


# Procedure file

Basic information		
COS - Procedure on a strategy paper (historic)	<a href="#">2002/2143(COS)</a>	Procedure completed
Internal market: 3rd 2002 review.		
Subject 2 Internal market, single market		

Key players			
European Parliament	Committee responsible		Rapporteur
	<b>JURI</b> Legal Affairs and Internal Market		Appointed 22/05/2002
			PPE-DE <a href="#">HARBOUR Malcolm</a>
	Committee for opinion		Rapporteur for opinion
	<b>ECON</b> Economic and Monetary Affairs		Appointed 19/06/2002
			PSE <a href="#">MARTIN David</a>
Council of the European Union	<b>ITRE</b> Industry, External Trade, Research, Energy		
	Council configuration		Meeting
	<a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a> <a href="#">2462</a>		Date 14/11/2002
	<a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a> <a href="#">2451</a>		30/09/2002
	<a href="#">Competitiveness (Internal Market, Industry, Research and Space)</a> <a href="#">2426</a>		21/05/2002
European Commission	Commission DG		Commissioner
	<a href="#">Financial Stability, Financial Services and Capital Markets Union</a>		

Key events			
11/04/2002	Non-legislative basic document published	<a href="#">COM(2002)0171</a>	Summary
21/05/2002	Resolution/conclusions adopted by Council		
01/07/2002	Committee referral announced in Parliament		
30/09/2002	Debate in Council	<a href="#">2451</a>	
14/11/2002	Resolution/conclusions adopted by Council		Summary
28/01/2003	Vote in committee		Summary
	Committee report tabled for plenary		

28/01/2003		<a href="#">A5-0026/2003</a>	
12/02/2003	Debate in Parliament		
13/02/2003	Decision by Parliament	<a href="#">T5-0058/2003</a>	Summary
13/02/2003	End of procedure in Parliament		
19/02/2004	Final act published in Official Journal		

### Technical information

Procedure reference	2002/2143(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 050; Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	JURI/5/16361

### Documentation gateway

Document attached to the procedure	<a href="#">B5-0683/2001</a>	20/12/2001	EP	
Non-legislative basic document	<a href="#">COM(2002)0171</a>	11/04/2002	EC	Summary
Document attached to the procedure	<a href="#">SEC(2002)0569</a>	14/05/2002	EC	Summary
Document attached to the procedure	<a href="#">B5-0313/2002</a>	11/06/2002	EP	
Economic and Social Committee: opinion, report	<a href="#">CES0871/2002</a> <a href="#">OJ C 241 07.10.2002, p. 0180</a>	17/07/2002	ESC	
Document attached to the procedure	<a href="#">COM(2002)0419</a>	23/07/2002	EC	Summary
Document attached to the procedure	<a href="#">COM(2002)0441</a>	30/07/2002	EC	Summary
Document attached to the procedure	SEC(2002)1243	13/11/2002	EC	
Committee report tabled for plenary, single reading	<a href="#">A5-0026/2003</a>	28/01/2003	EP	
Text adopted by Parliament, single reading	<a href="#">T5-0058/2003</a> OJ C 043 19.02.2004, p. 0279-0325 E	13/02/2003	EP	Summary

## Internal market: 3rd 2002 review.

**PURPOSE** : to present the 2002 Review of the Internal Market Strategy. **CONTENT** : this is the third annual review of the Strategy. It draws together the different strands of Internal Market Policy in a single document and provides decision-makers with a roadmap for the next 18 months. It is based on a thorough analysis -mainly based on the Cardiff Report - of the areas where the Internal Market still needs to be improved. It sets out a series of target actions aimed at filling these gaps. The document also monitors progress since last year's review. It reveals a mixed picture. The success rate for completing target action stands at just over 50% which is about the same as last year. Overall progress has not been fast enough. The added impetus from the Barcelona Council offers the chance to accelerate delivery. The need for continuity and results is the central message of this Communication which centres on the same broad objectives as last year's review: -pressing ahead with the economic reforms agreed at Lisbon and reaffirmed at Barcelona; -gearing up to exploit the opportunities which will soon be offered by an enlarged Internal Market; -ensuring that the Internal Market brings tangible benefits to citizens, especially in their role as consumers and business, particularly SMEs; -a continuing emphasis on appropriate harmonisation, mutual recognition, transposition, compliance and enforcement, problem-solving and standardisation. These fundamentals are essential to ensuring that the Internal Market works in practice, not just in theory. The Communication also states that, to be effective, action needed must be a shared agenda for the Commission, Council, European Parliament and the Member States. The target actions selected have been grouped under four headings: -modernising markets. The actions include adoption of proposals for the final stage of the market opening of gas and electricity, for the creation of the Single European Sky, proposals on pensions funds and adoption of the public procurement package. -improving business

conditions. Target actions include the simplification of the regulatory environment, and a more efficient enforcement of the competition rules. -meeting citizens' needs. Target actions include the adoption of a state-aid framework for services of general economic interest and a legal framework for enforcement cooperation between public authorities responsible for protection consumer economic interests. anticipating enlargement, where target actions include the establishment of twinning arrangements and carrying put training programmes for officials in candidate countries.?

