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OPINION
of the
Section for Industry, Commerce, Crafts and Services
on the
Single Market in 1994
- Report from the Commission to the European Parliament and the Council
(COM(95) 238 final)

Rapporteur: Mr VEVER

Memorized text.

On 21 April 1995 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on:

The Single Market in 1994 - Report from the Commission to the European Parliament and the Council
(COM(95) 238 final).

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 October 1995. The Rapporteur was Mr VEVER.

At its ... Plenary Session (meeting of ...), the Economic and Social Committee adopted the following Opinion by ...

1. Introduction

1.1. The Commission's annual report - published in June 1994 - analysing progress made in establishing the single market, is of direct interest to all European socio-economic interest groups which have a daily part to play in that market and which make it a practical reality. As the single market is at an advanced stage, but is still not complete, the viewpoints of these interest groups are more essential than ever to guide the work ahead. These groups are best placed to assess the impact of new legislation and provide feedback on how useful it is, and to what extent it has been transposed into national legislation, point out any gaps, and list priorities.

1.2. The Economic and Social Committee therefore welcomes the fact that:

- The Commission report stresses the importance of involving representatives of the economic and social interest groups in providing material for debate and proposals concerning the single market.
- At its meeting to discuss the internal market on 6 June, the Council endorsed the idea that the Economic and Social Committee play the role of permanent monitor of internal market legislation. By doing so it confirmed the points of view which had previously been expressed by Parliament and the Commission.

1.3. Last year, the Committee carried out surveys and organized hearings that enabled it, in its Opinion of September 1994 on the previous Commission report, to list many remaining barriers. It subsequently created a permanent Internal Market Observatory within the Committee, supported by all its Sections. In this way, the ESC has established itself as a point of contact between the socio-economic interest groups and the Community institutions in order to make a contribution to the evaluation - and speed up the actual completion - of the single market.

1.4. This Committee Opinion on the 1994 annual Commission report takes into consideration - in its overall evaluation of the current state of the single market - replies made in the surveys carried out by the trade organizations. This study will continue to be expanded as part of the permanent monitoring and follow-up arrangements that the Internal Market Observatory will continue to develop over the coming months and years, in conjunction with all the parties with an interest in the single market. Other Committee Opinions are also being drafted in various specific areas connected with the single market.

1.5. The Committee therefore invites all European socio-economic interest groups to step up their contributions to the evaluation of the internal market, and to convey to the Committee any information which may assist in improving its operation.

2. General comments

2.1. The aim of achieving a genuine single market is still a live issue in 1995, despite the many areas in which progress has been achieved during recent years, particularly following the boost given by the 1986 Single European Act with its 1992 deadline. The ESC takes the view that the actual completion of the single market remains, together with economic and monetary union which is its natural extension, vital for the EU to:

- become more competitive, consolidate growth and improve the employment situation as underlined by the advisory group on competitiveness in its report produced for the Cannes European Summit;
- secure and cement cohesion in the Union before embarking on further enlargements;
- foster the economic interests shared by businesses, employees, consumers and Europeans generally;
- ensure that European integration is both credible and visible to all EU citizens;
- be more confident about achieving EMU in accordance with the conclusions of the Cannes European Council and at the same time facilitate and bolster the planned transition to a single currency.

2.2. The full implementation of the 1985 White Paper on the internal market ran into a wide range of difficulties:

- the ongoing problems involved in adjusting long-standing national legislation, which had to be replaced in a relatively short space of time by Community legislation;
- the political upheaval in Europe from 1989 onwards, with the disintegration of the Eastern bloc, German reunification and the prospect of further EU enlargement embracing countries in Central and Eastern Europe, which has set new priorities for the Community;
- the 1992 economic down-turn, with the deepest recession since the war, which exacerbated unemployment and negated the benefits of the establishment of the single market;
- the re-emergence of a climate of "Euro-pessimism", worsened by the incidents and the controversy surrounding the Maastricht Treaty, which is all the more difficult to overcome since the recent upturn's sustainability and impact on employment has been faltering and unsure.

2.3. Under these conditions, it is hardly surprising that contrasting findings emerge from the study of progress in completing the single market given, firstly, in a general review at the beginning of the Commission report and, later, in the detailed analysis which provides more information on the position in the various areas.

