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## REPORT

on the Communication from the Commission to the European Parliament and the Council: The Strategy for Europe's Internal Market (COM(1999) 464 - C5-212/1999 - 1999/2167(COS))

Committee on Legal Affairs and the Internal Market

Rapporteur: Ana Palacio Vallelersundi

Draftsman\*: Luis Berenguer Fuster, Committee on Economic and Monetary Affairs

(\*'Hughes' procedure)



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(\*'Hughes' procedure)

## PROCEDURAL PAGE

By letter of 7 October 1999 the Commission forwarded its Communication on The Strategy for Europe's Internal Market to Parliament (COM(1999) 464 - 1999/2167(COS)).

At the sitting of 25 October 1999 the President of Parliament announced that she had referred the communication to the Committee on Legal Affairs and the Internal Market as the committee responsible, and to all interested committees, for their opinions (C5-0212/1999).

The Committee on Legal Affairs and the Internal Market had appointed Ana Palacio Vallelersundi rapporteur at its meeting of 13 October 1999.

At the sitting of 29 October 1999 the President announced that the report was to be drawn up under the Hughes procedure by the Committee on Legal Affairs and the Internal Market, as the committee responsible, and the Committee on Economic and Monetary Affairs

By letter of 25 November 1999 the Committee forwarded a revised version of its communication (COM(1999) 624) to Parliament.

The Committee on Legal Affairs and the Internal Market considered the Commission communication and the draft report at its meetings of 12 and 13 October, 27 October and 23 November 1999, and 14 March, 20 March and 28 March 2000.

At the last meeting it adopted the motion for a resolution by 20 votes to 2, with 5 abstentions.

The following were present for the vote: Ana Palacio Vallelersundi, chairman and rapporteur; Willy Rothley, Rainer Wieland and Eduard Beysen, vice-chairmen; Luis Berenguer Fuster, Maria Berger, Philip Charles Bradbourn, Enrico Ferri, Francesco Fiori (for Antonio Tajani, pursuant to Rule 153(2)), Janelly Fourtou, Marie-Françoise Garaud, Gerhard Hager, Malcolm Harbour, Heidi Anneli Hautala, Kurt Lechner, Klaus-Heiner Lehne, Arlene McCarthy, Donald Neil MacCormick, Toine Manders, Véronique Mathieu, Hans-Peter Mayer, Manuel Medina Ortega, Angelika Niebler, Felekna Uca, Theresa Villiers, Diana Paulette Wallis and Christos Zacharakis.

The explanatory statement will be presented orally in plenary sitting.

The opinions of the Committee on Economic and Monetary Affairs, the Committee on Employment and Social Affairs, the Committee on Fisheries and the Committee on Industry, External Trade, Research and Energy are attached; the Committee on the Environment, Public Health and Consumer Policy decided on 24 November 1999 not to deliver an opinion.

The report was tabled on 30 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## MOTION FOR A RESOLUTION

**on the Communication from the Commission to the European Parliament and the Council:  
The Strategy for Europe's Internal Market (COM(1999) 464 - C5-0212/1999 - 1999/2167(COS))**

*The European Parliament,*

- having regard to the Commission communication (COM(1999) 464 - C5-0212/1999)<sup>1</sup>,
  - having regard to the amended Commission communication (COM(1999) 624),
  - having regard to Article 14 of the EC Treaty,
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Legal Affairs and the Internal Market and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Employment and Social Affairs, the Committee on Fisheries and the Committee on Industry, External Trade, Research and Energy (A5-0098/2000),
- A. whereas the creation of a European market based on common rules and mutual recognition is an essential element in improving European competitiveness,
- B. whereas the European internal market is faced with the increasingly rapid globalisation of the world economy, the effect of which is heightened by developments in information and communications technology,
- C. whereas the EU is faced with the enormous challenge of basing future economic success on specialisation of markets and local creativity,
1. Welcomes the structure set in place by the Commission's Strategy for Europe's Internal Market, which is centred around the citizen and small and medium-sized businesses and incorporates operational objectives directed at sustainable development, protecting consumer interests, supporting employment and coordinating social protection and serving – often interdependent – strategic objectives, and applauds the innovative switch from a linear approach to an annual Single Market cycle, with its emphasis on target actions with agreed deadlines and a measurable output, which can be reviewed and, where necessary, adjusted;
  2. Reiterates the concerns expressed in its resolution of 4 November 1999 on the strategy for Europe's single market (B5-0204/1999)<sup>2</sup>, especially with a view to the maintenance of the European Parliament's rights;
  3. Announces that it intends to provide feedback and input on a regular basis throughout the lifetime of the Strategy for the Internal Market;

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<sup>1</sup> Not yet published in OJ.

<sup>2</sup> Not yet published in OJ.

4. Resolves to raise the profile of the internal market by stressing its enormous benefits, actual and potential, for the citizen and businesses and presses the Commission to do likewise; is concerned, however, that the advantage to businesses of treating the whole of the EU (even the whole of the EEA) as a single market rather than as a collection of national markets is not always apparent to them, and neither administrative obstacles nor the behaviour of consumers is enough to explain this cautious attitude; mass information campaigns similar to those conducted in the case of the euro and incentives to encourage the private sector not to treat partners from other Member States unfavourably should be considered;
5. Emphasises the importance of striking a proper balance in any new initiatives between self-regulation and public regulation, since it is vital to have the proper amount of public regulation as a framework affording the legal certainty needed to create a climate of confidence for businesses and consumers;
6. Urges the Commission to concentrate on monitoring the implementation of internal market legislation in the Member States more closely;
7. Draws the Member States' attention to the need to review their mechanisms for transposing and implementing internal market legislation, in particular to avoid gold-plating, and urges the Commission to pay special attention in the context of its pilot project on administrative cooperation to creating internal-market mindedness in Commission's interlocutors (national and regional governments, business federations, even the Commission's own staff in certain cases) while monitoring national implementing measures for effects detrimental to the internal market; regards, therefore, the proposed supervision methods, which are largely based on business management methods, as a challenge to be taken up with vigilance and determination by traditional administrations, which must be seen as positive;
8. Takes the view that improving and simplifying the legal, administrative and fiscal environment in order to enable companies to operate efficiently and effectively within the internal market must continue to be an objective; considers that laws must be promoted which do not involve costs and other burdens, especially for small and medium-sized businesses which would otherwise lose their competitive advantage over foreign competitors and which are a central feature of measures to improve the business climate and foster innovation;
9. Expresses its appreciation in this context of the study currently being carried out by the Economic and Social Committee into a database of internal market best practices, under its PRISM (Progress Report on the Single Market) initiative;
10. Welcomes the Dialogue with Business and Citizens as reflecting the need for the Commission to listen and react to the concerns of the community; notes that this ongoing interactive process with society should be stepped up and considers that it should be expanded into a common virtual working space between the Commission and Parliament for the benefit of citizens and business;
11. Undertakes, in its capacity as budgetary authority, to support the provision of sufficient budgetary resources for this project;
12. Calls on the Member States, the Economic and Social Committee, all interested parties and civil society in general to support this venture, which is consonant with the Council's

