procedures for contracting authorities and suppliers, especially SMEs, and to promote electronic means of procurement.
 Commission proposal to amend Electromagnetic Compatibility Directive (89/336) to simplify procedures and make it easier for SMEs to market their products across borders.


P  Commission to present a co-ordinated strategy and Action Plan to simplify the regulatory environment. Improving the regulatory environment in Europe - both at Community and national level - is an essential requirement for achieving our goal of becoming the most dynamic and competitive economy in the world.

P  Commission to complete the 5th SLIM project to simplify legislation covering nuclear waste, pesticide residues and cosmetics.

P  Commission to publish inventory of existing barriers across all services sectors as part of the Services Strategy (First phase).

P  Commission to work with standardisation bodies to increase the number of standards agreed in the construction products sector to at least 120.


 Commission to recommend improvements in the operation of the mutual recognition principle for goods and services.

 Commission proposals on the better implementation of conformity assessment (CE) marking on products covered by New Approach Directives.

LEGISLATIVE

NON-LEGISLATIVE

LEGISLATIVE

P  Council and EP to adopt amendment to Machines Directive (98/37) designed to simplify the rules and procedures for business.

JUNE 2002

DECEMBER 2002

P  Commission to propose a horizontal instrument to remove barriers that are common to a number of services sectors as part of the Services Strategy (Second phase).

LEGISLATIVE

CITIZENS 1

ENSURE THAT THE INTERNAL MARKET CONTRIBUTES TO SUSTAINABLE AND BALANCED DEVELOPMENT

DECEMBER 2001

P	<ul style="list-style-type: none">• Council and EP to adopt Directive on the promotion of electricity from renewable energy sources as a contribution to sustainable development❖ Commission to propose Framework Directive establishing strict liability provisions to protect the environment.❖ Commission proposal for a Directive on the impact on the environment of the use of electrical and electronic equipment (EEE)	LEGISLATIVE
	<ul style="list-style-type: none">❖ Commission Communication on an Integrated Product Policy setting out how the Commission intends to take forward the integration of environmental considerations into the life cycle of products.	

JUNE 2002

P	<ul style="list-style-type: none">❖ Commission proposal for a Framework Directive on Greenhouse Gas Emissions Trading as a cost effective policy instrument in the fight against the serious consequences of climate change both in Europe and the developing world.	LEGISLATIVE
	<ul style="list-style-type: none">❖ Commission proposals for the use of economic instruments for environmental policy which will consider the potential for environmental taxes and charges in the Internal Market.	

CITIZENS 2

ENHANCE CITIZEN'S HEALTH AND SAFETY AND PROMOTE THEIR ECONOMIC INTERESTS

DECEMBER 2001

- P ❖ Council and EP to adopt Regulation establishing the European Food Authority and setting out the general principles and basic requirements of Food Law.
- P ⚙ Commission proposal for a Regulation on food and feed safety controls as part of the Food Safety Action Plan.
- P ❖ Commission to present proposals on human and veterinary medicinal products
 - ❖ Commission to propose amendment to Directive (89/109) on materials that are used in packaging and could contaminate foodstuffs to protect human health and eliminate technical barriers to trade.
 - ⚙ Commission proposal to amend the Misleading Advertising Directive (84/450) to include health, nutritional and ethical claims.
 - ⚙ Commission proposal to amend the Consumer Credit Directive (87/102) to bring the legislation into line with market practice and facilitate cross-border transactions.
- P ❖ Council and EP to adopt Regulation setting the framework for the creation of the Single European Sky to reform air traffic management towards reducing delays and improving safety.
 - ❖ Commission proposals for a general regulatory framework for consumer protection and a general framework for administrative co-operation in consumer protection.
- P ❖ Council and EP to adopt Regulation establishing the European Aviation Safety Authority which will deal with aircraft certification and regulations covering air carriers operations.

LEGISLATIVE

- P ⚙ Member States, in partnership with the Commission, to make the European Extra-Judicial Network (EEJ-Net) for out of court settlements ready to start operations and begin to handle cases for consumers.

NON-LEGISLATIVE

DECEMBER 2002

- P ❖ Council and EP to adopt proposals on the organisation of airspace in the Single European Sky including air navigation services, and the introduction of standards for air navigation systems and equipment encouraging the development of new technology.

LEGISLATIVE

CITIZENS 3

REINFORCE AND PROMOTE CITIZENS' RIGHTS

DECEMBER 2001

- P ☼ Council and EP to adopt Regulation modernising and simplifying the co-ordination of social security schemes to help the free movement of people and employees.
- P ☼ Council and EP to adopt proposals in line with the European Company Statute on Associations, Co-operatives and Mutual Societies, to give non-profit organisations the opportunity to organise themselves efficiently across borders.
- ☼ Council and EP to adopt modification to Regulation (1408/71) extending social security schemes to third country nationals to help the free movement of people and employees.
- P ❖ Commission proposals for action on supplementary pensions to encourage and facilitate the movement of workers.
- P ❖ Commission proposals to produce a more uniform, transparent and flexible regime for the recognition of professional qualifications.

