

## Opinion of the European Economic and Social Committee on 'The Lisbon Agenda and the internal market'

(own-initiative opinion)

(2010/C 347/02)

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On 26 February 2009, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

*The Lisbon Agenda and the Internal Market.*

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 1 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February 2010), the European Economic and Social Committee adopted the following opinion by 184 votes to 16 with 34 abstentions.

### 1. Conclusions and recommendations

1.1 The Lisbon Strategy's goal is to make Europe the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment by 2010. After the 2005 revision national governments took ownership of their own national reform programmes and are conducting a yearly review of progress achieved on the set goals of sustainable development. Although the objectives will not be achieved by the target date of 2010, better governance at European level should help the achievement of the short-term actions required. The next review of the Lisbon Strategy is now overdue. However, the Council is set to dedicate its Spring session to take decisions in this regard. The Commission document on 'Consultations on the Future "EU 2020" Strategy' <sup>(1)</sup> provides a good basis for decision.

1.1.1 The EESC therefore urges the EU Commission and Member States to take the necessary important and decisive steps for the completion of the Single Market whilst safeguarding and further developing economic, social and environmental standards. The EESC emphasises the intrinsic link between the Lisbon Strategy and the Single Market notwithstanding the difference in the models of governance between the two. A dynamic Single Market is both a pre-requisite and a support for a successful 'EU 2020' strategy.

1.2 The EESC recommends a change of strategy and attitudes by Member States on Single Market rules and would like to see the following improvements:

— **Better rules:** It is fundamental to have more transparent and unequivocal regulation that can be administered better at a low cost and without a loss of time for business and the citizen at large. These principles need to be followed to facilitate cross-border activities. At the same time it is obvious

that the problems in the financial markets, the need of a greener economy and a strengthening of the industrial and service sectors to take into account demographic change, require a new approach. Better rules do not mean automatically less rules or de-regulated markets, but they must create the necessary conditions to help remove protectionist attitudes and competing regimes that give unfair advantage to some Member States. The rules should take into account economic and social conditions whilst achieving a level playing field for enterprises, ensuring more cohesion and guaranteeing social justice and encouragement for the free movement of human and financial resources.

- **Better implementation:** Rules should be transposed uniformly in all Member States with one consistent interpretation and the least exceptions. Mutual recognition in non-harmonised areas must be improved.
- **Better supervision:** As the guardian of the Single Market, the EU Commission's authority should be strengthened. Supervision and enforcement could be better coordinated by the creation of a single point of reference in each Member State to exercise authority and be held responsible to the EU Commission for uniform application of Single Market rules.
- **More cross-border cooperation, information and rapid complaint handling systems:** Mutual trust and understanding need to be built between the responsible authorities of Member States by creating a stronger working relationship between them. The networks already established by the EU Commission should serve as a basis for cooperation provided these are made operational in all Member States to protect and inform citizens. A fully functioning network provides effective surveillance and will drastically reduce imports not conforming to EU standards from third countries, both to enhance product standards and consumer safety and to provide a level playing field for EU industry.

<sup>(1)</sup> COM(2009) 647 final, 24.11.2009.

- **More justice for citizens:** Judicial enforcement of Single Market rules will be improved if judges have access to adequate training in European law. In order to resolve the tensions between the freedoms of the Internal Market on the one hand, and fundamental rights on the other, various alternatives are currently being explored by the social partners. Clear principles need to be laid down so that the four freedoms and collective rights of employees will not be in conflict.
- **The continuation and strengthening of the Single Market monitoring exercise:** The best ways of approaching the design and implementation of better regulation and policy are expected to come out of this exercise. These approaches will be pragmatic and address specific issues at country and market levels. This exercise should also investigate and tackle reported barriers to trade within the Single Market <sup>(2)</sup>.
- **Prioritising Single Market issues:** EU priorities should be reviewed for the coming years because outstanding matters in the Single Market agenda might be hampering progress on the Lisbon goals.
- In particular, it is important that the Services directive is implemented in full compliance with the spirit and rules of the Single Market. An important problem in this regard is that there still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises, respect for the rights of workers and avoidance of social dumping.
- One of the problems of the Single Market and the EU is that wages and labour conditions have become a factor of competition. Protection of standards in the labour market will become more important and have to be part of the new EU 2020 Strategy.
- The Single Market stimulates unnecessary and environmentally harmful transport over long distances. That is in contradiction with increased demands to the policy of the environment and sustainable development.
- The EESC supports the conclusions of the Council of Ministers of Environment <sup>(3)</sup> and had the occasion to present its opinion <sup>(4)</sup> underlining the need to internalise external costs to set prices right, recognising the cost of inaction and the value of eco-system services.