conclusions of 6 and 7 December 1999 on transparency and cooperation in the field of information activities, through their participation, as part of the ongoing effort to bring the European Union closer to its citizens;

13. Undertakes to encourage the development of this European public information service and asks the Commission to report to it periodically on the progress made;
14. Invites the Commission to cooperate with Parliament in organising an Internal Market Forum through which citizens and small and medium-sized businesses may channel their concerns and discuss solutions;
15. Points out that small businesses are still hampered in exploiting the opportunities afforded by the internal market by the continuing absence of harmonisation in some areas of legislation and by barriers in the shape of lack of mutual recognition for product standards and certification in some Member States and the remaining barriers to freedom of movement and establishment and accordingly underlines the vital importance of making infringement procedures faster and more efficient;
16. Urges the Commission not to shirk its role as guardian of the Treaties, while stressing the importance of the transparency and legal certainty of infringement procedures; accordingly the Commission is invited to use its discretion so as to ensure that decisions closing infringement procedures are duly reasoned and published;
17. Welcomes the proposals to the Intergovernmental Conference which seek to accelerate the infringement procedures by means of Treaty amendments;
18. Welcomes the initiative taken by the Commission to launch measures to simplify legislation, although it stresses the need for legislation to be applied uniformly by all the Member States, with particular reference to customs procedures; reiterates its call for an overall approach, resulting in a legal order for the internal market which is on the whole consistent and favourable for small and medium-sized businesses in particular, involves other interests in a balanced way and avoids unnecessary bureaucratic burdens, and, to this end, calls for:
  - more stress to be placed on initiatives such as SLIM, the Single Market Scoreboard and the business feedback mechanism, as well as on improving the quality, accessibility and transparency of legislation, in particular through the codification of legislation;
  - redundant legislation to be repealed;
  - sunset clauses to be introduced whenever possible so as to ensure that legislation does not outlive its usefulness;
  - more importance to be attached to assessing the impact of legislation on business, in particular through compliance cost assessment and the launch of an independent inquiry into the impact of regulation;
19. Requests that the Commission inform the European Parliament – as far as financial services are concerned – in detail of:
  - obsolete legislation or legislation in need of revision due to market developments and innovation;
  - existing EC legislation where transposition into national law is still not completed;

- cases of sector-related legislation where the Commission has not pursued a strict policy towards Member States which have either systematically or occasionally abused Community legislation;
  - legislation pending before the Council (such as the proposal for a Directive on takeover bids) which has created a vacuum in the Community legal framework, resulting in predatory behaviour or in unfair competition;
20. Points out that the strategic objectives selected must be such as to demonstrate particular attention for the people of Europe from the point of view of environmental protection, the management of natural resources and public health safeguards, and that particular attention must also be paid to working conditions within companies in order to prevent accidents of any kind and to create a pleasant atmosphere for workers;
21. Welcomes the Commission proposal on the simplification and modernisation of the regulation on social security schemes; expects however from the Commission a more ambitious proposal on a global reform of Regulation 1408/71, in order to ensure genuinely free movement of workers and citizens in general, with particular reference to the portability of their rights in order to maintain the rights accorded under the different national laws; proposes to develop EURES into a European employment service; considers that any obstacles within social security schemes which limit employment opportunities should be eliminated; and calls on the Commission to submit without delay proposals to amend the directive on the recognition of vocational training, including training for the disabled, and to recast the directives on the right of residence so as to promote mobility within the internal market and keep red tape to a minimum with the aim of improving employment opportunities (employability) as part of the principle of free movement of persons;
22. Firmly believes that the Strategy for the Internal Market should be geared to promoting a cultural shift away from a risk-averse, longer decision-making cycle towards a shorter, quicker cycle by:
- encouraging Member States to make company formation quicker and less subject to unnecessary bureaucratic formalities;
  - removing the barriers imposed on entrepreneurs' capitalising on company value through the issue of share options;
  - fostering the creation of a new culture of venture capital and dialogue and partnerships between the business community, the universities and other centres of research and excellence;
23. Considers that the introduction of a cost-effective Community patent is a matter of urgency with a view to encouraging innovation, especially in the small-business sector, and that innovation in that sector can be encouraged and protected through the rapid introduction of measures to counter piracy and counterfeiting in the internal market;
24. Calls for improvements in the field of company law, especially the law relating to insolvency and the creation of a statute allowing small and medium-sized businesses to set up as Union-wide firms, in view of their creativity and potential for job creation;
25. Considers that the single market in pharmaceuticals is incomplete and that the consequent market distortions are causing wide disparities in patient access to needed medicines; is therefore of the opinion that progressive liberalisation of the pharmaceutical market is



needed in order to improve patient choice and access to high-quality, safe, efficacious and cost-effective medicines and to ensure that these medicines are available throughout the European Union; calls on the Commission to include in its programmes a proposal for a framework directive for completing the internal market in pharmaceuticals by introducing a gradual economic liberalisation of all sectors of the industry and to propose legislation to amend Directive 65/65/EEC on medicinal products with a view to harmonising and recasting regulatory data protection, in light of the European Court of Justice decision in December 1998 on generics;