- Overall, 271 legal instruments set out in the 1985 White Paper have been adopted and are currently in force, and 11 have still not been adopted. Given the difficulties which have arisen, especially in the last few years, the Committee congratulates the Community institutions for the unprecedented amount of work carried out since the Single European Act, through the impetus given by the Commission. A similar effort has been made by the Member States, insofar as in 1994 almost 90% of national transposition measures had been adopted, with a completion range from country to country of 80 to 96%.
- Important progress has been made in the most wide-ranging of areas. Among these, the Commission report mentions the abolition of border controls for goods, the opening-up of public procurement, VAT legislation, and reciprocal recognition in the field of the regulated professions.

Slippage and barriers do still, however, remain in several of these areas and in others. For instance, the report refers to delays in national transposition in the opening-up of public procurement, the complex nature of the intra-Community VAT system for SMEs in particular, the persistence of technical barriers to trade, difficulties in using means of redress, continuing border checks on persons, double taxation on cross-border business activities, delays in harmonizing company law, insufficient opening-up in the energy, telecommunications and transport sectors, practical difficulties in respect of market access experienced by SMEs in particular, and additional legislation that should be introduced in the area of consumer rights.

2.4. Referring to the measures to round off the single market, the Committee points out that in real terms there are clearly more than the dozen or so remaining from the White Paper. This is particularly the case since, following the publication of the White Paper:

- some directives providing for liberalizing or harmonizing measures in practice entail additional legislation in areas such as VAT;
- new urgent harmonization requirements have also emerged due to changes in society and in technology - the information society is an example of one such area;
- the Community Charter of Fundamental Social Rights of Workers also highlights the need for the single market to be provided with a range of back-up measures on the social policy front.

2.5. In terms of content, the Committee takes the view that there are two shortcomings in the Commission's analysis on the progress made and the remaining barriers:

2.5.1. Firstly, the quantitative approach that the Commission has adopted all too often, which involves summing up progress and barriers without going into enough detail about their importance and priority - no doubt due to the lack of time required to undertake a full evaluation - does still not accurately reflect the real situation. The Commission should, therefore, provide a clearer picture of progress that has actually been made in terms of its value, along with a list of the remaining barriers, and details of their significance. The Committee is particularly concerned about the grass-roots experience of the single market by EU citizens as a whole, and will also take part in assessing the relative importance of such progress and barriers and in setting priorities by surveying interested parties and organizing hearings. The Commission's general study on the impact of the single market to be carried out between now and 1996 would provide the opportunity for an assessment of this kind.

2.5.2. Secondly, Community action to complete the single market will need to take account of recent or current changes which may shift the balance between harmonization and diversity; for instance, the Maastricht Treaty's concept of subsidiarity for Community-level action, the need to prune and simplify regulations at EU level which have recently been brought to the fore, and the prospect of a large number of very different countries joining the EU. The Commission should therefore set out the changes in direction that would appear to be necessary to reconcile the objective of the single market with the continuing - and even increasing - real differences between the Member States. A review of this kind would make it easier to pinpoint what actually remains to be harmonized, what should be dealt with via mutual recognition, and what should remain subject to national or regional differences to which the parties involved with the single market will have to adapt. This review should be carried out in conjunction with the interest groups concerned, and for its part the Committee is ready to make a contribution.

2.6. Several facts clearly show that the Community is faced with new problems and appears to be marking time on the path to the single market:

2.6.1. The Commission deplores the small number of new decisions taken by the Council in 1994, and at

the same time points out that the plethora and diversity of data to be checked complicates both the effective application and the monitoring of many decisions which have already been taken.

2.6.2. The Committee also notes that:

- The Community decisions which are still to be made are dragging on or are proving to be out of reach, particularly since they are in the last batch of problems unsolved and are the most sensitive for the Member States, often requiring unanimous agreement in the Council under the current provisions of the Treaty. Unanimity is increasingly difficult to achieve as more countries join the Union.
- The perceptible re-emergence of a climate of "Euro-scepticism" in the Member States, fuelled by economic and social difficulties and by political debate on the future development of the EU, naturally fosters a creeping protectionism which is not conducive to significant new steps forward.
- The excessively contradictory nature of discussions on the concept of subsidiarity and on the need to streamline Community legislation is leading the institutions to ask further questions about what action at Community level should actually entail.
- Further imbalances are created by the patchiness of progress in the single market: delays in securing economic and social convergence contrast with increasingly freer trade. This is shown by the turmoil on the financial markets which began in 1992, which not only caused serious problems for businesses, but put a question mark over the completion of the internal market - an area of concern to which the Commission only makes scant reference in its report.

