

ECOS/015

Brussels, 6 March 2003

OPINION

of the Committee of the Regions

of 12 February 2003

on the

Internal Market Strategy for the period 2003-2006

THE COMMITTEE OF THE REGIONS

HAVING REGARD TO the Commission's request that it draw up an opinion on the future multi-annual internal market strategy to be submitted in spring 2003;

HAVING REGARD TO the decision of its Bureau of 9 October 2002, in accordance with the fifth paragraph of Article 265 of the Treaty establishing the European Community, to instruct the Commission for Economic and Social Policy to draw up an opinion on the subject;

HAVING REGARD TO its opinion on the Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions on the *2000 Review of the Internal Market Strategy* (CdR 311/2000 fin)¹;

HAVING REGARD TO its opinion on the Communication from the Commission to the European Parliament and the Council on *A Strategy for the Internal Market of services* (CdR 134/2001 fin)²;

HAVING REGARD TO its opinion on the 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* (CdR 200/2001 fin)³;

HAVING REGARD TO its opinion on the Commission Communication on *Productivity: the key to competitiveness of European Economies and Enterprises*, (CdR 224/2002 fin);

HAVING REGARD TO the draft opinion (CdR 341/2002 rev. 1) adopted by the Commission for Economic and Social Policy on 6 December 2002 (rapporteur: **Mrs Ulrike Rodust**, Member of the Schleswig-Holstein Landtag, D/PES),

adopted the following opinion at its 48th plenary session on 12 and 13 February 2003 (meeting of 12 February):

1. **Views of the Committee of the Regions**

Prospects after ten years of the internal market

The Committee of the Regions

1. **welcomes** the European Commission's plan to call on all interested parties to make strenuous efforts to complete the internal market and its intention to present a medium-term strategy or programme in April 2003, probably for a three year-period, in order to develop the internal market further. Compared to earlier strategy documents, this one is to be more focused, ambitious and coherent, focusing in particular on competitiveness in an enlarged Europe and better functioning of product and services markets.
2. **welcomes** this ambitious undertaking. However, the CoR agrees with the European Commission that it is necessary to link a new multi-annual internal market strategy more closely to the various economic processes and to orientate it towards the single objective of making *the Union the most competitive and dynamic knowledge-based economy in the world* by 2010. These processes include in particular the *1997 Luxembourg process* for the development of a European employment policy, the *1998 Cardiff process* for reform of the European economy, the *2000 Lisbon process* for strengthening competitiveness and the *2001 Gothenburg process* on sustainability and the environmental dimension. These processes have all been set in motion since a start was made on internal market legislation in order to strengthen individual segments of the European economy.
3. **supports** the efforts made by the European Commission in its *summary reports* to simplify the realisation of the new internal market strategy, together with the other aforementioned processes, by means of a single *overall strategy* and to focus efforts on the common target for 2010.
4. **considers** that the future multi-annual internal market strategy must attach particular importance to further market opening. Some of the European Union's key economic sectors are only beginning to open up to the internal market (particularly the markets for energy, transport, finance and services). Incorporating the whole business environment into the internal market (e.g. company law, patent law, aid and competition, services of general interest, tax harmonisation, European employment market and pan-European compatibility of social security systems) has now become essential for the internal market's future prospects.
5. **concurs** with the need for the concept of the internal market to be enlarged. It considers that over the next few years an internal market strategy must develop solutions to this end, which are primarily geared to the requirements of the market, while at the same time emphasising the economic-policy responsibilities and initiatives of Member States and regional and local authorities and the quality of the European social model.

2. Recommendations of the Committee of the Regions

Bringing the various economic processes together

The Committee of the Regions

1. **considers it necessary** to develop a long-term internal market strategy for the period up to 2010 in order to gear its objectives more closely than hitherto to the overarching 2010 objective and make it easier to tie in with the other economic processes. Periodic fine-tuning of the strategy should continue to be possible. In this way the various processes can be brought together more effectively and greater transparency and planning certainty can be achieved for all the players involved.
2. **welcomes** the introduction of more competition as the guiding principle for further liberalisation measures in order to open up markets, achieve competitiveness on European and global markets and eliminate unnecessary separate regulation. The CoR stresses, however, that competition may be the main criterion, but must not be the sole criterion of the European internal market. In applying the principle of competition as an instrument for harmonisation, careful account should be taken of the boundaries drawn by European legislation, the economic, social and territorial aspects of the principle of cohesion, the application of the subsidiarity principle, the external effects of economic activities, and the existence of products and services produced or delivered in very limited amounts, i.e. in areas with natural handicaps that increase costs (small islands, mountain regions, remote areas) and which cannot compete with more favoured areas.
3. **stresses the importance** of complying with European law as the internal market is further developed in the Member States. The Committee advocates neither the *open coordination method* nor inter-state cooperation for ensuring timely and uniform application in the Member States.