26. Believes that work on the simplification of the value added tax system and its direct application to electronic commerce should be speeded up; stresses the need for measures to be adopted such as a reduction in the tax burden on employment, a timetable for the progressive approximation of VAT rates, the introduction of a lower VAT rate for labour-intensive activities and the principle of payment at the place of origin, abolition of the double taxation of cross-border workers, the abolition of tax havens and the drawing up of common principles on taxation schemes;
27. Notes that, one full year after the introduction of the euro, the high cost of bank-to-bank transfers in euro across Europe is maintaining monetary barriers which ought to have been abolished; wants the Commission to take the necessary steps to ban, as from January 2001, the levying of fees on EU-11 inter-bank transfers in euro which are higher than those levied on the national market;
28. Stresses the need to introduce reforms to improve the functioning of capital markets and welcomes the Commission proposal for an action plan for financial services in general;
29. Notes that the Helsinki European Council did not adopt the tax package owing to a lack of adequate progress on the two components of the package, i.e. the simultaneous adoption of directives on the taxation of savings and on company taxation; points out that there is no reason to kill off fair tax competition in the European Union and that the priority must be to eliminate the distortions which do exist and are actually disrupting the single market, that the competitiveness of European financial markets on a world scale must be preserved, and the geographical coverage of the directive on the taxation of savings should be extended to dependent or associate territories where Member States have special responsibilities and to non-Community countries likely to attract capital from the European Union;
30. Urges the Council swiftly to adopt the directive on introducing a minimum tax on energy products while taking into account the European Parliament's resolution on the subject (Cox report);
31. Calls on the Commission to ensure the correct implementation of the liberalisation of the energy markets and to avoid any measures relating to the taxation of energy products which would result in increased costs, thus making companies located in the Union less competitive with non-Community undertakings, with disastrous consequences in particular for employment;
32. Considers that the economic incentives which are proposed in the communication should be designed as a priority to achieve the full completion of the internal market;

33. Welcomes the fact that the Commission in its latest Single Market Scoreboard gives special attention to progress in the implementation of the Financial Services Action Plan, and points out that while indeed some progress has been made there are still major issues to be addressed in this field and the Commission's expectations have proved to be overoptimistic in some areas;
34. Urges the Commission to set to work rapidly and in a coordinated manner on the promotion of a European network of alternative dispute-resolution systems and on procedural rules therefor, in particular for on-line transactions, which will provide consumers with a real possibility of obtaining redress, thereby increasing consumer confidence in electronic commerce while not deterring small businesses from opening Internet trading sites;
35. Accordingly, invites the Commission to bring forward its action to support initiatives for on-line out of court redress, the Green Paper on access to justice and redress for consumers and the dialogue for consumers as part of the framework for e-commerce, and to give urgent consideration to the introduction of a Community-wide small-claims procedure and a quality labelling system for Internet trading sites;
36. Instructs its President to forward this resolution to the Commission, the Council and the governments of the Member States.

29 February 2000

## **OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

for the Committee on Legal Affairs and the Internal Market

on the Communication from the Commission to the European Parliament and the Council  
entitled 'The Strategy for Europe's Internal Market'  
(COM(1999) 464 – C5-0212/1999 – 1999/2167(COS)) (report by Ana Palacio Vallelersundi)

Draftsman: Luis Berenguer Fuster

### **PROCEDURE**

At its meeting of 15 November 1999 the Committee on Economic and Monetary Affairs appointed Luis Berenguer Fuster draftsman.

It considered the draft opinion at its meetings of 30 November 1999, 10 January 2000 and 29 February 2000.

At the last meeting it adopted the following conclusions by 25 votes to 2, with 2 abstentions.

The following took part in the vote: Christa Randzio-Plath, chairman; José Manuel García-Margallo y Marfil, vice-chairmen, Richard A. Balfe, Hans Blokland (for Nigel Paul Farage), Hans Udo Bullmann, Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Ian Stewart Hudghton (for Alain Lipietz), Christopher Huhne, Juan de Dios Izquierdo Collado (for Fernando Pérez Royo), Giorgos Katiforis, Piia-Noora Kauppi, Gorka Knörr Borràs, Werner Langen (for Christoph Werner Konrad), Astrid Lulling, Jules Maaten (for Karin Riis-Jørgensen), Thomas Mann (for Karl von Wogau), Ioannis Marinos, John Purvis (for Staffan Burenstam Linder), Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Charles Tannock, Marianne L.P. Thyssen, Helena Torres Marques, Bruno Trentin, Ieke van den Burg (for Luis Berenguer Fuster) and Theresa Villiers.

## SHORT JUSTIFICATION

The Internal Market is still far from being completed, but progress in the last fifteen years has been impressive. The basis was established with the Commission's White Paper of 1985, which listed about 300 legislative measures and set 1992 as the completion date. The next milestone was the Single European Act signed in February 1986, which included the Internal Market in the Treaty. In early 1993 over 90% of the legislative projects listed in the White Paper had been adopted and although this must be considered as a huge success, the remaining 10% included some very important measures and there was also a lack of transposition and implementation of legislation. The next important step was the Action Plan for the single market of 4 June 1997, which had as its aim not only to complete 1985 the programme by implementing its unfinished components, but also to go beyond this programme to arrive at a 'truly integrated Single Market' by the launch of the timetable to establish the single currency, i.e. by 1 January 1999. The Action Plan proposed a series of 62 clearly defined actions, to be carried out on the basis of a timetable with precise deadlines. The single market scoreboard was introduced, which reported twice yearly on the progress in implementing the plan.

Beside the scoreboard the annual Cardiff I report, introduced with the Cardiff process last year on the functioning of product and capital markets is another valuable instrument on the way to improve the functioning of the single market.

The European Parliament has been a driving force in the process of achieving the Internal Market. In its resolution of 9 April 1984 it urged the Commission to present a programme to the Council without delay and consequently vigorously supported the programme when it appeared as a White Paper in 1985. In particular, it has backed the idea of transforming the internal market into a fully integrated home market by 2002 (resolution of 20 November 1997 on the Action Plan for the single market).