## Internal market: 3rd 2002 review.

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The European Commission has presented the internal market scoreboard (May 2002). The document is about performance and results. It measures progress, or lack of progress, on three fronts. First, it studies how well Member States are implementing Internal Market legislation. Here there has been an improvement in most Member States' records concerning the timely transposition of Internal Market law and in a few cases a very marked improvement, but 8 Member States are still struggling to meet the European Council's target of a 1.5% transposition deficit. Member States will now need to work even harder to meet the additional zero tolerance target set by the Barcelona European Council for directives more than two years overdue. Member States must also begin to reduce seriously the number of infringements for which they are responsible. Second, the Scoreboard looks at remaining technical barriers and progress made to plug outstanding gaps in the legislative framework. Remaining barriers must be removed if the EU is to exploit the Internal Market's full potential. Success is a prerequisite for the Union to become the strongest economy in the world by 2010. The realisation of an Internal Market without tax obstacles is a key priority for the Commission. Without decisive action to remove these obstacles, the EU will not become the most competitive economy. The next Scoreboard will highlight the nature and impact of obstacles and will outline the Commission's strategy to remove them. The Barcelona European Council called on the Commission to highlight technical barriers to trade in this Scoreboard. While there are no readily available data which would allow us to identify clearly the significance of technical barriers for each Member State and compare their performance, the Commission has made a first attempt to describe the situation in certain product sectors including the real impact of remaining barriers to trade. The primary conclusion is that, for some industry sectors a new approach may be needed, as current arrangements seem to have reached the limits of their effectiveness. Third, the Scoreboard revisits the question of prices. While the Scoreboard traditionally examines inputs (e.g. directives adopted and transposed, infringements), what matters most is practical results. The Internal Market must deliver tangible benefits, enhancing opportunities and well-being for both citizens and businesses. Price convergence is an important indicator of the Internal Market's functioning. The Commission intends to publish regularly price information to promote transparency and raise awareness: this edition of the Scoreboard reports on the results of a price survey for common groceries which suggest that there is considerable scope for further price convergence - i.e. lower prices.?

## Internal market: 3rd 2002 review.

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The European Commission has presented its second biennial report on the application of the principle of mutual recognition in the single market. The report recalls the importance of mutual recognition for the proper operation of the single market should not be underestimated: the economic value of intra-Community trade in products covered by mutual recognition is estimated at approximately EUR 430 billion. The main conclusions of the report are as follows: - the specific assessments of how mutual recognition operates, carried out between 1999 and 2001, confirm that mutual recognition operates well for products which pose few safety problems, such as bicycles, tanks and containers. - in contrast, the application of mutual recognition for technically complex products (e.g. buses, lorries, construction products and precious metals) or products which can pose safety or health problems (such as food supplements and fortified products) seems to operate less well because a number of economic operators and national administrations are unfamiliar with the principle (lack of information, absence or refusal of dialogue or administrative cooperation). - in order to facilitate the application of mutual recognition for products between economic operators and national administrations, the Commission will adopt guidelines on this subject in a communication to the Member States and economic operators. The communication will explain the rights and obligations of the parties concerned in cases where the principle of mutual recognition needs to be applied. In addition, it will ensure that the best possible use is made of existing instruments in order to root the proper application of the principle of mutual recognition in national legislation and administrative practice. Practical guides by sector or group of sectors and seminars will probably remain effective tools for increasing familiarity with and improving the operation of the principle, not only in the Member States but also in the candidate countries. These tools are particularly important for the bodies which are involved and cooperate in conformity checking. - in the specific sectors in which national rules provide for such different levels of protection that the principle of mutual recognition cannot properly fulfil its role (as in the field of fortified foodstuffs and construction products), harmonisation will continue to be the most suitable solution, on condition that it covers all the problems for which mutual recognition cannot provide an effective solution. Harmonisation is also an important tool, particularly in relation to the protection of health, the environment and the consumer. In the field of services, the Commission has just defined a new strategy based partly on the application of mutual recognition as a means of eliminating the redundant (and often contradictory) superposition of regulations which constitute barriers to cross-border trade and stifle innovation. Mutual recognition will continue to play a very important role in the field of financial services.?