Liberalisation and the business environment

The Committee of the Regions

4. **is aware** that further market opening creates synergy effects and that a multidimensional internal market also leads to improved services. It suggests that, in the process of further liberalising market segments and the business environment, account be taken of the following suggestions in those sectors of particular relevance to the regional and local authorities.
5. **stresses** the link between liberalisation and territorial cohesion. An important aspect of this is the planned opening of the market in the transport sector (rail freight transport, national and international local passenger transport). At the same time the liberalisation policy must not limit the right of Member States to determine which services at national level are considered non-profit services of general interest or restrict or obstruct the development opportunities of individual regions or local authority areas. This is particularly true of local public passenger transport. The two together are an important component of services of general interest.
6. **believes** that the liberalisation of the transport sector should be based on the following

key points: equal opportunities for all transport enterprises, controlled competition, sufficient scope for entrepreneurial initiative, sufficiently long, sensible and clearly specified transitional periods and periods of validity for authorisations, no unnecessary social clauses or bureaucracy for workers as well as making transport services available to all citizens.

7. **welcomes** the comprehensive action plan *eEurope 2005* and calls for common rules and procedures for the use of public-sector information services which guarantee equal basic conditions for all players in the European information market. Unjustified market distortions must be eliminated and conditions of use made more transparent. Further technological developments should not be used to introduce new restrictions or encryption (e.g. digital television) in cross-border operations, in order to prevent the renationalisation or restriction of the internal market.
8. **considers** that the rules applicable to various media (Internet, analogue and digital television, UMTS) should be better coordinated and interlinked in order to prevent market distortions and allow the freedom to provide services. Uniform minimum standards should be drawn up for advertising and the protection of minors which should apply equally to all media.
9. **urges** that obstacles in the services sector be overcome. In this context it calls for determined efforts to progress with market liberalisation with the aim of achieving an internal market for financial services.
10. **stresses** that a European labour market is an essential component of the internal market. Despite ten years of internal market regulation, there are still practical problems with the free movement of workers.
11. **stresses** that labour market flexibility must be ensured, paying particular attention to skills and mobility. It also calls for further, more determined measures to remove obstacles to mobility. This applies in particular to areas such as the recognition of vocational qualifications, IT and communication technologies skills acquisition throughout Europe and language skills.
12. **calls for** the inclusion in the new internal market strategy of the extension of the portability of social security benefits at no extra cost to the Member States and their regions. The CoR welcomes initiatives aimed at revising and simplifying the coordinating social legislation, making them more transparent and facilitating their use.
13. **believes** that cooperation between Member States on health systems, with the active participation of local and regional authorities, must take account of patients and their friends and relatives in order to facilitate free movement across the borders and the operation of the internal market.
14. **stresses** the need to eliminate as quickly as possible the differences between the health systems of the EU's current Member States and the future Member States bordering on the EU and to develop uniform initiatives and measures (best practices, exchange of information, etc.) to this end.
15. **welcomes** the European Commission's plan to eliminate legal uncertainty in relation to European services of general interest. Such services should be retained as an important component of the European model of society. In opening up markets, care should be taken to safeguard and protect the public interest but at the same time recognising the national characteristics of Member States.

16. **stresses** that a broad spectrum of affordable high-quality services of general interest must continue to be available to ordinary citizens in an internal market.
17. **shares the view** that state aid can in the long-term distort competition and be detrimental to the internal market, and that it should be reduced. It would like to see state aid used in a more focused way and targeted to a greater extent on horizontal objectives and on cases where the market has clearly failed.
18. **calls**, in the framework of the new internal market strategy, for a European policy on aid which takes account of regional-policy objectives, allows scope for devolved regional-policy initiatives and guarantees fair competition.
19. **stresses** the importance of sustainability and the drafting of Europe-wide standard criteria and norms in the field of the environment in order to balance economic, environmental and social interests more effectively, as well as the need for state support in this area. Even the introduction of a *de minimis* rule and/or a specific exemption regulation in this area would be helpful and it should also be included in the applicant country agreements.
20. **considers** that further development of the product-based internal market to be essential, particularly with regard to mutual recognition, a new approach to harmonisation, EU trademarks, market supervision, the standardisation and uniform application of such rules (especially in connection with enlargement) and a European patent law with devolved jurisdiction. The principle of mutual recognition has proved to be particularly valuable in maintaining regional distinctions. This approach should continue. Effective and regular price comparisons are one of the instruments which can help awaken a lasting interest in the internal market on the part of consumers and firms. The price summaries produced by Eurostat should be accordingly adapted and used.

