

Opinion of the Economic and Social Committee on 'The strategy for Europe's Internal Market and Recommendations for the Review of Target Actions'

(2000/C 140/10)

On 27 January 2000, the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion on 'The strategy for Europe's Internal Market and Recommendations for the Review of Target Actions'.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 March 2000. The rapporteur was Mr Little.

At its 371st plenary session (meeting of 30 March 2000) the Economic and Social Committee adopted the following opinion by 112 votes in favour, four against and with three abstentions.

1. Background

1.1. The Commission's Communication⁽¹⁾ of 24 November 1999 provides a proposed strategy for the Internal Market over the next five years. The Commission considers that the strategic objectives should be:

- improving the quality of life of citizens;
- enhancing the efficiency of product and capital markets; and
- improving the business environment
- exploiting the Internal Market's achievements in a changing world.

The text of the Communication was submitted for discussion at the Internal Market Council meeting on 7 December and then to the European Council in Helsinki.

1.2. Following consideration of the 'annual cycle for the Internal Market Strategy' (figure 1 page 5), the SMO proposed that the Committee gives an Opinion on the Single Market from a horizontal perspective in time to be considered each April by the Commission before it adopts Proposals for Review of target actions. This Opinion would include views on the Scoreboard to be published each November and on the Cardiff Report (on the functioning of product and capital markets) to be published each January/February.

1.3. For the year 2000-cycle, it has been agreed that the Committee gives an Own-Initiative Opinion which consists of recommendations for the review of target actions together with a response to the Strategy document and views on the other documents referred to in the preceding paragraph.

2. General Comments on the Commission's Strategy Communication

2.1. The Committee strongly welcomes the Commission Communication. It is very much on anticipated lines and very close to what the Committee called for in its 4th Additional Opinion on the Single Market Action Plan. While the Committee proposed the setting of strategic objectives for the next three years, it acknowledges the logic of adopting a five-year period in line with the mandate of the new Commission.

2.2. The Committee's main criticism of the broad strategy is that it considers the aspect of enlargement is not sufficiently developed. To seek to ensure that the Single Market contributes to a successful enlargement is a valid objective but that is not sufficient.

2.2.1. It is vital that the current Single Market for the fifteen states is streamlined and geared up to function as part of a larger market serving, in due course, almost twice as many countries and a population increased by around 30 %. The aim must be to ensure that the adoption of Single Market rules by the fifteen is as near completion as possible at the time of the next accession.

2.2.2. It is as essential that the applicant countries are in a position to adopt the rules of the Single Market — and indeed of the whole 'acquis communautaire' — at the time of accession. The structural reform already underway in the candidate countries will be accelerated still further with the advent of the Single Market. It is essential to take cognisance of the economic and social consequences of this structural reform throughout the Single Market if it is to function properly. Transition periods could be allowed as described in the ESC Opinion on the Single Market and Enlargement⁽²⁾.

2.2.3. It is just as important for the EFTA States to be subject to the same obligations as the fifteen to follow up the implementation of actions necessary to fulfil the new strategy.

(1) The Strategy for Europe's Internal Market, COM(1999) 624 final.

(2) OJ C 329, 17.11.1999, p. 3.

2.3. Much of the content by way of strategic and operational objectives deals with facets of the Single Market which the Committee had identified as requiring policy development and action. However, as with many strategic plans it prompts the need to be persuaded that implementation of the strategy is realistic.

2.4. The Committee is pleased to note that, with one exception, the somewhat sweeping wording of certain of the stated objectives in the consultative document has been converted into more realistic terms. The exception is the strategic objective 'to improve the quality of life of citizens'. The Single Market itself cannot deliver on that point for, even if opportunities become available, citizens may choose not to take advantage of them. The Committee remains concerned because it would be virtually impossible to establish that such a proposed objective was met. Putting forward such an objective appears to be designed for initial effect rather than to provide a measurable target.

2.4.1. The Committee has drawn attention on previous occasions to the lack of success in identifying economic benefits and social developments attributable to the Single Market. In its most recent response to the Committee, the Commission itself acknowledges that 'it is difficult to isolate the Single Market effect in macro-indicators as these reflect the aggregate impact of economic, political and technological developments'.