2.7. Faced with these new obstacles to the completion of the single market, the Commission report does not spell out what its attitude is and what strategy is to be followed:

- Some sections of the report might imply that the current problems, including those related to the adoption of the final measures, need to be put into proper perspective, insofar as this falling off follows a long, productive period of European decision-making and transposition of EU law into national legislation. This merely represents a brief interlude which could be ended with the introduction of additional measures, gradual improvements and ad hoc adjustments.
- Other sections of the report, meanwhile, might provide grounds for fearing that the implementation of the single market has, in fact, lost much of its momentum and that it would be difficult to regain this momentum without relaunching the programme around a new set of objectives, with a new timetable and new measures. This would clearly require a high level of political determination in the Member States.

The Commission is vacillating between these two analyses, and only mentions that a new programme **might** be put forward by the end of the year.

2.8. The third part of the report lists the Commission's priorities for the future. Given the present position, it is quite brief and only refers patchily to a few areas of action. The main issue, meanwhile - which lies at the heart of the discussion - deserved priority attention.

2.9. For its part, the ESC notes that the approaching deadlines for the EU, together with what is at stake in other areas - such as the pressures exerted by international competition, the forthcoming schedule for monetary union or the impending accession of new Member States - clearly calls for the political impetus to be found to enable a genuine single market to be completed soon.

2.10. The Committee therefore calls for work to begin on a final programme to complete the single market to take account of the problems which have arisen at this stage of the process. It should also set clear

objectives and provide new tools for attaining them. The thrust of this programme should be the swift finalization of the outstanding essential legislation. The pressure should be stepped up to ensure that decisions which have already been taken are properly transposed into national laws, and that they are applied - indeed, interpreted - uniformly in the Member States. Further action should also be taken to alternate imbalances and to trigger a real dynamic convergence process designed to secure the programme's success.

3. Rounding-off the legislation

3.1. While the legal foundations for European legislation on the single market are far from complete, the Report mentions that just two of the outstanding decisions mooted in the 1985 White Paper were taken in 1994, namely the Seventh VAT Directive on secondhand goods, antiques and works of art, and the Regulation on plant variety rights. A further eleven proposals are still bogged down at the Council. One reason for this is that the short-term interests of individual Member States too often seem to prevail over the general Community interest. The Commission has even withdrawn one draft proposal designed to avoid double taxation of interest and royalty payments between parent companies and subsidiaries, because there was no prospect of agreement. Most of the decisions which have not yet been taken, however, are essential to the operation of a genuine single market.

3.2. Concerning the physical barriers, full free internal movement will require:

- firstly, the abolition of border checks on persons within the Community;
- secondly, the completion of a number of back-up measures, including the harmonization of such controls at the EU's external frontier.

As a number of the necessary provisions are currently only covered by the third pillar of the Maastricht Treaty or the Schengen agreement which has been signed by several Member States, preparations for the 1996 IGC should include a further study of their exclusion from Community competences.

3.3. Concerning technical barriers, a number of measures mentioned in the report remains necessary for the completion of the single market. Most of these date back to the 1985 White Paper and have still only been adopted in part, or not at all:

- 3.3.1. the task of opening up restricted areas or monopolies remains: the agreement on the principle of liberalizing telecommunications infrastructure and services by 1 January 1998 will require a number of measures: (a) to remove the legislative barriers that prevent private investors from participating in the widespread financing of information networks, and (b) to provide them with the conditions to enter the market. The schedule and the means for further opening up the energy sector to competition also still have to be finalized. The satisfactory complete opening-up of the transport sector requires various further technical, social and environmental measures, mainly in the areas of road, sea, waterway and air transport;
- 3.3.2. in the field of company law, the rules on mergers have still to be simplified. The adoption of both a European Company Statute, which has been blocked for a long time, and the Tenth Directive concerning cross-border mergers of public limited companies is essential in order to allow easier restructuring of businesses across the single market;
- 3.3.3. concerning industrial and intellectual property, the setting up of the Office for Harmonization in the Internal Market and the entry into force of the Regulation on the Community trade mark both represent encouraging progress, but several important gaps still remain. The