The present Communication from the Commission is therefore the next step in a long process. Already on 5 October 1999 Commissioner Bolkestein presented a consultative Communication on the internal market strategy at a meeting of the Committee on Legal Affairs and the Internal Market to which members of the Committee on Economic and Monetary Affairs had been invited. This consultative document was the subject of the resolution of 4 November 1999<sup>3</sup>, in which the European Parliament welcomed the structure of the Commission's strategy, which it trusted to result in a 'more unified, less piecemeal approach, constituting a genuine and coherent programme' (par. 4). It nevertheless felt that a description of the individual target actions should be included and underlined that a proper evaluation 'will only prove possible once the specific measures that the Commission has to propose and the deadline for their implementation are known' (par. 7). The present Communication, which was adopted by the Commission on 24 November, took these comments into account to a certain extent.

The Communication contains the four strategic objectives which will provide a consistent framework for action during the 2000-2004 period:

- to improve the quality of life of citizens,
- to enhance the efficiency of Community product and capital markets,
- to improve the business environment,
- to exploit the achievements of the internal market in a changing world.

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<sup>3</sup> OJ not yet available

In parallel to these a number of operational objectives have also been defined which will contribute to the achievement of one or more strategic objectives.

Lastly, target actions (to be reviewed and updated annually in accordance with the internal market cycle) are included as short-term priorities and as indicators of the strategic and operational objectives. These will extend over an 18-month period for operational reasons (so as to involve successive presidencies and the Commission itself) and to ensure that they can be achieved.

From the standpoint of the Committee on Economic and Monetary Affairs and its particular area of competence, the following points should be made.

A. Within Strategic Objective 1 (to improve the quality of life of citizens) the target actions referred to under the Citizens 2 operational objective (which is to enhance citizens' health and safety and promote their economic interests) include:

- legislative actions: the implementation of the Financial Services Action Plan and the Commission proposal to amend the consumer credit directive (87/102 as amended by 90/88);
- non-legislative actions: the Commission Recommendation on horizontal consumer aspects of services of general interest.

B. Within Strategic Objective 2 (to enhance the efficiency of Community product and capital markets) and its five operational objectives, and with reference to the Markets 1 operational objective (to encourage economic reform in the interests of market efficiency), the following target actions should be mentioned:

- annual adoption of the Commission's Communication on economic reform – Report on the functioning of product and capital markets in the EU (Cardiff Report);
- implementation annually by the Member States of the country-specific recommendations on product and capital market reform contained in the Broad Economic Policy Guidelines.

As regards the Markets 2 operational objective (ensuring that financial services deliver their full potential), note should be taken of the target action relating to the implementation of the Financial Services Action Plan and the bearing it has on other operational objectives such as consumer protection.

As regards the Markets 5 operational objective (to secure effective market-opening legislation in the utilities and transport sectors, whilst preserving universal services), attention should be drawn to the legislative provision concerning the adoption by the European Parliament and the Council of a directive establishing airport charges.

C. Lastly, Strategic Objective 3 relating to businesses should include all the legislative and non-legislative target actions under the Business 1 and Business 2 operational objectives so that all parties can work together to ensure that market integration is not undermined by anti-competitive practices and that tax barriers to the internal market and unfair tax competition are eliminated, for which purpose the following measures are proposed:

1. The Business 1 target actions with legislative measures:

- modernisation of the rules on competition,
- adoption of block exemption regulations for state aid to SMEs, for training aid and on the ‘de minimis rule’,
- proposal for a regulation amending Council Regulation 1107/70 on state aids in inland transport

and non-legislative measures:

- adoption of guidelines to the block exemption regulation for vertical restraints,
- review of the Commission’s policy on horizontal cooperation agreements,
- follow-up to the Commission notice on the application of state aid principles to measures relating to direct business taxation.

2. To achieve the Business 2 operational objective (relating to taxation), legislative target actions are needed for:

- the adoption by the Council of directives on the taxation of savings, interests and royalties and on energy taxation,
- Commission proposals for consolidating the Sixth VAT Directive (77/388), modernising VAT legislation in the internal market, modernising the system of excise duties and making it more internal market friendly, and putting forward measures against tax provisions restricting full access by taxpayers to the internal market,

whilst the non-legislative target actions which are called for include a tax-competition code of practice and an agreement on roll-back or amendments to harmful tax measures under the code, the Commission report on company taxation and the Commission report to the Council on the system of excise duties.

## **CONCLUSIONS**

The Committee on Economic and Monetary Affairs calls on the Committee on Legal Affairs and the Internal Market as the committee responsible to incorporate the following conclusions into its report:

1. Notes that the Communication on the internal market contains no significant innovations by comparison with previous Commission documents since it does little more than bring together measures which are already in operation; notes that, in other areas, the Communication merely announces measures without specifying either the content thereof, a detailed time-frame, or the objectives which they are intended to achieve;
2. Urges the Commission to ensure that its proposal for a regulation to update the rules on competition (revision of Regulation 17/62) takes into account Parliament’s views (drawing up of new procedural rules, right of defence, dividing up of the procedure into separate, establishment of time limits for the proceedings [applicable to the Commission as well], certification and access to the file of the interested parties);