2.4.2. Discussion of the economic successes and social developments attributed to the Single Market may be simpler if a distinction is made between the roles in which ordinary citizens have felt the effects: as entrepreneurs, workers or consumers. It is then much easier to identify and measure these effects. Use can also be made of existing models for determining social indicators, a range of scientific research work or the methods already applied in individual Member States to measure the effects of economic developments on citizens in their different roles as entrepreneurs, consumers and workers.

2.5. The proposed annual cycle of monitoring, dialogue, analysis and review is endorsed by the Committee but it has some reservations as to the necessity to publish two Scoreboards per annum. The publication of only one would be logical as the process is to be an annual one. Furthermore, it is noted that the Commission is seeking additional resources in order to pursue the new Strategy and the cost of each Scoreboard cannot be negligible.

2.6. Subject to the above reservations, the Committee supports the proposed strategy for the Internal Market as proposed by the Commission in its Communication.

2.7. The ESC believes it to be critical, for the achievement of the benefits to be realized by the economy as a whole, that the fundamental importance of the Internal Market is given due weight in deliberations at the forthcoming IGC, where the focus will be preparations for enlargement of the Community.

3. Specific Comments on short-term Target Actions within the Strategy

3.1. To meet the strategic and operational objectives in the Commission's Strategy, 111 target actions have been identified within an 18-month time horizon. The Commission states that continuity will be attained and that the recommended preparatory work will optimize the possibility of achieving those aims within the stated period of time.

3.2. The presentation of such a comprehensive list of target actions provides a useful tool in itself but the Committee feels that it is a contradiction in terms to describe them all as 'short-term priorities'.

3.3. The ESC takes the view that it is unrealistic to expect all the targets to be met within the 18-month period given the well-publicized difficulties in reaching agreement at Council in certain cases. Similar concerns are held regarding action required at state level where failure to transpose legislation or to apply it consistently (or at all, in some cases) suggests that the protection of national interests still predominates.

3.4. There are implied priorities within the target actions as the 18-month period is broken down into six-month sections. However, it is not clear to the Committee whether the placing of an item within the timetable is determined by its importance as determined by Presidency Work Programmes or is based simply on the minimum time necessary for implementation.

3.5. It is acknowledged that the Commission should not pre-judge political priorities for action. However, the Committee believes that the question of economic and social priorities is a different matter and, therefore, that the Commission should itself endeavour to identify key priorities from that standpoint. Emphasis should then be placed on the achievement of those targets.

3.5.1. The Committee has issued opinions dealing specifically with about half of the 46 target actions which constitute legislative proposals and while the Committee is generally supportive in these cases, it does not necessarily regard them as having equal priority. The Committee's views as to priorities are incorporated in Section 6 which deals with recommendations for the first Review of the target actions.

4. Comments on Scoreboard No 5

4.1. General

4.1.1. The Commission's Single Market Scoreboard No 5 is dated 3 December 1999 and was published shortly before 'The Strategy for Europe's Internal Market' was considered by the Internal Council and at the Helsinki Summit.

4.1.2. The report provides detailed information on four facets of the Single Market viz.,

- the regulatory environment
- feedback from a business survey
- price monitoring
- monitoring of the Financial Services Action Plan.

4.1.3. The clear and factual form of presentation is welcomed by the Committee and the information provided is considered to be very useful in relation to the areas highlighted. The analysis of progress by individual Member States is felt to be particularly helpful in increasing the pressure for action where states are clearly in default of their obligations.

4.1.4. However, the Committee feels that the Scoreboard will not provide the same welcome impetus to necessary action which was achieved by Scoreboards 1 to 3. It no longer has the Action Plan for the 18-months to 31 December 1998 as a base nor does it provide a comprehensive review of the progress of the Single Market.