- Agreement on Community patents has still not been ratified by the Member States, and several Commission proposals are still to be adopted, including the Regulation on Community design and the Directive on the legal protection of biotechnological inventions, which was rejected by Parliament;
- 3.3.4. in the area of consumer law, priority should be given to adopting legislation in respect of harm caused by the failure of States or commercial operators to take action, in particular when such questions have a real transfrontier dimension. At the same time, an approach based on voluntary or contractual agreements should be promoted where possible, and when such agreements have sufficient effect;
- 3.3.5. on the environment front, effective monitoring mechanisms which are compatible with business competitiveness need to be put in place, particularly in respect of waste and the upgrading or recycling of raw materials;
- 3.3.6. concerning the provision of services, the draft Directive on the temporary posting of workers within the Community - which will ease and provide a framework for the mobility of European workers in paid employment within the single market - still needs to be adopted;
- 3.3.7. the new rules on statistics within the single market need to be clarified and better adjusted to freedom of movement, so as to guarantee the rapid compilation and reliability of data on trade with third countries. The effectiveness of trade policy instruments depends on this;
- 3.3.8. regarding the information society and issues linked to the emergence of multimedia, the finalization of common rules is becoming a matter of urgency in order to ensure the smooth operation of the single market;
- 3.3.9. Community customs harmonization with third countries is still incomplete. The Customs Code needs to be finalized and clarified in several areas, particularly regarding sanctions for customs infringements, monitoring procedures for products with both a military and a civilian use, intellectual property, the definition of product origin, and the customs valuation assessment basis;
- 3.3.10. the Commission notes that progress in adopting European standards is still lagging behind requirements. Such standards need to be drawn up more quickly, by giving the European Committees for Standardization additional resources in cooperation with all the interest groups in the industrial sectors concerned, and with effective coordination between the Committees themselves;
- 3.3.11. harmonizing assessment and conformity procedures remains essential to cut the costs of entering the various national markets, and also to create a level playing-field. Wherever national voluntary certification systems exist, clear agreements on reciprocal recognition between the bodies which issue certificates are required, meanwhile, in order to achieve harmonization. This also implies the abolition of distortions caused by national regulations which often conflict with Community legislation. Where necessary, sanctions should be applied without hesitation;
- 3.3.12. the internal market's smooth running will be permanently in doubt if the machinery set up to monitor at source national action which might endanger its cohesion is not made more effective. This has been understood by the Commission, and support should be provided for its information exchange procedure on national measures which run counter to the principle of free movement of goods within the Community. Cases where products legally manufactured or traded in one Member State are excluded from another need to be notified as a matter of course.

3.4. The completion of the single market also calls for a number of important decisions to be taken concerning tax barriers:

3.4.1. the double taxation of cross-border financial flows within the Community must be rectified. The Council has still not discussed either the proposals to extend the scope of the Directive on parent companies and subsidiaries or the draft directive on the taking into account by companies of losses incurred by their permanent establishments or subsidiaries in other Member States. At the end of 1994 the Commission also withdrew the proposal on interest and royalty payments between parent companies and subsidiaries because of persistent difficulties with its adoption. Generally speaking, the intra-Community activities of businesses - particularly SMEs - and persons alike all too often still run into difficulties and discrimination in the area of taxation;

3.4.2. the intra-Community VAT system needs to be further simplified by putting in place a definitive system that lays down exacting conditions in respect of rates and deductibility, but which nevertheless takes the budgetary needs of the different Member States into account. This type of system will require the complete harmonization of deductibility arrangements, closer alignment of rates and the creation of reliable compensation machinery between Member States which have a net sales surplus and others which have a net purchasing surplus, while guaranteeing the tax revenue of countries where final consumption takes place. It will also have to be compatible with the need to reduce taxes on businesses and intensify the fight against fraud. Until such time as the system is finalized, the transitional arrangements should continue to be adjusted in order to permit uniform interpretation (trilaterally, with representation of taxpayers) and to widen the scope of the draft directive on simplification in this area;

3.4.3. there also needs to be improved alignment of Community excise duties.

3.5. To allow the vital decisions in the above three areas required for the completion of the single market to be taken, the ESC proposes a final programme to reflect the commitments by the Member States and the Community institutions to use all means to complete the single market in keeping with a clear, close deadline. The Committee takes the view that this is a better approach than the step-by-step policy pursued after 1992, which is currently only producing sparse additional legislation of a technical but very limited nature, while the main outstanding policy areas have petered out. This situation dissuades Council presidencies from providing an impetus, which in turn results in a significant and worrying fall-off in results, as the report makes quite clear.

3.6. At the heart of this programme would be some thirty key and crucial measures in line with the requirements discussed above. It would also need a set of targeted deadlines, and to be given the means to achieve them, particularly by extending qualified majority voting to enable the entire range of measures to be adopted.

3.7. With this in mind, two major deadlines in the European calendar could be turned to good account:

- The final phase of the move towards economic and monetary union in 1999 - which is in itself a significant, crucial stage in the completion of the single market - could be made the deadline for adopting the final measures for organizing the single market, as part of a logical synchronization of dates. 1999 also marks the final stage for preparing further EU enlargement. The "1992" programme - which obviously benefitted from being rooted in a more favourable context and from the hopes that this kind of "marker" date raises - showed that this method works well. This approach could be used again with a "1999" programme with equally positive results.