3. Notes that the Commission is proposing to revise its policy on horizontal agreements and urges it to fully consult with Parliament on the approach (as yet unknown) which that revision is to adopt;
4. Regrets the fact that the action taken with regard to competition policy does not include a stronger stance against the abuse of a dominant position, including sectors which have been liberalised and privatised;
5. Welcomes the announcement of measures both legislative (adoption of the block exemption regulation and reform of Regulation 1187/70) and non-legislative (application of measures relating to direct taxation) in the field of state aid;
6. Notes that, one full year after the introduction of the euro, the high cost of bank-to-bank transfers in euro across Europe maintains monetary barriers which ought to have been offset; wants the Commission to take the necessary steps to forbid, from January 2001 on, levying fees on EU-11 inter-bank transfers in euro which are higher than the ones levied on the national market;
7. Notes that in the field of taxation measures the communication refers to measures already contained in the 1997 Single Market Action Plan;
8. Notes that among the measures relating to the taxation package the Commission has included a number of measures proposed by Parliament in paragraph 3 of its resolution of 20 November 1997;
9. Stresses the need for measures to be adopted such as a reduction in the tax burden on employment, a timetable for the progressive approximation of VAT rates; the introduction of a lower VAT rate for labour-intensive activities and the principle of payment at the place of origin, abolition of the double taxation of cross-border workers,(eleven words deleted) the abolition of tax havens and the drawing up of common principles on taxation schemes;
10. Notes that the Helsinki Council did not adopt the package for lack of adequate progress in the two components of the package, i.e. the simultaneous adoption of directives on the taxation of savings and on company taxation; points out that there is no reason to kill off fair tax competition in the European Union and that the priority must be to eliminate the distortions which do exist and are actually disrupting the single market, that the competitiveness of European financial markets on a world scale must be preserved, and the geographical coverage of the directive on the taxation of savings should be extended to dependent or associate territories where Member States have special responsibilities and to non-Community countries likely to attract capital from the European Union;
11. Urges the Council to swiftly adopt the Directive on introducing a minimum tax on energy products while taking into account the European Parliament's resolution on the subject (Cox report);

12. Calls on the Commission to ensure the correct implementation of the liberalisation of the energy markets and to avoid any measures relating to the taxation of energy products which would result in increased costs, thus making companies located in the Union less competitive with non-Community undertakings with disastrous consequences in particular for employment;
13. Urges the Commission to come forward with proposals on indicators for environment-performance and environment-efficiency of the internal market, in particular for the transport, energy, agriculture and industry sector; wants the Commission to carry out an assessment on the environmental impact of measures in the internal market as well as to monitor the progress in integrating environment considerations into the Single Market as part of the Single Market Scoreboard;
14. Considers that the economic incentives which are proposed in the communication should be designed as a priority to achieve the full completion of the internal market;
15. Welcomes the fact that the Commission in its latest Single Market Scoreboard gives special attention to progress in the implementation of the Financial Services Action Plan, and points out that while indeed some progress has been made there are still major issues to be addressed in this field and the Commission's expectations prove to be overoptimistic in some areas;
16. Requests that the Commission informs the European Parliament – as far as financial services are concerned – in detail of
  - obsolete legislation or legislation in need of revision due to market developments and innovation;
  - existing EC legislation where transposition into national law is still not completed;
  - cases or sector- related legislation, where the Commission has not pursued a strict policy towards Member States which have either systematically or occasionally abused Community legislation;
  - pending legislation before the Council (such as the proposal for a Directive on take-over bids), which has created a vacuum in the Community legal framework, resulting in predatory behaviour or in unfair competition;



1 February 2000

## **OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS**

for the Committee on Legal Affairs and the Internal Market

on the communication from the Commission on the strategy over the next five years for Europe's internal market  
(COM(1999) 464 – C5-0212/1999 – 1999/2167(COS))

Draftsman: Manuel Medina Ortega

### **PROCEDURE**

The Committee on Employment and Social Affairs appointed Manuel Medina Ortega draftsman at its meeting of 22 November 1999.

It considered the draft opinion at its meetings of 25 January 2000 and 1 February 2000.

At the last meeting it adopted the amendments below by 30 votes to 4, with 8 abstentions.

The following were present for the vote: Michel Rocard, chairman; Winfried Menrad, Marie-Thérèse Hermange and José Ribeiro e Castro, vice-chairpersons; Manuel Medina Ortega, draftsman; Sylviane H. Ainardi, Jan Andersson, Philip Rodway Bushill-Matthews, Chantal Cauquil (for Ilda Figueiredo), Alejandro Cercas Alonso, Luigi Cocilovo, Elisa Maria Damião, Proinsias De Rossa, Den Dover (for María Antonia Avilés Perea), Harald Ettl, Jillian Evans, Carlo Fatuzzo, Hélène Flautre, Fiorella Ghilardotti, Marie-Hélène Gillig, Anne-Karin Glase, Koldo Gorostiaga Atxalandabaso, Roger Helmer (for Rodi Kratsa), Ian Stewart Hudghton, Stephen Hughes, Anne Elisabet Jensen (for Massimo Cacciari), Karin Jöns, Ioannis Koukiadis, Arlette Laguiller, Jean Lambert, Giorgio Lisi (for Raffaele Lombardo), Elizabeth Lynne, Thomas Mann, Mario Mantovani, Mauro Nobilia, Neil Parish (for Guido Podestà), Manuel Perez Alvarez, Bartho Pronk, Herman Schmid, Peter William Skinner, Miet Smet, Bruno Trentin (for Ieke van den Burg), Anne E.M. Van Lancker and Barbara Weiler.

## **SHORT JUSTIFICATION**

In its communication the Commission outlines a strategy to improve the functioning of the internal market designed to provide a blueprint for the years 2000-2004. Strategic objectives are set in four areas: citizens, markets, business environment and external aspects. These objectives are to be met by specific measures, the so-called operational objectives.

From a social policy standpoint, there are various areas in which the emphasis of the measures needs to be changed or additional measures need to be proposed.

### **Improving the quality of life of citizens**

1. The market is simply a means of negotiating the living conditions of citizens and it will not be truly effective unless it improves these conditions. That is why the internal market strategy must focus on this objective. When standards of living improve, consumers enjoy the purchasing power necessary to increase the demand for goods and services. This in turn allows for increased production and thus economic growth with its positive impact on employment. Accordingly, the smooth functioning of the market, which is the objective of the internal market strategy, requires continual improvements in the standard of living.

### **Harmonisation of European social policies**

2. The elimination of barriers to the internal market should go hand in hand with measures to harmonise social policies, so that differences in these policies do not lead to restrictions on competition. Without harmonisation, European businesses will be competing with their products in a single market, but will have to meet different national social requirements, which may restrict competition.