<sup>(2)</sup> For an overview of the remaining obstacles to the Single Market, see the EESC-SMO study under [http://www.eesc.europa.eu/smo/news/index\\_en.asp](http://www.eesc.europa.eu/smo/news/index_en.asp).

<sup>(3)</sup> 14891/09, 23.10.2009.

<sup>(4)</sup> OJ C 317, 23.12.2009, p. 80.

**1.3 The 'EU 2020' Strategy depends on an efficient functioning of the Single Market.** In the next review of the Lisbon process, the EU needs to take bold move towards global economic and social development leadership. This should be done by exploiting the diverse economic competitive advantages which exist in different regions within the Union, operating in an efficient and properly functioning Single Market.

**1.4 The 'EU 2020' Strategy must tackle the more urgent issues:**

- Implement the recovery plan to take the EU out of the recession and to help Member States to reach the already adopted targets and objectives. The strategy must support the changes needed to direct industry towards a greener strategy and at the same time to influence a change in consumers' habits that supports a greener economy.
- Identify concrete measures and develop guidelines for eco-efficiency with an integrated strategy and an action plan for the promotion of eco-innovation during the course of this year; and the forthcoming European Innovation Plan to create a competitive and harmonised Internal Market in this area.
- Develop a real exit strategy of State intervention in the banking, insurance and financial sectors whilst reinforcing supervision and regulation. This should include a strategic approach towards the gradual reduction of state involvement in sustaining the viability of the financial sector with clear aims towards ensuring efficiency of the sector, reducing the burden from public debt, while safeguarding the contribution of financial activities to economic stability and growth.
- Strengthen the focus on needed structural changes that consider demographic changes and related consequential issues. Concrete action should now be taken to implement the Small Business Act in the Member States.

**1.5 A strategy for further enlargement of the EU.** Further enlargement should take place only if new entrants achieve before-hand the necessary legal approximation with the *acquis* and fulfilment of all requirements of good governance, rule of law and a sustainable economy.

**1.6 Overcoming the financial crisis:**

- As the financial crisis has shaken the very foundations of economic and social progress, it must be resolved as smoothly and quickly as possible. Financing business and encouraging investment in R&D is crucial if employment levels and economic well-being are to be maintained.

- An integral part of the solution is restoring confidence in the European financial sector. This can only be achieved by a thorough overhaul of public oversight and regulation that need to be tightened to keep up with the global dimension and operations of the financial markets. It is also highly desirable that binding financial regulation and supervision are coordinated at global level, due to the rapid and massive contagious effects which financial crises in one country have on an increasingly inter-dependent world.
- Member States should support the approach of the European Central Bank (ECB) that takes into account the economic and employment dimensions in parallel to price stability, the responsibility to conduct an ongoing overview of the economy of the Euro area and to make its recommendations to the ECOFIN Council. It is also indicated that a re-consideration be made of the scope and effectiveness of the EURO Group and its contribution to the definition of the monetary policy of the Euro.
- In order not to allow the financial and economic crisis to further aggravate the employment and social situation, all necessary measures at national and EU level need to be taken to adapt social measures to the present circumstances whilst striving to avoid weakening social protection, workers' purchasing power; and preserving cohesion in the internal market, keeping in mind the sustainability of social systems and the necessity of a sound fiscal policy. At the same time labour markets must be stabilised in preparation for the economic upturn by additional and intensive comprehensive steps in the training of workers and implementing measures in further knowledge-based education that should lead to more productive jobs of a higher quality.
- Better means of estimating progress in the social, economic and environment fields. There is a need of developing additional indicators, other than GDP, to have a better understanding of progress in sustainable development and well-being.

## 1.7 Improving European positioning in the global market

1.7.1 Europe needs to be better positioned on the international stage. This can be achieved by resolving internal economic, social and environmental challenges and strengthening European integration and international cooperation.

1.7.2 EU industry should be encouraged to go into technology-intensive sectors that have primarily an in-built climate-friendly strategic approach. This will give the EU a leading competitive edge, improving external trade and creating 'green' jobs for workers whilst aiming at and ensuring long-term economic sustainability.

1.7.3 Innovative thinking is required to achieve this balance so that social and environmental progress can contribute to competitiveness.

1.7.4 The further reduction of economic and legal barriers should significantly contribute to further intensification of intra-market integration and to the overall effect of enhancing Europe's competitiveness<sup>(5)</sup>. More involvement of social partners and organised Civil Society in the new 'EU 2020' Strategy will help to achieve faster progress.