4.1.5. The Committee made no specific comments on Scoreboard No 4 published in June 1999 as it took the view that the situation reported was not significantly different from that in the Commission's Assessment of the Single Market Action Plan⁽¹⁾ and on which the Committee issued an Opinion⁽²⁾ in May 1999. As stated in paragraph 2.5 above, the ESC doubts the value of publishing two Scoreboards each year.

4.1.6. In the view of the Committee it is essential that progress towards the adoption of Single Market Rules and Practices is reviewed in the annual screening process which is conducted with the applicant countries. It is requested that the Commission give a commentary on such progress in future Scoreboards.

4.2. Regulatory Environment (Part B)

4.2.1. The clear and informative presentation of data concerning implementation of Internal Market legislation continues to be one of the most impressive features of the Scoreboard and it has been enhanced by the incorporation

of EFTA statistics. Nevertheless, the Committee shares the Commission's concern regarding the slow pace of implementation of recent legislation and the poor prospects for complete elimination of the transposition backlog.

4.2.2. The number of infringement procedures remains high and would be even higher, in the Committee's view, but for the discouraging effect of the long lead time for the closure of cases.

4.2.3. The Committee awaits with interest the overall assessment of SLIM now under way. It agrees with the Commission that the political support behind simplification in principle is not reflected in the will to carry it through the legislative process.

4.3. Feedback from Business (Part C)

4.3.1. The results of the latest business survey again make interesting reading and do not vary significantly from the Committee's own findings.

4.3.2. A new feature, particularly welcomed by the Committee, is the assessment by business in each Member State of the degree of satisfaction with the Single Market. The indication of improvement over the last two years is not challenged and is welcomed but, nevertheless, the rate of satisfaction expressed in absolute terms is disappointingly low (EU average is only 61,8 %) in 1999.

4.3.3. The Committee agrees with the conclusion reached by the Commission that not all obstacles affect business performance to the same degree. In the view of the Committee, the consequent need to set priorities is not reflected in the very long but undifferentiated list of Target Actions contained in the new strategy.

4.4. Progress on Financial Services Action Plan (Annex 1)

4.4.1. The reported progress to date in implementing the Action Plan⁽³⁾ adopted in April 1999 is largely limited to action by the Commission in issuing and pursuing legislative proposals and other documentation. Certain political stumbling blocks to the enactment of the proposals are highlighted in the report.

4.4.2. The Committee did not draw up an opinion on the Action Plan itself but a good number of the proposals it deals with are the subject of separate opinions which the Committee has given or is preparing. Whilst the Committee supports its broad thrust, it is extremely disappointed by the lack of political determination which renders unrealistic even the extended timetable for completion of the Action Plan.

(1) COM(1999) 74 final.

(2) OJ C 209, 22.7.1999, pp. 28-34.

(3) COM(1999) 232 final.

5. Comments on Cardiff Report [Report on the functioning of Community product and capital markets⁽¹⁾]

5.1. Scope of Report

5.1.1. The Commission document consists of an extensive report together with over 30 pages of Statistical Annexes and a further 30 pages of Commission working documents. The report has a dual purpose viz. to provide input for the preparation of the Broad Economic Policy Guidelines and to serve as the basis for Commission proposals to update target actions included in the Internal Market Strategy.

5.1.2. A two-pronged approach has been adopted under which, firstly, it monitors and assesses product and capital market performances to identify regulatory failure at EU level, and, secondly, prescribes policy to improve the quality of the regulatory framework and to remove barriers to the efficient functioning of markets.

5.1.3. The report deals only with matters dealt with in last year's Cardiff I Report and not with the subject matter of Cardiff II. The Commission's claim to have reduced the number of reports this year is somewhat ambiguous!

5.2. General

5.2.1. It would not be appropriate to deal on a comprehensive basis with the Cardiff Report in this Opinion, the prime aim of which is to put forward the Committee's own recommendations for the Spring 2000 Review. Hence, comments will be limited in the main to those facets of the report which relate to the second of its stated purposes.

5.2.2. The proposals within the Report for reform of product and capital markets are generally supported by the Committee. Many of these are in line with previous Commission reports, in particular the Strategy for the Internal Market but some new initiatives have been put forward and are welcomed by the Committee.