Implementation of the future internal market strategy

The Committee of the Regions

21. **suggests** that the implementation of the new, multi-annual internal market strategy be brought to the forefront of policy planning. In this connection it draws attention to the proposals it has made in recent years. Thus, with a view to reducing the glaring disparities in levels of internal market knowledge from one Member State to another (*internal market scoreboard*), the CoR proposed regional conferences of all interested parties (round tables) to promote implementation of the internal market and to pave the way for further legislation by means of exchange of experience.
22. **proposes** that the new internal market strategy be incorporated into a real action plan, based on the proposals of the White Paper on *European Governance*, for the involvement of the affected section of civil society and for better legislation. In addition to the monitoring of implementation, this would also include targeted information campaigns on internal market law and the operation of the internal market in those Member States whose citizens and enterprises were least conversant with the internal market. Involvement of the regional and local level is essential here. Sectoral conferences should help ensure systematic dialogue with the relevant associations in order to ensure that, in developing internal market legislation, account is taken of regional and local experience and conditions. Focus, simplification, clear priorities and greater transparency will contribute to better legislation and greater planning certainty.

23. **suggests** that, in tandem with the new internal market strategy, a programme be submitted at long last for the reduction and simplification of internal market law, as the European Commission has long intended. The techniques developed in the *Simpler Legislation for the Internal Market* (SLIM) initiative should above all be used for this purpose.
24. **proposes** the publication of an *internal market code*. This should summarise the main provisions of the internal market legislation in order to provide all players in business and administration with a simple instrument for using the internal market freedoms. Such a code should exist in all EU languages and become common property in European enterprises.
25. **welcomes** the creation of *SOLVIT* by the European Commission as a completely new and practically-oriented instrument which enables enterprises to exercise their rights quickly and unbureaucratically in the internal market. The CoR calls on the Member States to offer the European Commission their committed support throughout the Union in establishing this instrument. The European Commission should take up the regional and local authorities' offer to raise awareness of the internal market and provide information about *SOLVIT* via a special programme. Unless there is widespread knowledge on the ground of *SOLVIT*'s existence and role, the new instrument will not be able to fulfil its tasks. This knowledge can only be provided at a regional and local level.
26. **calls on** the Member States to deal with the implementation and application of internal market legislation not only in accordance with what is politically expedient or other priorities. So far only five Member States satisfy the objective set by the European Council in 2002 (Barcelona) of reducing their transposition deficits to 1.5% or less by spring 2003. In view of the 1500 Treaty infringement procedures still pending, Member States must go about fulfilling their Treaty obligations quite differently than in the past.

3. **Contribution of regional and local government**

1. **regards** it as particularly urgent for a new internal market strategy to create more transparency in this field – a central concern of better *European governance* – by working together more closely with the relevant section of civil society and public opinion and thus to create a better awareness of the requirements of the internal market on all sides.
2. **advocates** the direct involvement of regional and local authorities in the development of the new strategy, since their numerous responsibilities with regard to, for example, regional and local economic and infrastructure policy, aid, local public transport, the employment market, the service sector and uniform access to and use of modern information and communication technologies – to name but a few – are highly relevant to the internal market. The procedures offered by the CoR for these authorities' involvement and the new ideas on involving civil society in improving European governance spring to mind in this context. Both avenues must be exploited.
3. **underlines** once again that the ideas and measures of the European Commission with regard to *interactive* information and problem-solving are indispensable for internal market activities, but do not go far enough. For small and medium-sized enterprises in particular, and for the various operators in remote outlying areas, electronic access to data banks and information networks presents a challenge which still remains unsolved despite all the successes in setting up *eEurope*. Practical advice for small and medium-

sized enterprises at a local level about the application of the internal market provisions is as vital as ever. The CoR would refer here to its proposals for involving regional and local players more closely than in the past in the development of the internal market strategy and using these players to implement the strategy, too. A new internal market strategy must allocate this task above all to regional and local players.

4. **advocates** that regional and local authorities play particular attention, within the framework of bilateral and multilateral cooperation with their partners in the future Member States and their involvement in *twinning projects*, to the problems of implementing and applying internal market provisions. Above all, the extended PHARE pre-accession strategy on *institution building* should be used for this purpose.
5. **advocates** that local and regional authorities contribute to the internal market strategy by further opening their own markets to competition as mentioned in point 1.4.

Brussels, 12 February 2003.

The President

of the

Committee of the Regions

Albert Bore

The Secretary-General

of the

Committee of the Regions

Vincenzo Falcone

¹ OJ C 148 of 18.5.2001, p. 16

² OJ C 357 of 14.12.2001, p. 65

³ OJ C 107 of 3.5.2002, p. 68

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CdR 341/2002 fin EN/o

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