1.7.5 The global dimension requires further joint efforts. Each Member State should tackle its own national agenda whilst working with others towards achieving set common goals. These should include:

- A commitment to playing a strong role in the world whilst taking into account the shifting centre of gravity towards Asia and the emerging countries.
- A strategic energy policy supported by bilateral agreements between the EU and other countries together with the development of a new low-carbon, intelligent and decentralised energy infrastructure.
- The EU should insist on those countries with whom it conducts trade exchanges to accede to, and abide by, relevant international treaties and conventions of UN, and its agencies such as the ILO, and other international bodies that set standards concerning the environment, rights of workers, including equal pay for equal work and the prohibition of child labour.

## 2. Introduction

### 2.1 The Lisbon objectives

2.1.1 In launching the Lisbon Agenda, the European Council of Spring 2000 set a strategic goal for the Union to be achieved by 2010 in its efforts to become the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment. Europe remained committed to adapting several existing policies, institutional arrangements and financial instruments to its strategic priorities. The EESC has underlined the importance of the Lisbon Strategy and considered it to be of great benefit in maintaining the momentum for reforms that would strengthen the Single Market and assist its further development and consolidation<sup>(6)</sup>. Reforms in the goods, services, labour and capital markets are expected to contribute towards achieving a fully functioning and efficient Single Market and to further integrate Member States in a post-2010 economic area that is more competitive and nearer to achieving the goals of the Lisbon Agenda whilst ensuring a balance between the economic, social and environmental pillars of sustainable development.

<sup>(5)</sup> OJ C 277, 17.11.2009, p. 6.

<sup>(6)</sup> OJ C 77, 31.3.2009, p. 15.

## 2.2 *The second phase of the Lisbon Agenda*

2.2.1 This began with the mid-term review in 2005 with each Member State responsible for implementation at national level. Priorities were to be clarified and new political and financial instruments were launched. New integrated guidelines were adopted for economic and employment policies, and these were to be incorporated in national reform programmes.

## 2.3 *Lisbon Agenda post-2010*

2.3.1 The European Council of March 2008 also defined a mandate to start a process of reflection on the future of the Lisbon Agenda post 2010 with a focus on:

- investment in human capital and modernising labour markets;
- unlocking business potential;
- investing in knowledge and innovation;
- climate change, energy and related investment in infrastructures.

## 2.4 *Europe embroiled in the financial crisis*

2.4.1 The European Union is now in the midst of the current global financial crisis that started in the USA, but has now taken on pandemic proportions, spilling over into the global economy and harming investment, depriving businesses of much-needed credit lines, and contributing to a decrease in world trade not seen since the last World War. Throughout the Union the social consequences in terms of job losses and reduced spending power of workers are reaching alarming proportions and there does not seem to be any immediate prospect of recovery. The European Central Bank has so far taken measures to defend the Euro against inflation and deflation. Member States should support the approach of the European Central Bank (ECB) that takes into account the economic and employment dimensions in parallel to price stability and that gives it responsibility to also conduct an ongoing overview of the economy of the Euro area and to make its recommendations to the ECOFIN Council. In this spirit Member States should review the scope and effectiveness of the EURO Group and its contribution to the definition of the monetary policy of the Euro. The opening up the markets in the financial sector was a positive step. However, public oversight and regulation did not keep pace with the global dimension of the financial markets. These are additional challenges that Europe has to face and overcome by reviewing and strengthening regulation.

## 2.5 *A setback for the Single Market and Lisbon Agenda*

2.5.1 **The Challenges of Globalisation.** Given this situation in the EU, it is evident that the Single Market and the Lisbon Agenda will be seriously affected. Globalisation and its challenges will be still there after the crisis. So Europe needs to be better positioned

on the international stage achieving progress on resolving internal economic, social and environment challenges and strengthening European integration and international cooperation. For this strategy to be effective and in keeping with the revised priorities of the Lisbon Agenda, a balance has to be reached between the economic, social and environmental dimensions of development.

## 2.5.2 *Social Cohesion*

2.5.2.1 When the Lisbon Strategy was launched in the year 2000, social cohesion was and still remains an important consideration. But progress on poverty and inequality issues has been rather disappointing both between and within Member States. Poverty and inequality are still considered to be amongst the biggest problems in Europe. The revision of the Lisbon Strategy has to take poverty and social cohesion more seriously with more ambitious targets for economic and social development that should lead to a drastic reduction of poverty and inequality issues.