5.2.3. In the Report the Commission highlights the urgency of certain items and, in so doing, indicates, it is hoped, that a similar approach will be taken in the Spring 2000 Review. Such an approach would be in line with the Committee's call, in this Opinion, for the establishment of priorities amongst the 111 current target actions.

5.2.4. The Committee feels that the overall presentation of the report is to be commended and that the supporting information is particularly helpful enabling study in depth to be made. However, the Committee has one general criticism

in that the term 'economic reform' is repeated too frequently in the text and without it always being clear what is meant. In some cases, it appears to be a synonym for reform of product and capital markets and, in other cases, it appears to relate to the wider spectrum of macro-economic policies. It also implies that economic reform is always a good thing without defining it specifically and without offering justification.

5.3. Specific comments

5.3.1. Market performance

5.3.1.1. The report understandably focuses on the assessment of market performance from an economic perspective. It is encouraging to note the evidence of increased integration of product markets provided by statistics showing that growth in intra-EU manufacturing trade is being sustained ahead of GDP growth. On the other hand, the Committee notes that increased intra-EU foreign investment is very unevenly distributed between the Member Countries.

5.3.1.2. The Committee shares the concern expressed that SMEs' specific funding needs are not yet adequately met. The Commission states that the 60 % of venture capital which emanates from pension funds in the USA is double the level in the most advanced EU market. However, no analysis is given to indicate the extent to which this is due to regulatory barriers (as certainly exist in some Member States), to differing bases for risk assessment, to cultural differences which discourage SMEs from seeking venture capital and to other factors. The Committee draws attention to the proposals in its Opinion on 'European capital markets for Small and Medium-sized Enterprises: prospects and potential obstacles to progress'⁽²⁾ on this subject.

5.3.1.3. The Committee endorses the importance placed on implementing the Action Plan for Financial Services and welcomes in principle the Commission's recent proposals⁽³⁾ for improving access to venture capital.

5.3.2. Horizontal Issues

5.3.2.1. The statement on entrepreneurship is strongly welcomed as is the highlighting of the problems inhibiting the creation and development of small businesses. In many Member States, much remains to be done in order to foster new innovative enterprises which would lead to the creation of jobs. Attention is drawn to the initiatives suggested by the Committee in its Opinion on the Commission Communication on Competitiveness in the face of Globalization⁽⁴⁾.

⁽¹⁾ COM(2000) 26 final.

⁽²⁾ OJ C 235, 27.7.1998, p. 13.

⁽³⁾ COM(1999) 493.

⁽⁴⁾ OJ C 329, 17.11.1999, pp. 49-57.

5.3.2.2. The Committee has consistently campaigned for reductions in the levels of state aid and has supported previous initiatives of the Commission towards that end. Valid emphasis is now being placed by the Commission on reducing sectoral and ad hoc aid as a proportion of the total. The ESC suggests that the inclusion of aid to agriculture in the overall statistics is necessary to give a complete picture.

5.3.2.3. Progress towards a Single Market for public procurement is not necessarily established from the data provided by the Commission: the increase in the number of tender invitations does not itself provide any insight into the trend of cross-border award of contracts. Further information and analysis would be useful. The Committee ascribes considerable urgency to the need for implementation of existing directives in this field and for the Commission to bring forward its proposals to improve the functioning of the public procurement process.

5.3.3. Reform in Market for Services

5.3.3.1. The Committee agrees with the urgency attributed by the Commission to the adoption and implementation of the regulatory framework and for strict enforcement of competition rules within the utility sector.

5.3.3.2. With regard to the Commission's proposals for Distribution, the Committee feels that no case for a less restrictive stance on the expansion of larger retail outlets has been made and, thus, does not support this proposed reform.

5.3.3.3. The Committee feels that not enough progress has been made in the field of general insurance services as for SMEs, in particular, a single market in that field is simply not available.

6. Recommendations for Spring 2000 Review of 'target actions'

6.1. General

6.1.1. The Committee accepts that it is necessary to plan to proceed on a broad front for the development of a coherent policy at European level for enhanced market efficiency so that the Single Market can deliver tangible benefits to citizens and business.