- The 1996 Intergovernmental Conference could be used to give the programme official backing and to secure the resources required for it to succeed within its fixed deadlines. Discussion would centre on, among other things, the possibility of extending qualified majority voting on vital questions concerning, for instance, the free movement of persons, customs cooperation, environmental protection and intra-Community taxation.

3.8. The Committee takes the view that this kind of programme would be better than current policy for the following reasons:

- It would better suit the speed with which the deadlines are approaching, for instance the forthcoming transition to a single currency.
- It would allow a "final push" to consolidate the single market before it comes under strong pressure from future enlargements.
- It would make the most of the unique opportunity provided by the Intergovernmental Conference to ensure that the internal market (in persons, goods, services and capital) is relaunched.

3.9. This final single market programme would also take into account the concerns rightly voiced in recent months:

- A reduction in, and simplification of, legislation: At its heart there would be some thirty key measures, i.e. one tenth of the measures contained in the original programme enshrined in the 1985 White Paper. This would not excessively overload, in quantitative terms, institutions, parliaments or administrations, even if political decisions which were often very important were required. It would also be easier to consult the economic and social partners than at the time when 300 measures were set out in the White Paper, and would permit the careful drafting of impact studies, with less risk of overlapping between directives. Focusing the programme on key measures would also ensure that the institutions' efforts to complete the single market were not spread thinly on secondary matters to the detriment of vital questions.
- **Increasing competitiveness with a view to job creation:** this would allow the organization of the single market to be completed and would make it coherent. It would also make a key contribution to making Europe more competitive again.

As the Ciampi report made clear, competitiveness - without being an aim in itself - is vital for economic development, social well-being and the quality of life. The Ciampi report sets out a number of urgent measures to be taken in the interests of EU competitiveness, but singles out for priority the full completion of the internal market, with swifter transposition of Community legislation, coupled with a uniform application and interpretation in the Member States. Equally, it refers appropriately to the vital issue of providing additional occupational training and upgrading men's and women's qualifications. The ESC also takes the view that EU competitiveness will require steps to ensure that the principle of balance between the internal market and the international market is maintained. This means: (a) that the conditions on which competition is based and Community legislation should not put European industry at a disadvantage, and (b) that a higher degree of reciprocal market access is needed from our main trading partners.

4. Tightening up the application of measures

4.1. The single market can only work properly and retain credibility if decisions taken at European level are effectively applied in all Member States. The Commission Report, meanwhile, states that much legislation has still not been applied satisfactorily, for instance in the areas of public procurement, insurance

and intellectual property. As far as public procurement is concerned, the situation is also very unclear and the Commission has pointed out that the statistics are highly unsatisfactory. Broadly speaking, although the Commission barely mentions this, national and regional authorities may sometimes in practice be tempted to favour their own nationals, even if it is usually difficult to provide objective evidence of unlawful violations of the principle of non-discrimination. It is doubtful to what extent economic operators or consumers are aware of the freephone lines mentioned by the Commission for reporting problems and infringements.

4.2. The Commission's report makes only a brief reference to the question of monitoring and sanctions, a central issue on which it has since had the opportunity to elaborate in a communication to the Council. Other documents, meanwhile, including the Commission's annual reports on the application of Community law give a better overview of the position on violations. The Committee would stress that sanctions for non-application by Member States should be vigorously enforced under common rules, including penalties imposed on Member States, where the Court of Justice finds that Community law has not been implemented within the specified time-limits, as set out in Article 171 of the Treaty. Member States should have some leeway in defining sanctions for non-compliance with provisions in cases where the Member State is not at fault (cases involving associations and enterprises, etc.). Rather than harmonizing administrative procedures or penalties, steps should be taken to ensure that they are entirely visible, effective, act as a deterrent and are in proper proportion, i.e. generally equivalent in effect. Sanctions for violating Community law in each Member State should be at least on a par with sanctions for violating national law.

4.3. For several years there has been an increasing tendency for Community legislation to give EU Member States the option of adopting national laws that are stricter than the levels set by harmonization; this works against the uniform application of Community law. In some cases, stricter national laws may conflict with mutual recognition and harm the interests of free trade, subject to the provisions of Articles 30 to 36 of the Treaty. In other cases, they may introduce "reverse discrimination", benefitting non-nationals of the Member State concerned to the detriment of its nationals; this may in turn foster a poor image of European integration at grass-roots level, particularly among its victims - the citizens and SMEs. The Treaty itself may have instigated the adoption of stricter national rules through the application of Article 100a(4), which gives a Member State - under certain conditions - the right to derogate from the rules governing the free movement of goods, even after harmonizing legislation has been adopted in the Council. It is vital to ensure that use of this provision by a Member State is accompanied by systematic prior consultation, in order to ensure that in future the provision is only deployed in genuinely exceptional circumstances, as it has been in the past.