2.5.2.2 The differences between welfare systems in the EU are obvious. Some of the differences are caused by totally different tax systems and tax competition. Corporate taxes and taxes on dividends and interests are high in some countries, low in others. Flat tax models have increased the differences in income tax and revenues between the Member States. Social expenditures as a percentage of GDP is over 30 in some countries and under 15 percent in some countries with low flat tax. All the countries face problems for the future of their welfare systems.

2.5.2.3 Higher education standards, better and more marketable skills, more researchers should be the mainstays of a higher degree of competitiveness for a greener European Industry that must take the lead in innovation, with higher technology, more productivity and value-added. This should create more and better quality jobs and an acceleration of economic and social development, leading to a reduction in poverty and inequality.

2.5.2.4 The Open Method of Coordination (OMC) and a strong emphasis for simultaneous and interactive action at EU, National and Regional levels, are indicated. The involvement at member state level of national parliaments, social partners and the rest of organised civil society should give a sense of understanding and ownership of the main problem areas and the action to be taken.

2.5.2.5 Public services providers are part of the needed response to the problems of social cohesion and the current economic and financial crisis because they are performing important work in governments' efforts to stabilise both the economy and labour markets. The public sector acts as a catalyst for economic growth and provides the infrastructure for private business prosperity. Better public services (e.g.: education, health and social care, etc) should be fundamental in the new European strategy for economic growth and employment and for the interest of all European citizens.

## 2.6 Reversing the recessionary trends

2.6.1 A more efficient Single Market should help in the medium-term development of the EU and should also contribute to a speedier recovery from the current financial and economic crisis. Structural reforms should be designed to achieve a sound, long-term recovery. Without losing sight of the social balance required, they should also aim to reverse the present recessionary trends, and avoid any further deterioration of productive capabilities in the EU. There would be a vast sense of purpose and direction if Member States can find the synergies and resolve to act together to direct their economies back to sustainable growth. Member States should be ready to encourage Internal Market demand and restore consumer purchasing power in consonance with progress achieved to end the present financial and economic crises and the accompanying recession.

## 3. General comments

3.1 This opinion has identified certain areas where the Single Market could contribute to the Lisbon Agenda after 2010. These are considered below.

### 3.2 Size of the Internal Market

3.2.1 Trading of goods within the EU's Internal Market is almost double the trade with the rest of the world, reflecting integration efforts over the years (7). Europe's Single Market for goods is seen as having a strong competitive advantage and provides Member States with a good basis for achieving success on external markets and creating more wealth and jobs for its citizens. Further enlargement of the EU will eventually be considered and therefore the size of the Single Market is bound to increase.

### 3.3 Progress on continuing and implementing the Single Market

3.3.1 The Single Market project is 'work in progress' but certain key issues require urgent action. Correctly applying the Single Market 'acquis' is of key importance. Balance and consistency between the various interests has to be maintained. Moreover, competition between Member States in the Single Market should be geared to giving the EU consumer improved quality and safer products at the best price whilst giving industry a stronger and more efficient base for expanding its external trade. A report published in January 2009 (8) identifies aspects of the 1992 Internal

Market programme which have not yet been achieved. The report finds that current regulations lead to different interpretation and implementation and lack of harmonisation. It also mentions high administrative costs and how the complete removal of existing barriers on enterprises could be achieved.

3.3.2 A new concept of internalising all external costs of all modes of transport has been introduced by the EU. The EESC has already had the opportunity of commenting on this situation (9) and repeats its recommendations that the desired effect can only be achieved if this principle is applied on the same scale wherever external costs arise. Among the Council conclusions of 23 October 2009 it underlined the need to apply this principle as a means to set prices right, and invited Member States to intensify discussion on how to make best use of cost-effective economic instruments to better reflect true environmental costs and benefits, and assign a predictable price for carbon emissions. The Council also invited the Commission to identify concrete measures and develop guidelines for eco-efficiency in the new 'EU 2020' strategy and to present an integrated strategy and an action for the promotion of eco-innovation during the course of this year and to the forthcoming European Innovation Plan to create a competitive and harmonised internal market in this area. Currently, the external costs are not passed on to the individual modes of transport and their users. This can confer a competitive advantage on those modes of transport which have borne high costs on society. Internalisation would eliminate these distortions in competition, causing a shift to more environmentally-friendly modes of transport. It is important to apply this principle more effectively because it may also be associated with changes in supplier and user structures in transport.