### **A genuine European labour market**

3. A flexible and mobile labour force in the internal market will be possible only when a European social policy is developed that can guarantee that equal services will be provided regardless of place of residence or place of business. Labour mobility in Europe requires the introduction of European employment services which, in addition to providing information to job seekers, can facilitate training and adjustment to new working and living conditions. As far as social security is concerned, the ideal for the purposes of integration would be a genuine European social security system replacing the current system of harmonising national schemes.
4. A single European labour market will require increased harmonisation of systems for vocational training and recognition of qualifications. The Community provisions in this field need to be supplemented and updated. The Member States must ensure that the provisions in force are applied more effectively, a fact illustrated by the large number of complaints received (see single market scoreboard No 5). Similarly, unnecessary bureaucratic controls on changes of residence across the internal frontiers of the European Union must be eliminated.

5. The rights of workers to information, consultation and participation have still to be defined for businesses operating at European level. These rights should be dealt with in the context of the European company statute and the related proposals on workers' cooperatives and mutual societies, as well as in the specific directive on this matter.

#### **Reform of capital markets and taxation, protection of intellectual property rights and guarantee of basic social services**

6. Most companies have undergone structural reforms which have led to job losses and a reduction in workers' benefits. Future reforms should focus on two aspects.

First, the functioning of the capital markets. The liquidity and smooth functioning of these markets facilitate business investment by providing the capital necessary for the creation, extension or maintenance of production activities. Investment maintains and stimulates employment.

Second, tax harmonisation measures that will enable a continual process of income distribution to be undertaken as part of a move towards social equality. There is a trend in some Member States towards increasing indirect taxes and reducing direct taxes. Increases in indirect taxes, such as value added tax, have a greater impact on those with lower incomes who spend more of their income on consumption. New tax harmonisation measures in the Union should rectify this situation, which accentuates social differences.

7. The protection of intellectual property rights is essential in order to stimulate creativity and innovation. As the information society develops, a legal framework must be drawn up as quickly as possible to provide effective protection for the rights of intellectual creation and artistic performance in the face of the new forms of intellectual piracy emerging in Europe as communications networks develop.
8. Extending the concept of the internal market to embrace public services has its limits with regard to the maintenance and development of European social model. This model must maintain a hard core of public services that make it possible to maintain a high level of public provision in the fields of education, culture, health, pensions, transport and the environment.

#### **Complying with employment objectives**

9. At the Luxembourg Summit in November 1997 the Member States agreed to co-ordinate their employment policies. Employment guidelines are drawn up every year for this purpose. The internal market strategy must comply with the employment objectives laid down in these guidelines.

## **Economic and social cohesion within the Union and with the applicant countries**

10. The internal market strategy must include measures aimed at economic and social cohesion. The harmonious development of the internal market depends on such measures. Unless they are taken, inequalities between regions will widen bringing the risk of asymmetrical crises in the economic and monetary union. The Structural Funds and the Cohesion Fund are vital in ensuring harmonious development.
11. The enlargement of the Union cannot be achieved without a cohesion programme and this will require greater resources than those provided for in Agenda 2000 and the financial perspective for the period 2000-2006. With the funds allocated at present, it would not be possible to carry through any enlargement before the end of the next decade. A revision of the financial perspective is needed to provide the Union's budget with more funds for the pre-accession instruments and other funds for this purpose.

## **The outermost regions**

12. The particular handicaps suffered by the outermost regions means that the general rules governing the internal market cannot be applied to them. Article 299 (2) of the EC Treaty takes into account this special situation and makes provision for specific measures to be adopted for these regions not governed by special or temporary conditions.

## **Minimum social conditions for multilateral trade**

13. The objective of global free trade cannot be achieved unless minimum social conditions are established in those countries which wish to benefit from a worldwide system of economic freedom.

# **CONCLUSIONS**

The Committee on Employment and Social Affairs calls on the Committee on Legal Affairs and the Internal Market, as the committee responsible, to include the following points in its motion for a resolution:

1. Welcomes the Commission proposal on the simplification and modernisation of the regulation on social security schemes; expects however from the Commission a more ambitious proposal on a global reform of Regulation 1408/71, in order to ensure an effective free movement of workers and citizens in general, with particular reference to the portability of their rights in order to maintain the rights accorded under the different national laws; proposes to develop EURES into a European employment service; considers that any obstacles within social security schemes which limit employment opportunities should be eliminated;

2. Welcomes the Commission communication on a concerted strategy for modernising and improving social protection in the European Union, and believes that this should be considered as a starting-point towards a process of convergence in social protection similar to the employment process started in Luxembourg;
3. Calls on the Commission to submit without delay proposals to amend the directive on the recognition of vocational training, including training for the disabled, and to recast the directives on the right of residence so as to promote mobility within the internal market and keep red tape to a minimum with the aim of improving employment opportunities (employability) as part of the principle of free movement of persons;
4. Stresses the need to tackle the question of the rights of workers in European companies to information and consultation and calls on the current Council Presidency to pave the way for an agreement on the European company statute and on the proposal for a directive on this subject; calls on the Presidency to start discussions in Council on the framework directive for informing and consulting employees in the European Community;
5. Stresses the need to introduce reforms to improve the functioning of the capital markets and welcomes the Commission proposal for an action plan for financial services in general;
6. Calls for the cooperation on taxation policy to include an agreement on coordination of tax regulations and harmonisation of minimum rates to prevent and counteract the damaging effects of unfair tax competition on employment, social protection, and free movement while opening the way to further progress towards the goals charted by the Commission as regards the European employment strategy and macro-economic policy coordination;
7. Calls on the Commission to submit without delay proposals for a legal framework to protect the rights of intellectual creation and artistic performance;
8. Stresses the need to maintain a high level of public provision in the fields of education, culture, health, pensions, transport, the environment, energy and communications;
9. Calls on the Commission to examine the internal market strategy in the light of its effects on employment and its compatibility with the employment guidelines;
10. Calls on the Commission to ensure that the internal market strategy is accompanied by cohesion measures to prevent a widening of inequalities between regions, always bearing in mind the central importance in the Treaties of the principle and objective of economic and social cohesion, as provided for in Article 158 of the TEC;
11. Calls on the Commission to ensure that the effectiveness of the Structural and Cohesion Funds in achieving the goal of achieving economic and social cohesion enshrined in the Treaty, which forms a central plank of the Agenda 2000 proposals, is maintained in the future as priorities continue to evolve in a more diverse Union; considers that expenditure for the three pre-accession instruments (PHARE, the agricultural instrument and the structural instrument) have an important role to play in ensuring cohesion for the applicant countries;