4.4. Application of the principle of mutual recognition of technical inspection procedures to establish whether a product conforms to the essential requirements set out in the directives is still hampered in practical terms in a number of ways.

- In the regulated sector - i.e. in which technical harmonization directives apply - these problems are mainly due to the absence of bodies authorized to carry out this type of inspection. This leads to (a) additional cost for the commercial operators which sometimes have to send their products a great distance in order to obtain approval, and (b) refusals by the authorities in other Member States to allow products to be imported - because inspection procedures were carried out locally by an unauthorized body in the Member State in which the product was manufactured. The Committee considers that there is a need to establish more authorized centres in the Member States, for instance by linking up the existing bodies in an operational network, as set out under the terms of standard EN45000, or any other guarantee of equivalent effect.
- In the non-regulated sector - i.e. the sector which covers possible barriers to trade other than those resulting from requirements that must be protected - the principle of mutual recognition, on which the 1985 White Paper is based, has not yet entered hearts and minds. Leaving aside the clearly stated aspects of the implementation of mutual recognition via the European Organization for

Testing and Certification (EOTC), it is essential that in practical terms, a safe, lawfully manufactured and marketed product in one Member State may be able to move freely in another when it properly satisfies that State's requirements. This is a principle which has been accepted by the national authorities, but whose practical application is problematical, mainly because local authorities responsible for inspection on a daily basis are unaware of it. A wide-ranging campaign to raise awareness, and even to train local administrators in the practical application of this principle, needs to be planned. Mutual recognition actually has more to do with a pragmatic approach based on equivalent ratings for a product's technical characteristics, than a general and basically meaningless assertion of equivalence of national legislation. Here, the Committee would encourage all Commission initiatives to promote this pragmatic approach to mutual recognition; until now its approach has been too general, poorly formulated, and unsuccessful.

4.5. Externally, customs authorities remain under national control and have only very partially harmonized their procedures regarding trade with third countries, thus damaging the consistency of the single market. With the arrival of new Member States from Eastern Europe in particular, the problem will grow and could become almost impossible to manage satisfactorily without more consistent coordination. That is why, apart from the Customs 2000 programme referred to by the Commission, the question of European control over national customs authorities - which might mean setting up a new DG for European Customs - should be raised directly and without delay.

To this end, there are sound reasons for making customs cooperation - which currently comes under the third pillar - a Community responsibility.

5. Creating a force for convergence

5.1. Although the adoption of the remaining key measures and the strict transposition by the Member States of the rules for its operation are essential to complete the single market, they will still not be enough to ensure its success, particularly since, as free trade reaches an advanced stage, imbalances are liable to become more pronounced unless there is an equivalent degree of economic and social convergence.

5.2. The first question concerns the danger that the monetary system may fall apart. Recently, serious fluctuations in the money markets have affected the terms of trade within the internal market. Businesses in Europe which have had to contend with 20-30% fluctuations in exchange rates are entitled to be sceptical about the prospect of a unified, predictable and stable European market. The Commission report does not give enough consideration to this key question. There is a danger of a cleavage, which would put the single market at great risk, between countries which meet the criteria for moving on to phase III by adopting tough restrictions, and the other countries, which may be tempted to devalue, seriously disrupting European terms of trade.

5.3. For this reason, it is necessary to prevent monetary factors from further distorting competition, and to eliminate the slightest risk that measures to seal off economies might be introduced again in order to counter such imbalances; this would strike a mortal blow at the single market. All measures should, therefore, be deployed to ensure that as many countries as possible take part in the final move to a single currency in 1999.

- this means, firstly, strengthening the authority and effectiveness of the monitoring of European economies, in particular in respect of those countries which are failing to achieve convergence; and
- tightening up the conditions for European aid, in line with common aims and rules.

5.4. The Structural Funds, which have an important role to play in the completion of the single market and in economic and social cohesion, need to be deployed to underpin this force for convergence more

effectively. Firstly, they should be better geared to the local development needs and, secondly, they should give more support to programmes that involve more than one country, particularly in financing trans-European networks in the areas of transport, telecommunications and energy. This would strengthen their role in stimulating investments in which there is a shared interest, and would also provide crucial support for the creation of new infrastructure in the internal market by supplementing other sources of financing, including loans floated on the capital markets.