LEGISLATIVE

JUNE 2002

- ☼ Commission proposal to amend Directive 91/477 on controls for the acquisition and possession of weapons by citizens.
- P ❖ Commission to put forward an action plan to open up new European Labour Markets by 2005 thereby increasing labour mobility and helping to close the skills gap (for presentation to 2002 Spring European Council).

LEGISLATIVE
NON-LEGISLATIVE

DECEMBER 2002

- ❖ Council and EP to adopt Directive simplifying and modifying existing legislation on the right of free movement and residence so that citizens can move around the European Union more easily.

LEGISLATIVE

EXTERNAL 1

ENHANCING THE INTERNAL MARKET'S INTERACTION WITH A GLOBAL TRADING SYSTEM

DECEMBER 2001

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| P | ❖ Council and EP to adopt Regulation on the application of the international accounting standards, which will reduce costs and enable our companies to compete on equal terms for global capital. |
| P | ❖ Commission to adopt Directive Governing the Capital Framework for Banks and Investment Firms, as agreed in the G-10, which will ensure financial stability as well a level playing field for EU institutions. |
| P | ❖ Council to adopt Directive on adapting the VAT treatment of electronic commerce supplies, which will establish a level playing field for EU and non-EU suppliers of electronic services. |
| | ❖ Council and EP to adopt Regulation on the implementation of the internet top level domain [. eu] which will give a concrete expression to Europe's role in the Internet economy. This will be followed by a Commission Decision on the designation of the [.eu] top level domain registry. |
| | ❖ Commission to adopt Decision on the basis of Article 25.6 of Directive 95/46 on the adequacy of the Canadian law governing the protection of personal data in order to facilitate transatlantic data flows. |

LEGISLATIVE

JUNE 2002

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| P | ❖ Council and EP to adopt Directive on Prudential Rules for Financial Conglomerates based on work in the G-10 with a view to ensuring financial stability and keeping the EU's supervisory approach compatible with global rules |
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LEGISLATIVE

DECEMBER 2002

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| | ❖ Commission to negotiate arrangements with certain third countries so that a Directive on the taxation of income from savings can be finally adopted. |
| | ❖ Commission to adopt a timetable for Internal Market-type harmonisation measures to be implemented in the framework of the Mediterranean Partnership (MEDA) Programme for priority sectors, such as rules of origin, customs, standards and IPRs. |

NON-LEGISLATIVE

EXTERNAL 2

ENSURE THAT THE INTERNAL MARKET CONTRIBUTES TO A SUCCESSFUL ENLARGEMENT OF THE COMMUNITY

DECEMBER 2001

P	❖ Commission to conclude negotiations on the Protocol to Europe Agreement on Conformity Assessment and Acceptance of Industrial Products (PECA) with a number of Candidate Countries (at least with Latvia and Lithuania) who meet the conditions.	LEGISLATIVE
P	❖ Invite Candidate Countries to attend meetings of Internal Market Committees (except to those who engage in decision-making) ¹ ❖ Complete peer review process among banking, insurance and securities supervisors from the EU and a number of Candidate Countries (at least with Hungary, Slovenia, Czech Republic, Poland). ❖ Commission to publish practical guide for Candidate Countries and Member States on the application of the "mutual recognition principle". ❖ Commission to evaluate and report on the use made of the administrative co-operation database involving Candidate Countries. This is an important tool for the management of the Internal Market as it facilitate better contacts between officials on practical questions.	NON-LEGISLATIVE

JUNE 2002

P	• Commission to conclude negotiations on the Protocol to Europe Agreement on Conformity Assessment and Acceptance of Industrial Products (PECA) with a number of Candidate Countries (at least with Slovakia, Slovenia) who meet the conditions.	LEGISLATIVE
P	❖ Complete peer review process among banking, insurance and securities supervisors from the EU and a number of Candidate Countries (at least with Malta, Lithuania, Latvia, Slovakia).	NON-LEGISLATIVE

DECEMBER 2002

P	❖ Conclude negotiations on the Protocol to Europe Agreement on Conformity Assessment and Acceptance of Industrial Products (PECA) with a number of Candidate Countries (at least with Estonia) who meet the conditions.	LEGISLATIVE
P	❖ Complete peer review process among banking, insurance and securities supervisors from the EU and a number of Candidate Countries (at least Bulgaria, Romania).	NON-LEGISLATIVE
P	❖ Ensure that all key sectors of the Internal Market are covered by at least one twinning arrangement in all Candidate Countries.	LEGISLATIVE

¹ In line with the Commission's Communication to the Council on the participation of Candidate Countries in Community programmes, agencies and committees.

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