## Internal market: 3rd 2002 review.

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This report is intended to present the difficulties affecting the provision of services between Member States as perceived by interested parties according to the consultations carried out by the Commission and Member States, or which arise from complaints, written and oral Parliamentary questions, petitions or studies and surveys. These consultations, accompanied by specific studies, will be continued in order to obtain further information, in particular on the situation of consumers in the Internal Market for services. A decade after the envisaged completion of the Internal Market, there is a huge gap between the vision of an integrated EU economy and the reality as experienced by European citizens and European service providers. The complexity and severity of legal barriers, which have replaced physical and technical ones for a large variety of services, is far more wide-ranging than was expected when the new Strategy for Services was launched. The loss to the competitiveness of European economy as a whole cannot be underestimated. At this point it is already obvious that the goal set by the Lisbon Council to make the European economy the most competitive in the world cannot be met unless sweeping changes are made to the functioning of the Internal Market for services in the near future. The nature and scope of the problems to be addressed require a major effort and a clear political commitment by all European institutions and the Member States to give high priority both to the removal of existing barriers and to the avoidance of new ones, while taking care to maintain a high level of protection of objectives of general interest. Candidate

countries should as far as possible be involved in this process. It should be noted that this report does not seek to take a position either on the compatibility with Community law of national measures which are at the root of the difficulties described here, or on possible proposals to improve the functioning of the Internal Market for services. This report will serve as the basis of work for actions to be launched as a second stage of the Services Strategy in 2003 following discussions with the European Parliament, Member States and interested parties. These discussions need to cover the barriers to the cross-border provision and consumption of services, as well as obstacles to cross-border establishment, encountered in a wide variety of service activities. Cross-border establishment, which plays an important role for service providers, needs to be facilitated by removing unnecessary administrative burdens and reducing red tape. However, SMEs are predominant in the services industry and for them crossborder service provision, rather than establishment, remains the principal way to exploit new markets, thanks in particular to the information technologies which overcome many of the reasons for permanent physical presence. It is therefore important to encourage cross-border service provision and make this as easy as it would be to provide services within a single Member State. To achieve these objectives the Commission will, as outlined as part of the second stage of the Internal Market Strategy for Services, propose the necessary legislative actions, the scope and content of which require further analysis. In this respect a careful balance will have to be found between the need to avoid too detailed and wide-ranging regulation at the EU level and the need to protect the general interest objectives concerned. This requires more detailed analysis of areas for additional harmonisation that will be carried out in close co-operation with the European Parliament, Member States and other stakeholders. Particular attention will be given to barriers directly affecting the freedom to receive services by European citizens. In this context there will be close examination of demand-side issues, particularly the situation of consumers in the Internal Market for services. Work in progress aiming to ensure a high level of consumer protection will serve to reinforce the conditions necessary for consumer confidence in cross-border transactions. To address non-regulatory barriers, the Commission will, as outlined in the Strategy, propose appropriate measures of a non-legislative nature. In this respect, the Commission will in the first instance tackle the need for information and assistance for citizens and companies wanting to use or provide cross-border services.?

## Internal market: 3rd 2002 review.

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The Council welcomes the Commission report on the state of the Internal market for Services, which completes the first stage of the Internal Market Strategy for Services and which provides an excellent basis for the second stage of the Strategy. It also welcomes the inclusion of the Commission's report of a comprehensive inventory of legal barriers throughout the various stages of a service provider's activity, including administrative burdens at national, regional and local levels affecting establishment, barriers to the cross-border posting of workers, restrictions on the use of commercial communications and marketing strategies, authorisation and registration requirements for cross-border services, the duplication of requirements already fulfilled in the Member State of establishment, and many others. In addition, it recognises that better integration and interconnection of network industries will improve crossborder services and emphasises the importance of ensuring that initiatives in all policy areas which affect crossborder services are coherent with the aims of the Cardiff economic reform process and contribute to the overall goal set by the Lisbon European Council; in this context, encourages Member States and the Commission to maximise the synergy between the Internal Market Strategy for Services and the ongoing GATS 2000 negotiations in WTO. The Commission is urged to accelerate the work on the second stage of the Internal Market Strategy for Services, and in this respect welcomes the Commission's intention to consult closely with the European Parliament, the Member States and other interested parties; in particular, calls on :