5.5. Competition policy needs to take full account of the international opening-up of the European market and the demands of a European policy for industrial competitiveness. As the world market is increasingly the reference market, European businesses need to be encouraged to operate on the scale necessary to compete successfully in the European internal market and in others outside the Union. The Commission must also strive to ensure the right conditions for fair competition in the internal market - both for European businesses and those from third countries - and similar conditions for access to markets outside the EU.

5.6. The Committee should also point out that increased assistance needs to be given to the countries of Central and Eastern Europe, in order to prepare their administrations and businesses immediately for the enormous effort that they will have to make to adjust to the single market if and when they join the EU. Apart from the different technical assistance and vocational training programmes which are already up and running, particular efforts should be made to promote greater economic and social coherence, benefitting all socio-economic interest groups (businesses, workers and consumers) in these countries.

5.7. Finally, the Committee would make the point that it would be a good idea to encourage the establishment at all levels of meeting points to deal with the operation of the single market. The Internal Market Weeks organized by the Commission have already given the different single market interest groups (political leaders, civil servants, businesses, trade unions and consumers) the opportunity to hold some very useful initial discussions, which should now be consolidated.

5.7.1. The ESC supports all national, regional and local initiatives designed to promote meeting points and single market observatories, drawing together the main relevant interest groups. Such initiatives should make for a more effective circulation of information on the practicalities and the real perception of the operation of the single market, and at the same time provide these interest groups with more resources to make a direct contribution to improving it.

5.7.2. The Committee would particularly stress the value of such observatories in tackling cross-border issues, bringing together civil servants and economic and social partners from both sides of the border to deal with common problems, develop regional exchange programmes and set up projects to smooth cross-border cooperation.

5.7.3. For its part, the ESC will ensure that its Internal Market Observatory develops contacts with all national, regional and local economic and social partners who are in a position to convey grass-roots information on the running of the internal market as it affects the people who live and work in it.

6. Conclusions

6.1. The Committee welcomes the Community institutions' recognition of the role of the economic and social interest groups - and particularly the Internal Market Observatory set up by the Committee - contributing to the analysis of, and in providing a direction for, work to complete the internal market. It therefore invites all European socio-economic interest groups to participate directly in the evaluation of the internal market and to convey to the ESC any information which may be of use in helping to improve it.

6.2. In spite of the considerable progress made since the publication of the 1985 White Paper, the Committee notes that the Commission report also makes it clear that the single market is still incomplete.

While aware of the different reasons for these delays, the Committee would reiterate that the completion of the single market is essential for improving the competitiveness of European businesses, ensuring political, economic and social cohesion in the EU and securing a successful economic and monetary union.

6.3. The ESC also considers it essential to extend the study of the current position by including clearer priorities in terms of progress and barriers, pointing in particular to what Europeans are entitled to expect from a genuine single market, given the diversity that will remain. It is in this spirit that the Committee supports the Commission's announcement of a detailed impact study project on the operation of the single market. The ESC's Internal Market Observatory intends to make a full contribution through surveys, hearings, and other instruments.

6.4. Concerned about the growing difficulties associated with the adoption of the final pieces of single market legislation, in contrast to the general speeding-up of issues affecting the Union and the timetable in which they are set out, the Committee urges the Member States and the Community institutions to agree to make every effort to round off the necessary outstanding legislation - about thirty separate instruments - between now and the 1999 deadline for economic and monetary union. To this end, when reviewing the Treaty, the 1996 IGC should examine how qualified majority voting on questions vital to the internal market can be extended, particularly in respect of free movement of persons, customs cooperation, environmental protection and intra-Community taxation.

6.5. The Committee would further point to the need to bolster the application of measures by introducing better monitoring, underpinned, at all levels, by effective sanctions. The correct application of single market rules also requires the provision of a tighter framework for national exemptions from the principle of free movement, the extension of mutual recognition, and the introduction of harmonization in respect of national customs services.

6.6. The ESC would finally stress the importance of the need to create, apart from provisions to loosen up trade and to ensure that they are correctly applied, a true force for convergence to relieve the pressures and imbalances that are caused both by the incomplete single market and the remoteness of economic and monetary union. Among other things, this will require increased economic and social convergence, better use of the Structural Funds, adjusting competition policy in line with the new realities of the opening-up of international markets, while at the same time actively preparing the countries of Central and Eastern Europe for their participation in the single market. The Committee trusts that meeting points and observatories drawing together the different single market interest groups will be established at the various levels, including regionally and on a cross-border basis. At the same time, the Committee will ensure that it develops its own contacts with these groups.