6.1.2. Without prejudice to such broad horizontal responsibilities, the Committee believes that a more focused approach, placing emphasis on a few key areas, would bring greater benefits within a shorter time span. For these key areas the Commission should seek to obtain the full commitment of both the Internal Market Council and the European Council to ensuring that the objectives in these areas are met within the agreed timescale.

6.1.3. The views of the Committee on key priorities are set out in paragraphs 6.2 to 6.9.

6.2. Enforcement

6.2.1. Top priority should be given to streamlining legislation which affects the Internal Market and which is already being worked towards in a number of cases (e.g. SLIM), with the aim of maximising the efficiency of the Internal Market and preventing trade barriers and distortions of competition. The Internal Market should also operate smoothly in the sphere of environmental protection and health and safety. Given the importance of these two areas for citizens — the EC Treaty also refers to a 'high level of protection' — the highest possible Community standards should be aimed for. Stricter national standards to protect the environment and health are compatible with the Treaty but should not be introduced for protectionist reasons. The Committee believes that ensuring efficient implementation and coherent enforcement of EU legislation is absolutely essential. Consistent enforcement is also, of course, very important in other areas particularly so that SMEs are not placed at a disadvantage.

6.2.2. It is noted that a target date of December 2000 has been set for the adoption of the Commission's Proposal for a Regulation on the modernization of the system of supervision and enforcement of competition law. Attention is drawn to the fact that, whilst expressing support in principle in its recent Opinion⁽¹⁾ on the proposal, the Committee pointed to a number of difficulties and dangers which must be addressed by means of a specific programme of preliminary and supporting measures before implementation.

6.3. Free movement of persons

6.3.1. The ESC has observed that the freedom of movement of persons across national frontiers — not only for the purpose of work — is not yet readily available to many EU citizens. Social system differences discourage the free movement of individuals and create difficulties for the staff of multi-national organizations.

6.3.2. Without prejudicing necessary controls and administrative formalities, easing freedom of movement must become a reality for citizens to feel that the Single Market is in place. To facilitate movement for the purpose of work, there is as much need for employers, as for employees, to be fully aware of the relevant procedures and mutual recognition legislation. The Committee has already called for follow-up action to be taken on the Flynn Action Plan (of which no specific mention is made in the Strategy Communication) and in respect to which the Committee is currently preparing an Own Initiative Opinion.

⁽¹⁾ OJ C 51, 23.2.2000, pp. 55-66.

6.4. Taxation

6.4.1. The initial target actions highlighted by the Commission have been given previously the general support of the Committee. However, to achieve the broad aims of eliminating tax barriers and unfair tax competition for the longer term, certain principles need to be observed and preparatory work needs to be put in place.

6.4.2. Member States are tending to re-assess taxes in order to stay competitive and to keep attracting outside investment. Nevertheless, the Committee feels that, where tax competition is unfair, it must be combated if the Single Market is to work properly. The study on company taxation to be presented in mid-2000 by the Commission, at the request of the Council, could provide a useful analysis of the tax basis in each Member Country and may help to identify tax anomalies.

6.4.3. In the meantime, minimum company tax rates should not be pursued since a nominal tax rate which does not consider the tax base, does not provide the whole picture.

6.4.4. The taxation of labour as a factor of production must also be viewed in the context of combating unemployment in the Single Market.

6.4.5. The harmonization of energy taxation at EU level should be carried out where it can provide clear and direct environmental benefits and in such a way that it will not harm European competitiveness.

6.4.6. The Committee believes it to be essential that, well before enlargement takes place, real progress needs to be made in developing a system of value added tax which is conducive to the Internal Market and based on the country-of-origin principle. At this point, it is worth recalling the commitment made by the EU Council to implement a definitive VAT system, regarding which nothing to date has been done, thereby exacerbating the volume of tax fraud.

6.5. Better Regulation

6.5.1. The efforts being made by both the Commission and Member States to achieve better regulation are welcomed by the Committee. However, the starting point for effectively simplifying legislation should be an independent assessment of each law's implications: the EU should be guided by experience of this area in USA, Canada, Australia and the UK.