12. Considers it essential to guarantee the stability of the balance reached in Agenda 2000 and the financial perspective for 2000-2006; recommends, however, that these funds be increased if, during this period, additional funds are needed to better attain social and economic cohesion in the Member States and the applicant countries, without undermining programmes previously adopted;
13. Calls on the Commission to draw up proposals for special measures to assist the outermost regions as provided for in Article 299(2) of the Treaty;
14. Calls for the improvement in citizens' living standards brought about by efficient working of the market to be guaranteed to the same extent for the weak sections of the population;
15. Stresses the need to work for the establishment of minimum social conditions in the negotiations on a global free trade framework, totally rejecting every form of inequality, racism or xenophobia.

23 February 2000

## **OPINION OF THE COMMITTEE ON FISHERIES**

for the Committee on Legal Affairs and the Internal Market

on the Communication from the Commission to the European Parliament and the Council - 'The Strategy for Europe's Internal Market' (COM(1999) 464 – C5-0212/1999 – 1999/2167(COS)) (report by Ana Palacio Vallelersundi)

Draftsman: Daniel Varela Suanzes-Carpegna

### **PROCEDURE**

At its meeting of 23 November 1999 the Committee on Fisheries appointed John Joseph McCartin draftsman.

It considered the draft opinion at its meetings of 7 December 1999, 26 January 2000 and 21 February 2000.

At the last meeting it adopted the following conclusions by 8 votes to 6.

Mr McCartin stepped down as draftsman before the result of the vote was announced, and Mr Varela Suanzes-Carpegna, as committee chairman, took over as draftsman of the opinion.

The following were present for the vote: Varela Suanzes-Carpegna, chairman and rapporteur; Miguélez Ramos, vice-chairman; Attwooll, Fraga Estévez, Hudghton, Jové Peres (for Papayannakis), Katiforis (for Candal), Kindermann, Lisi (for Tajani), McCartin (for Cunha), Poignant, Stevenson (for Langenhagen), Taylor (for Ford) and van Hulten (for Lavarra).

## **GENERAL COMMENTS**

The common fisheries policy constitutes one of the few areas of Community activity where up to now, very few steps have been taken to advance the construction of a true internal market. This lack of action arises from the very origins of the common fisheries policy.

Indeed, Council Regulation 3760/92 of 20 December 1992, establishing a Community system for fisheries and aquaculture, provides for derogations in respect of the internal market, notably in Articles 6 and 7, which allow derogations from the principle of freedom of access to fishing grounds, so that Member States have the right of exclusive exploitation of their fisheries resources within a 12-mile coastal band, as well as a series of preferential fishing rights, through the application of the 'relative stability' principle, and a number of restrictions on exercising fishing activities in certain areas such as the Shetland Box.

These restrictions on the principle of freedom of action were originally intended to be temporary measures that would apply until 1 January 2003, as a mechanism to allow certain Member States' fishing industries to adapt to the rules of free competition in an increasingly open and globalised market. Over 20 years have passed and, as we are about to embark upon a general review of all aspects of the common fisheries policy, which, for compelling legal reasons, must take place in 2002, it is now time to examine whether the transitional period for adaptation to free competition provided for in Regulation 3760/92 should be ended.

## **CONCLUSIONS**

The internal market in the fisheries sector

The Committee on Fisheries calls on the Committee on Legal Affairs and the Internal Market, as the committee responsible, to incorporate the following points in its motion for a resolution:

- Notes that, at present, the common fisheries policy contains a number of derogations from the rules of the Community's single market, and this has an effect on the functioning of the sector in the context of the internal market;
- Recalls that the common fisheries policy is currently the subject of a study which, in 2002, is to result in a number of decisions being taken on the need to reform the policy and on the scope of any such reforms. This is why one of the aspects which must be dealt with as a matter of priority as part of this general review is that of bringing the CFP's legal framework into line with the general legal framework of Community legislation;



29 February 2000

## **OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Legal Affairs and the Internal Market

on the Commission Communication to the European Parliament and the Council entitled 'The Strategy for Europe's Internal Market'  
(COM(1999) 464 – C5-0212/1999 – 1999/2167 (COS))

Draftsman: Alexandros Baltas

### **PROCEDURE**

At its meeting of 7 December 1999 the Committee on Industry, External Trade, Research and Energy appointed Alexandros Baltas draftsman.

It considered the draft opinion at its meetings of 26 January, 1 February and 24 February 2000.

At the last meeting it adopted the conclusions below by 36 votes to 10, with 1 abstention.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Nuala Ahern, Peter Michael Mombaur, vice-chairmen; Alexandros Baltas, draftsman; Konstantinos Alyssandrakis, Maria del Pilar Ayuso González (for Dominique Vlasto), Eduard Beysen (for Willy C.E.H. De Clercq), Guido Bodrato, Massimo Cacciari (for Colette Flesch), Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Dorette Corbey (for Elena Valenciano Martínez-Orozco), Claude J.-M.J. Desama, Harlem Désir, Concepció Ferrer, Christos Folias, Glyn Ford, Jacqueline Foster (for Marjo Tuulevi Matikainen-Kallström), Neena Gill (for Eryl Margaret McNally), Robert Goebbels (for Norbert Glante), Malcolm Harbour, Alain Lamassoure, Werner Langen, Rolf Linkohr, Linda McAvan, Nelly Maes, Erika Mann, Elizabeth Montfort, Angelika Niebler, Barbara O'Toole (for Mechthild Rothe), Reino Kalervo Paasilinna, Yves Piétrasanta, Elly Plooi-j-van Gorsel, John Purvis, Godelieve Quisthoudt-Rowohl, Alexander Radwan (for Paul Rübig), Daniela Raschhofer, Imelda Mary Read, Christian Foldberg Røvsing, Konrad K. Schwaiger, Esko Olavi Seppänen, Astrid Thors, Claude Turmes (for Ilka Schröder), Jaime Valdivielso de Cué, W.G. van Velzen and Alejo Vidal-Quadras Roca (for Renato Brunetta).