7. Summary of the key recommendations

7.1. The Committee welcomes the Commission's concern - outlined in its report - to enhance the input of the economic and social interest groups in providing material for debate and proposals concerning the single market.

7.2. The ESC welcomes the Council's recent recognition, following the views expressed by Parliament and the Commission, of its role as permanent monitor of the working of the single market.

7.3. In spite of ten years of progress, the Committee notes that the 1992 deadline is still far from being achieved and the adoption of the final legal instruments are running into more and more difficulties.

7.4. The ESC is greatly concerned about these delays, which contrast with the approaching deadlines for the EU and which adversely affect its competitiveness, its cohesion, and the very success of the final stage of economic and monetary union.

7.5. The last batch of outstanding legislation for the completion of the single market involves some thirty decisions which - without a high level of political determination - may well inordinately delay completion - or even make it unattainable.

7.6. The Committee proposes tackling them with a powerful final programme to be implemented before the 1999 deadline, and to be submitted to the 1996 IGC to provide it with the political commitment and legal means, including extended majority voting, that its introduction requires.

7.7. At the same time, the Committee stresses the need to rigorously apply single market rules in all the Member States; this implies effective sanctions for infringements at all levels, and an improved framework for national rules which may hinder free trade.

7.8. The Committee also takes the view that it is essential to develop a powerful force for economic and social convergence to counter the imbalances and pressures which are jeopardizing the cohesion of the single market and preparations for monetary union. The aim of involving the largest possible number of participants in the final stage of EMU implies strengthening multilateral monitoring, conditions for European aid, the effectiveness of the Structural Funds in respect of cohesion and their improved deployment in trans-European projects and networks.

7.9. The Committee also points out that the countries of Central and Eastern Europe need to be prepared immediately for their future participation in the single market by involving their socio-economic interest groups.

7.10. The ESC invites all single market interest groups, and particularly the economic and social partners, to establish single market meeting points and observatories at the various national, regional and transfrontier levels, and to further the success of this kind of programme by means of initiatives and proposals.

Brussels, 18 October 1995

The President The Secretary-General
of the of the
Section for Industry, Commerce, Crafts and Services Economic and Social Committee

Liam CONNELLAN Simon-Pierre NOTHOMB

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N.B.: See Appendices overleaf.

APPENDIX I

Principal measures and categories of measures needed to complete the legislation on the single market, between now and the final phase of EMU in 1999

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- the abolition of intra-Community border checks on persons;
 - harmonizing such checks at the external borders of the Union;
 - organizing the agreed opening-up of the telecommunications infrastructure and services between now and 1998;
 - establishing a timetable to open up the energy sector, together with the means to achieve it;
 - finalization of the technical, social and environmental measures to open up fully the various areas of the transport sector;
 - adoption of the European Company Statute;
 - adoption of the Tenth Directive on cross-border mergers of public limited companies;
 - ratification by the Member States of the Agreement on Community patents;
 - completion of a European framework for industrial and intellectual property (cf. Community design and biotechnological inventions);
 - finalization of consumer law, especially with regard to cross-border purchasing;
 - steps to ensure the effective monitoring of waste and the recycling of raw materials;
 - adoption of the Directive on the temporary posting of workers within the Community;
 - harmonizing the rules on statistics to guarantee fast access and reliability of data, especially as far as third countries are concerned;
 - laying down common rules on the information society;
 - harmonization of Member States' Customs services under Community control;
 - speeding up the drafting of European standards;
 - extending the harmonization of technical conformity evaluation procedures;
 - the introduction of an information exchange procedure on national measures which run counter to the principle of free movement;
 - rectifying the double taxation of cross-border financial flows;
 - the adoption of a definitive intra-Community VAT system which harmonizes rates more closely and includes a reliable mechanism for revenue compensation;
 - until such time as the system is finalized, adjusting the transitional arrangements in order to permit uniform interpretation and to widen the scope of simplification;

- improved harmonization of Community excise duties.

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APPENDIX II
to the Opinion of the Section for Industry, Commerce, Crafts and Services
(Rule 32 of the Rules of Procedure)

Amendment proposed by Mr HAGEN

Point 3.4.3.

Amend to read as follows:

" ... there also needs to be improved alignment, in the form of minimum rates, of Community excise duties. "

Voting

Votes for: 11

Votes against: 24

CES 869/95 fin F/NF/P/as/ht

.../...

CES 869/95 fin Appendix I ht

CES 869/95 fin Appendix II ht