### 3.4 The services sector

3.4.1 The Internal Market for services still shows signs of weakness. It is hoped that progress will be registered as a result of the coming into force of the Services Directive at the beginning of this year. Cross-border issues are still very sensitive areas especially in the energy, postal and financial services sectors. On some issues European solutions are inconceivable because of Member States' resistance, and a field of tension exists with a tendency towards increasing protectionism. Governments need to resist such short-term and short-sighted measures. They should monitor the situation and make sure that there is no lowering of social quality, environmental and safety standards in the areas mentioned above. The EESC calls on Member States to give the necessary training to administrative staff if a smooth transition is to be achieved in the implementation of the Services Directive. The service sector has to be developed to meet also the challenges of demographic changes, which will also challenge the Single Market – taking into account that some social services are not a part of the Services Directive.

(7) Internal Market Scoreboard, December 2008.

(8) *When will it really be 1992 – Specific Proposals for Completing the Internal Market*, published by the Dutch employers' federations VNO – NCW, MKB (see [http://www.eesc.europa.eu/smo/prism/moreinformation/literature/7/index\\_en.asp](http://www.eesc.europa.eu/smo/prism/moreinformation/literature/7/index_en.asp)).

(9) OJ C 317, 23.12.2009, p. 80 and CESE 1947/2009, 17.12.2009 (TEN/356).

### 3.5 Monetary union

3.5.1 The monetary union and the success of the euro are fundamental for deeper integration and reinforcement of the internal capital market. Indeed, in periods of economic slowdown the Internal Market and the eurozone have shown that they provide stability for firms as intra-trade activity declines less than extra-EU trade activity. These indications point towards the potential of further integration.

### 3.6 External effects of the euro

3.6.1 It is estimated that trade has increased by almost 5 percent since the introduction of the euro <sup>(10)</sup>. Markets will benefit further from a deepening of the eurozone, including coordination of macroeconomic policies, external representation and regulation of financial markets especially in the light of the current economic downturn.

### 3.7 Constraints to implementation of the four freedoms

3.7.1 Freedom of movement has contributed to a strengthening of the economy of European Member States, as it enhances competition and provides consumers with a wider choice and better quality products at lower prices. It also helps firms within the EU to compete in third country markets. However, there is evidence of unclear implementation rules under the Posting of Workers Directive that give rise to unfair competition between enterprises, lack of respect for workers' rights and social dumping.

3.7.2 Over recent years, employment guidelines mainly focused on labour mobility as a means of improving the structure of the labour market. The promotion of active labour market principles, flexicurity schemes negotiated between social partners and governments, the motivation for continuous learning and training, the setting up of robust, adequate and sustainable social security systems, the facilitation of equal opportunities, safeguarding gender equality, reconciling jobs and private and family life and eliminating all forms of discrimination are essential for the labour market to contribute more to the Lisbon objectives.

### 3.8 Regulatory constraints

3.8.1 Since the 1980s, EU regulations have focused on the freedom of movement of goods, services, labour and capital. The regulatory environment in which businesses operate is a crucial element of their competitiveness and their ability to grow and create jobs. Rules can establish fair competition but they could also

hamper a good business climate. Regulations therefore need to be reviewed and simplified so that firms will adapt quickly to changes whilst maintaining fair and relatively secure markets. Coordinated action should be taken by all 27 Member States to effectively stabilise Europe's market system. Measures need to be implemented rapidly to ensure that banks focus more effectively on their core business of providing liquidity to the real economy using stable sources of funding generated by savings from the economy itself, leaving more risky and speculative activities in the financial markets to separate operators specialising in this field.

3.8.2 Over the past five years, the Single Market has undergone significant improvements within the legislative framework for the free movement of goods and services. Such improvements were mainly due to the Mutual Recognition Regulation which laid down common technical rules. These are reducing additional administration and production costs. The Accreditation and Market Surveillance Regulation has in principle also enhanced free movement by promoting improved standards for the benefit of consumers and promoting safety of goods sold.

3.8.3 It is important to bring about harmonised standards with free movement of goods, services, labour and capital. Certain constraints are still impeding a fully functioning Single Market.

3.8.4 There are networks already established by the EU Commission that should be operational in all Member States with enough resources to exercise their function. The EESC refers in particular to the Internal Market Information system (IMI), the Rapid Alert system for non-food dangerous products (RAPEX), the Rapid Alert System for Food and Feed (RASFF) and SOLVIT. These instruments provide information and protection to EU citizens' interests and ensure a smoother operation and monitoring of Single Market rules. Generally, an enhanced awareness by the general public should facilitate the implementation of useful reforms towards the enhancement of the Single Market.

### 3.9 Environmental externalities

3.9.1 In the medium to long term the EU must 'as a Community become the most energy and resource-efficient economic area' and climate policy must be geared towards sustainability. All possibilities for saving energy must be examined and local, renewable and regional structures must be utilised. Improving energy and resource efficiency will become one of the key elements of a new strategy.