6.5.2. The assessment procedure should be developed into an instrument which will alert legislators at a very early stage to the financial consequences of planned measures for parties affected. A political decision can then be taken in the full knowledge of the probable outcome. The assessment could be entrusted to an independent body. It may be possible to draw on the experience of the Congressional Budget Office in Washington, USA.

6.5.3. The Committee has doubts as to whether the current experiment of Business Test Panels can produce meaningful results. The random selection of respondents does not ensure representativeness and can trigger superficial responses which do not amount to a truly independent assessment.

6.6. Market Liberalisation

6.6.1. Healthy competition beneficial to citizens can only be achieved through non-discriminatory access in all Member States and even transposition of European law must be assured. The Committee is in favour of completing liberalisation in the energy sector and the telecommunications markets, with account taken of Community objectives such as security of supply and broad access to telecommunications technologies. In the information society, broad access to channels of communication is essential for the maintenance and improvement of competitiveness.

6.6.2. In the view of the Committee, the adoption of a public procurement legislative package should be one of the absolute priorities and it calls for the Commission's proposals to be put forward as soon as possible.

6.7. State Aid

6.7.1. State aid can lead to distortions of competition. The Commission should therefore draw up universally recognised criteria for a systematic re-examination of state aid. Aid should be evaluated on the basis of these criteria and, where necessary, aid that may have a negative impact on competition with other measures should be eliminated. It should be borne in mind that there are economic sectors which have special social importance, e.g. education, to which different criteria should therefore be applied. The Committee strongly welcomes the recent announcement that a 'Scoreboard' for state aid will be published by the Commission.

6.8. *Financial Services*

6.8.1. Completion of the Single Market in financial services is a high priority for business and citizens as users. So that the full potential may be realized, investors should be able to act without undue restriction throughout the Single Market.

6.8.2. To this end, there is a need for uniform standards in relation to both accounting and stock exchange listing. In

addition, the creation of conditions for effective, low-cost cross-frontier retail payments should have high priority.

6.9. *Legal Framework*

6.9.1. The European Company Statute is currently blocked at the Council and efforts made by various previous Presidencies to hammer out a compromise have failed. The Committee calls on the Commission, or indeed the Council, to launch a new initiative to obtain agreement. Similar considerations apply to European Statutes for co-operatives, mutual societies and associations.

Brussels, 30 March 2000.

The President

of the Economic and Social Committee

Beatrice RANGONI MACHIAVELLI

Opinion of the Economic and Social Committee on the 'Proposal for a Decision of the European Parliament and of the Council extending Decision No 710/97/EC on a co-ordinated authorisation approach in the field of satellite personal communication services in the Community'

(2000/C 140/11)

On 20 March 2000 the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society was responsible for preparing the Committee's work on the subject. The rapporteur was Mr Bernabei.

The Economic and Social Committee, acting under Rules 20 and 50 of the Rules of Procedure, subsequently decided to appoint Mr Bernabei as rapporteur-general.

At its 371st plenary session (meeting of 30 March 2000), the Economic and Social Committee adopted the following opinion unanimously.

1. **Introduction**

1.1. Satellite personal communication services (S-PCS) are used with terrestrial fixed and mobile services, either as an alternative or on an integrated basis with them. Satellite mobile communications offer valuable opportunities to all to send and receive messages, especially in areas where fixed infrastructures are underdeveloped.

1.2. The introduction of satellite personal communication services therefore represents a decisive step forward in creating networks providing global interconnectivity and mobility for voice, data and image transmission.

1.3. In spite of this potential, and the major efforts made by industry in the sector, the market size has not yet grown as expected, possibly in part because of regulatory brakes on development and red tape.

1.4. The use of radio spectrum is currently the focus of Member State, EU and worldwide attention. The results of the public consultation on the green paper on spectrum policy were set out in a communication from the Commission⁽¹⁾. In spite of the significant technical and technological progress

⁽¹⁾ COM(1999) 538 of 10.11.1999.