## **SHORT JUSTIFICATION**

The introduction, on 1 January 1993, of a legislative framework for the single market was not so much the end as the starting point for a shift in the administrative, trading and organisational practices of those at grass-roots level, who had (and still have) to adjust in order to enable the internal market to operate seamlessly. Following the legislative stage and then a monitoring process to ensure that Community provisions have actually been incorporated into national law (checking compliance with the law is an on-going task, whilst the 'scoreboard' is still a necessary and extremely important tool), the role of the Community authorities will in future be primarily that of helping to ensure that the obligations and the opportunities arising out of the texts are acted upon in a way which not only corresponds to practices at national level but also brings added value to the people for whom those texts are ultimately intended, be they consumers, users, travellers, students, workers, etc. To do this, two different types of initiative are called for: one the one hand, programmes which provide major financial investment in training or facilities, such as IDA, Matthaeus etc., or which pursue technical harmonisation beyond the mere principle of mutual recognition. This has enabled many of the obstacles which prevented the single market from functioning to be overcome but is not always enough to enable the market to achieve its full potential.

On the other hand, other actions are more concerned with the linking and the exchange of best practices, and with benchmarking. Such pragmatic approaches are apparent in administrative organisation initiatives such as SLIM and in the support for the efforts being made by industry (through ad hoc groups) to supply the market with products which meet common specifications in technological areas in which the traditional standardisation process cannot keep up with the challenging changes in the market.

It is important that the general public should come to place greater trust in the free market and in a competitive economy, to which end the laws of the Member States should ensure that the utmost advantage can be derived from the integration of the markets in terms of competitiveness and employment, whilst safeguarding an adequate level of welfare provision.

## **CONCLUSIONS**

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Legal Affairs and the Internal Market, as the committee responsible, to incorporate the following points into the motion for a resolution which it subsequently adopts:

- A. whereas the creation of a European market based on common rules and mutual recognition is an essential element in improving European competitiveness.
- B. whereas the European internal market is faced with the increasingly rapid globalisation of the world economy, the effect of which is heightened by developments in information and communications technology (ICT).
- C. whereas the EU is faced with the enormous challenge of basing future economic success on specialisation of markets and local creativity.

## STRATEGY AND METHODS

1. Considers the strategy set out in the document which has been submitted to Parliament to be consistent with the approach (or, more precisely, with the range of complementary approaches) adopted by the Commission. It does not call previous practice into question but, rather, formalises it.
2. Regards the proposed supervision methods, which are largely based on business management methods, as a challenge to be taken up with vigilance and determination by traditional administrations. This is positive but it should be ensured that the Commission's interlocutors (national and regional governments, business federations, even the Commission's own staff in certain cases) genuinely have the capacity to incorporate those methods and to react to them appropriately.
3. Improving and simplifying the legal, administrative and fiscal environment in order to enable companies to operate efficiently and effectively within the internal market must continue to be an objective. Laws must be promoted which do not involve costs and other burdens, especially for small and medium-sized businesses which would otherwise lose their competitive advantage over foreign competitors and which are a central feature of measures to improve the business climate and foster innovation.
4. Welcomes the initiative taken by the Commission to launch measures to simplify legislation, although it stresses the need for legislation to be applied uniformly by all the Member States, with particular reference to customs procedures.
5. Is concerned that the advantage to businesses of treating the whole of the EU (even the whole of the EEA) as a single market rather than as a collection of national markets is not always apparent to them, and neither administrative obstacles nor the behaviour of consumers is enough to explain this cautious attitude. Mass information campaigns similar to those conducted in the case of the euro and incentives to encourage the private sector not to treat partners from other Member States unfavourably should be considered.
6. Points out that the strategic objectives selected must be such as to demonstrate particular attention for the people of Europe from the point of view of environmental protection, the management of natural resources and public health safeguards. Particular attention must also be paid to working conditions within companies in order to prevent accidents of any kind and to create a pleasant atmosphere for workers.

7. Points out that a single European patent is essential if the Internal Market is to be regarded as a success in the field of research, industry and technological progress. The Commission's proposals hitherto have become bogged down in the costly problem of translation.

Points out that, as stated, for example, in Parliament's report of 30 March 1999 on fostering entrepreneurship in Europe (rapporteur Mrs Kestelijn-Sierens, A4-0172/99), the European Union is urgently in need of a rapid, simple and inexpensive Community patent in order to foster intellectual and industrial property, which is the expression of our creativity and inventiveness, as a source of economic growth and of the proper functioning of the internal market.

8. Considers that the European Union must consolidate its role as a protagonist in the development of a multilateral trade system. To that end it must help to break the Seattle deadlock, from which the World Trade Organisation must emerge in stronger shape once it has thought carefully about the way in which it operates, with particular reference to the transparency of decision-making procedures, relations with other international organisations and the importance to be attached to the commercial interests of developing countries.

#### ASPECTS RELATING TO A PARTICULAR SECTOR

9. Stresses that taking full advantage of an internal market for financial services should be one of the key features of the general strategy for the Internal Market.
10. Considers that the Single Market in pharmaceuticals is incomplete and that the consequent market distortions are causing wide disparities in patient access to needed medicines;

Is therefore of the opinion that progressive liberalisation of the pharmaceutical market is needed in order to improve patient choice and access to high-quality, safe, efficacious and cost-effective medicine and to ensure that these medicines are available throughout the European Union;

Calls on the Commission to include in its programmes a proposal for a Framework Directive for completing the internal market in pharmaceuticals by introducing a gradual economic liberalisation of all segments of the industry.

11. Is concerned that late implementation of the electricity directive by certain Member States (whose state monopolies are in some cases at the same time benefiting from the liberalised markets of those Member States who have complied) is very damaging and anti-competitive. Believes that severe penalties should be imposed on any failure to implement single-market legislation.