3.9.2 For better sustainable economic development a stronger interface is required with the EU external action to shape globalisation and to promote international strategic convergence for sustainable development.

<sup>(10)</sup> Study on the Impact of the Euro on Trade and Foreign Direct Investment ([http://ec.europa.eu/economy\\_finance/publications/publication12590\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication12590_en.pdf)).

3.9.3 In this respect, for the goods market to contribute more to achieving the Lisbon objectives, a common EU voice needs to be raised insistently and consistently in international negotiations.

3.9.4 There needs to be further investment in research on energy and climate change. Future industry investment in the EU should be based upon a strategic energy policy supported by bilateral agreements between the EU and other countries. The development of a new low-carbon, intelligent and decentralised energy infrastructure is also important.

### 3.10 *Security of supply of energy products and basic commodities*

3.10.1 On the one hand, it is essential that the EU economy has continuous and secure access to energy and basic commodities, which means that the EU should achieve an ever-higher degree of self-sufficiency in this respect.

3.10.2 In the context of the wide fluctuations in energy and commodity prices over recent years, the euro has provided shelter against financial market turbulences and its strength alleviated some of the effects of price hikes experienced two years ago when there was a strong demand on global food and energy markets.

3.10.3 The openness of capital markets is also important in this respect, especially between Member States. This should be encouraged so as to finance trade in energy supplies and to promote investment in the energy sector.

3.10.4 The EU internal energy market also needs to be transformed into a genuinely cohesive system operating under a unified policy with full inter-connectivity and operability that guarantees fair competition and safeguards the rights and interests of consumers. EU Competition policy, the strengthening of national regulatory authorities and a policy of services of general interest would ensure that consumers have adequate, safe and un-interrupted supplies of an energy mix that is both sustainable and affordable.

### 3.11 *Transport and communication infrastructure*

3.11.1 In the context of globalisation, transport is key to the proper functioning of the Single Market. It enhances cross-border co-operation and exchanges between Member States. Efficient transport systems enable economic efficiency through a wider variety of goods at competitive prices. The intra-European rail infrastructure is an efficient and environment-friendly means of carrying merchandise, as opposed to road transport which contributes to higher emissions.

3.11.2 The Maritime Transport Strategy 2009-2018 will also contribute to sustainable economic development. As the number of ships operating in short sea trade and in international trade increase, the issues of climate change and other environmental problems will however need to be tackled.

3.11.3 Changes in the EU's transport system are expected to reduce infrastructure saturation whilst helping the EU economy adapt to the challenges of globalisation. An efficient transport system enhances business and job opportunities whilst ensuring long-term competitiveness inside and outside the EU. Transport also fosters innovation and encourages economic growth.

3.11.4 Inter-operability and connectivity issues between member countries need to be assessed especially with respect to energy networks and access for all citizens to broadband internet. These issues would affect peripheral regions in particular.

3.11.5 Peripheral regions are still at a great disadvantage where it concerns air services. The EU should make a fresh approach to this problem and aim at giving citizens of these regions equivalent facilities enjoyed by those living in mainland Europe.

### 3.12 *Competitiveness in the Single Market*

3.12.1 The Lisbon strategy has been quite successful in some aspects of the goods market. The European Single Market has made trade easier for goods and consumers enjoy a much wider choice of products at very competitive prices. However, there is a need for fair competition which should be achieved by effective surveillance at national level through cooperation between Member States.

3.12.2 There does seem however to be a delivery gap between commitments at national and European level. As international competition for goods and services increases, improving the competitive performance at European level becomes increasingly urgent. There is strong evidence to suggest that better coordinating efforts on R&D between clusters of SMEs and large firms produce improved competitiveness effects that extend beyond the Internal Market.

3.12.3 It is also important to note that the establishment of the EMU helped the EU market to become more competitive through lower and more transparent costs of cross-border activities. This also facilitated the entry of new firms in the European market whilst least efficient firms were eliminated or taken over. However, there is still room for improvement with regard to flexibility in the Internal Market and labour mobility. In fact, the main weakness identified for all markets is that the European Single Market needs to ensure that the remaining internal barriers are removed.