- the Commission to develop further its economic analysis, with an emphasis on the potential for economic growth, job creation and benefits for consumers, in order to assess more accurately the benefits of a fully functioning Internal Market in services;
- the Commission and Member States to improve the coverage and quality of statistics on services, in particular with a view to assessing more accurately the contribution of services to manufacturing industries and their competitiveness as well as to pay particular attention to improving the flow and the quality of information to assist SMEs and consumers who want to offer or use cross-border services, without creating further administrative burdens for companies;
- the Commission to develop a system for monitoring progress towards the elimination of barriers to the creation of a fully functioning Internal Market in services and to integrate this into the Internal Market Scoreboard;
- Member States and the Commission to encourage service providers to improve their coordination and representation at national and EU level;
- Member States to ensure that they comply fully and rapidly with judgements of the European Court of Justice concerning the free movement of services and freedom of establishment and to ensure appropriate monitoring, while CALLING ON the Commission to continue to be active and rigorous in ensuring full compliance with Community law across the EU;
- the Commission, in those cases where barriers cannot be removed by non-legislative means or by application of the principle of mutual recognition, to propose, where appropriate, harmonisation of the relevant legislation, if possible by means of a single legislative instrument;
- the Commission, and where appropriate the Council, to complement measures to remove barriers to cross-border trade in services with other measures, aimed at improving the competitiveness of services and their contribution to the performance of enterprises in all economic sectors;
- the Commission and the Member States are called upon to complete the above actions as soon as possible and by 31 December 2003.?

## Internal market: 3rd 2002 review.

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The committee adopted the report by Malcolm HARBOUR (EPP-ED, UK) on the Commission's third review of the internal market strategy. The report issued a clear call for the internal market to be completed quicker to boost economic development and create new jobs. In particular, the committee said that completion of the internal market in services should be a top priority at the 2003 Economic Summit. MEPs pointed out that, while the internal market had so far been an outstanding success, progress in recent years had been below target. Barriers in the services market persisted and restrictions on free movement remained. This was largely due to national, regional and local regulations but Member States were also to blame for poor implementation of internal market laws. The report noted that the latest scoreboard showed that 2.1% of legislation had not been properly enacted and that two of the largest economies, France and Germany, were furthest away from the target. The committee therefore concluded that Member States should not only speed up internal market laws but also report to the Commission at each Economic Summit on their shortcomings in this area, while the Commission itself should investigate the causes of such failings. The Council of Ministers was not spared either, with MEPs urging it to speed up the passage of the Sales Promotion Regulation and conclude the negotiations on the Community Patent. In relation to the possible evolution of an internal market for health services, the committee looked forward to the outcome of the high level process of reflection on patient mobility and healthcare developments, due to be completed in 2003. Lastly, the committee decided that, while the principles of mutual recognition and "country of origin" were essential for the completion of the internal market in goods and services, there was also a need to safeguard public interest objectives, especially consumer protection, through the harmonisation of national rules "where appropriate". ?

## Internal market: 3rd 2002 review.

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The European Parliament adopted a resolution drafted by Malcolm HARBOUR (EPP-ED, UK) on the 2002 review of internal market strategy. (Please refer to the summary dated 28/01/03.) Parliament expressed its concern in relation to the gap between the Council's support for the goals established at the Lisbon European Council and Member States' reluctance to implement reforms. The highest priority must be given to a major initiative to bridge this gap, engaging all European institutions, consumer, employees' and business organisations in an effective partnership. On the question of Member States failure to implement legislation, the Commission should, in the first instance, seek pragmatic solutions. It should also improve the speed and efficiency of its handling of infringement cases, and to work with the Court of First Instance to develop procedures for fast-track review, backed up where necessary by sanctions, as well as implement the proposals adopted by Parliament on this matter. Parliament felt it necessary to undertake a review of the effectiveness of the Court's system of sanctions and fines, with the objective of strengthening the system, fast-tracking priority cases and setting implementation deadlines, followed by swift procedures for the imposition of fines. A test for Internal Market compatibility must be incorporated into the tests to which all EU legislation is submitted, and into plans for simplifying and improving Community legislation (better regulation). Parliament went on to reject the Commission's assertion that Parliament and Council are equally to blame for the failure to hit a number of targets. The targets listed as missed by the Commission are almost exclusively missed because of slow progress in Council. On specific actions in support of the internal market strategy the Commission is asked to: - increase its efforts in simplifying the burdensome VAT system, and to ensure that the real impact on business, in particular on SMEs is more thoroughly evaluated when new legislation is proposed; - provide a cost/benefit analysis in future Scoreboard Reports on the benefits of implementing Internal Market legislation in terms of jobs, growth, GDP and competitiveness of the EU economy, while quantifying the costs of failure to implement such legislation; On the question of an internal market in services, Member States should commence immediate reviews of their legislation affecting service providers with a view to eliminating protectionist, discriminatory and discretionary practices and heavy or non-transparent procedures. Member States should also encourage freedom of establishment and easy business start-ups, including subsidiaries, by modernising their legislation and encouraging entrepreneurship, in order to provide a strong boost to the Internal Market in services.?