### 3.13 *The external dimension of the Single Market*

3.13.1 Europe's openness to the rest of the world has contributed to its prosperity. It is therefore in its interest to develop its external agenda, to protect and serve the interests of its population. Future policies should now move away from the inward-looking syndrome that has been the focus since the Rome Treaty of 1957. The EU should now be rather looking towards the globalised economy with a determination to play a full role whilst taking into account the shifting centre of gravity towards Asia and the emerging countries especially the so-called BRICs – Brazil, Russia, India and China. The EU should also develop economic cooperation with neighbouring countries in the framework of the European Neighbourhood Policy including the Eastern Partnership and Union for the Mediterranean with the aim of extending the Free Trade Area. Open market principles should be a condition to such partnership arrangements. At the same time deepening and perfecting the Internal Market are key if the EU is to retain its role as a world market leader.

3.13.2 Europe also has a duty to address global problems and to help set the pace and tone of globalisation. The EU has followed other major trading blocs in its quest for trade liberalisation in the global market for goods and services. It is negotiating bilateral free trade agreements with Korea, ASEAN and India. The progress achieved in the Transatlantic Economic Council has also been positive. This strategy in part reflects the lack of belief that negotiations of the Doha Round will be successfully concluded within a short time. In fact such bilateralism could defeat the whole purpose of multilateral trade negotiations. The political case of reciprocity in the opening of international markets needs to be insisted upon and the conclusion of the Doha round should still be a priority. The EESC appeals to the EU Commission and Heads of Government of Member States that in trade liberalisation talks they should insist on third country governments to respect human rights, the ILO conventions and the safeguarding of natural, economic and cultural resources.

3.13.3 It is desirable, and indeed overdue for the EU to have a single and unitary protection of the Community Patent. Intellectual property rights need to be strongly enforced, and trade in illegally copied branded products needs to be combated effectively <sup>(1)</sup>.

3.13.4 The absence of effective market monitoring and surveillance in the EU has been accentuated in recent years by reports of sub-standard food and toy products imported from third countries. Due to lack of proper monitoring of goods imported from third countries, EU consumers are being exposed to possible health hazards and to sub-standard and inferior quality. This also distorts competition in the market and may also negatively affect future investment and employment in Europe.

3.13.5 A firm and concerted strategy should also be considered as a means to protect European consumers from imports of goods and services from third countries that do not respect technical, social and environmental standards and working conditions. Member States should ensure that the standards set by the ILO, the UN and its agencies and other international conventions concerning individual rights, freedom of association, the right of workers to organise and bargain collectively and the abolition of child and forced labour are respected by countries with whom the EU Member States have trade arrangements.

3.13.6 The current crisis has shown that there is an increased interdependency between countries within the global financial and trading markets. The world financial systems need to be strengthened by means of rules that promote prudence, improve coordination and communication between monitoring authorities and central banks; and that not only enhance transparency but also keep a stricter check on movements of laundered money that is related to drugs, crime and illegal arms dealing.

3.13.7 Within this context, the EU model of social dialogue should be emulated by countries outside the Union, and the EESC should step up efforts to promote this concept.

### 3.14 *The social dimension*

3.14.1 The further development of the Internal Market requires the acceptance of European citizens. The social dimension of the Internal Market is now strengthened by the Charter of Fundamental Rights incorporated in the Lisbon Treaty. This should enhance the importance of organised Civil Society in the further development of the Internal Market.

3.14.2 The EU post-2010 strategy should promote a fairer and more equitable society by safeguarding and developing its model of society in line with an integrated development policy. Each Member State should adapt to globalisation and technological change by improving the quality and the availability of continuous education and training. This time of crisis should be used to encourage a knowledge lift to prepare the workforce for the future. The unemployed should be given the chance to re-train and enrol on education programmes, including higher education, that will enable them to re-enter the labour market with prospects of better conditions of employment for themselves and more encouragement for their employers to invest in new market demands that are expected to be generated by more technologies in the years to come. The Globalisation Fund and the European Social Fund should be better used and adapted to challenges of this nature in the Internal Market. In view of the fall-out from the economic crisis, urgent consideration should be given to re-formulate programmes aimed especially to combat poverty.

<sup>(1)</sup> OJ C 116, 28.4.1999, p. 35 and OJ C 221, 7.8.2001, p. 20.



#### 4. **Concluding remarks**

4.1 In the current crisis the EU needs to adapt the medium to long term measures of the Lisbon strategy. It needs to add short term actions to its structural reform agenda, while continuing to invest in the future. This could be achieved mainly through further investment in R&D, innovation and education, encouraging actively the free exchange of knowledge between Member States

and support to businesses (especially SMEs) to be able to contribute to a more dynamic Single Market. Actions towards a greener economy are also important as a means of creating new jobs and technologies whilst securing alternative energy supplies and achieving environmental goals. This could be done if European governance was strengthened so as to improve the collective dimension of the European Union and to avoid duplication of effort and resources.

Brussels, 17 February 2010.

*The President  
of the European Economic and Social Committee*  
Mario SEPI

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## APPENDIX

**to the opinion of the European Economic and Social Committee**

The following amendments, which were supported by at least a quarter of the votes cast, were defeated in the course of the debate (Rule 54(3) of the Rules of Procedure):

## Point 1.2, indents 8, 9 and 10

- *'In particular, it is important that the Services directive is implemented in full compliance with the spirit and rules of the Single Market. An important problem in this regard is that there still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises; and respect for the rights of workers and avoidance of social dumping.'*
- *'One of the problems of the Single Market and the EU is that wages and labour conditions are very diverse among the Member States but also among regions and are therefore have become a factor of competition. Protection of standards in the labour market based on ILO conventions will become more important and have to be part of the new EU 2020 Strategy.'*
- *'The increase of trade inside the Single Market leads to the increase of stimulates unnecessary and environmentally harmful transport over long distances. It is therefore necessary that the aspects of impact of transport on That is in contradiction with increased demands to the policy of the environment and sustainable development are taken into consideration when defining the transport policy in the EU 2020 Strategy.'*

## Reason

The word dumping is now generally used only in the context of international trade law, where dumping is defined as the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production. The term of 'social dumping' is therefore wrongly used in the above mentioned case of posting of workers directive since the costs of the company (usually from the economically less developed Member State) supplying its products and services to other Member State are not below its costs. The use of the term of 'social dumping' directed against the new Member States is offensive and should be avoided.

To indicate the differences in wages and labour conditions as a problem of the Single Market is contradictory to the simple fact that wages are always part of the competition among the companies which is the basis of the free market economy and is beneficial to the consumers. Regarding the protection of the labour market standards it is necessary to indicate what kind of standards should be protected. There are ILO conventions signed by most of the Member States that define these standards.

To blame the Single Market for the increase of harmful transport is a one sided argument. In the same way we should blame the free movement of people to increase the environmental burden. It is necessary to take the environmental and sustainable development aspects into consideration when defining the EU 2020 Strategy.

**Result of the voting:**

For: 93

Against: 131

Abstentions: 8

## Point 3.7.1

*'Freedom of movement has contributed to a strengthening of the economy of European Member States, as it enhances competition and provides consumers with a wider choice and better quality products at lower prices. It also helps firms within the EU to compete in third country markets. There still is no free movement of labour from some of the Member States in the last enlargement. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises and respect for the rights of workers. However, there is evidence of unclear implementation rules under the Posting of Workers Directive that give rise to unfair competition between enterprises, lack of respect for workers' rights and social dumping.'*

## Reason

There are still restrictions to the free movement of workers inside the Single Market in spite of the proofs that removal of the restrictions did not worsen the situation in the labour market of countries that removed the restrictions.

The word dumping is now generally used only in the context of international trade law, where dumping is defined as the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production. The term of 'social dumping' is therefore wrongly used in the above mentioned case of posting of workers directive since the costs of the company (usually from the economically less developed Member State) supplying its products and services to other Member State is not doing it below its costs. The use of the term of 'social dumping' is offensive and should be avoided.

Result of the voting:

Amendment 5 (point 3.7.1) was bound to amendment 3 (point 1.2, indents 8, 9 and 10) and fell as a result of the voting on this.

Point 3.8.1

*'Since the 1980s, EU regulations have focused on the freedom of movement of goods, services, labour and capital. The regulatory environment in which businesses operate is a crucial element of their competitiveness and their ability to grow and create jobs. Rules can establish fair competition but they could also hamper a good business climate. Regulations therefore need to be reviewed and simplified so that firms will adapt quickly to changes whilst maintaining fair and relatively secure markets. Coordinated action should be taken by all 27 Member States to effectively stabilise Europe's market system. The EESC recommends that banks focus on financing businesses, leaving the more speculative transactions that take place on the financial markets to be carried out by operators specialising in these kinds of transactions. Measures need to be implemented rapidly to ensure that banks focus more effectively on their core business of providing liquidity to the real economy using stable sources of funding generated by savings from the economy itself, leaving more risky and speculative activities in the financial markets to separate operators specialising in this field.'*

Reason

The first part of the deleted sentence is unrealistic. What measures are to be implemented? If no explanation is given, it is better not to refer to them since it causes confusion and uncertainty. Moreover, the current problem is not one of sources of funding, but of confidence in the real economy.

I believe that point 1.6 of the opinion perfectly elucidates the current financial problems and their solutions.

**Result of the voting:**

For: 82

Against: 127

Abstentions: 19

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