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### KEY PRIORITIES TO IMPROVE THE FUNCTIONING OF THE INTERNAL MARKET OF THE 21<sup>ST</sup> CENTURY

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##### 1. The Internal Market needs to be reinvigorated!

A better functioning Internal Market is needed for several reasons:

- a) It has to be equipped to adapt to a changing environment: it has recently enlarged (500 million citizens and over 20 million companies), it is increasingly technologically based and faces protectionist forces.
- b) The pace of productivity growth in Europe has averaged 1.6% per annum in the last 10 years, very slow compared with the US (2.3%). This is partly due to the lack of a well-functioning Internal Market, which is more acute in certain areas such as services or energy.
- c) Trade between EU member states relative to GDP has increased by around 30% since 1992. However, the level of intra-Community trade is growing at a lower pace than international trade.
- d) A well-functioning Internal Market creating a more level playing-field, particularly in the area of services, will contribute to the necessary competitiveness adjustments in the EMU area, notably regarding price convergence.

##### 2. Priorities for action: what is needed for a better Internal Market?

###### 2.1 *Catching up with technological progress*

1. The **European patent system** should be further improved in terms of costs and legal certainty. Effective and efficient enforcement of IP rights should be stepped up through cooperative actions globally. Progress on a common jurisdictional system for patent enforcement is key. (EPLA) A truly unitary Community patent should meet users' needs and use English only.
2. A **pro-active standard-setting policy** to facilitate innovation is needed. It must involve business and be based on market needs. Authorities should focus on streamlining formal standardisation, speeding up the process, and promoting clarity on competences between different European standardisation bodies.
3. A **sectoral approach**, focusing on strategic sectors seems the way forward for the Internal Market monitoring policy and tools to collect and assess this information should be also developed.



## 2.2 Better regulation

The **better regulation programme** must be applied in priority to the internal market legislation at EU and national level including impact assessment, stakeholder consultation and reduction of administrative burden and simplification. In addition, the following is necessary:

- a) “Internal Market Compatibility Test”: In order to ensure that new legislation does not come into conflict with the principles of the Internal Market, especially in areas such as consumer or environment policies.
- b) Greater attention to the reality of SMEs: 63 percent of European SMEs are active only in their home country. Main obstacles for SMEs to go abroad, lack of knowledge of other markets, regulatory and fiscal barriers.

## 2.3 Put in place the legislative missing links

Removal of remaining barriers to the four fundamental freedoms should continue to be a priority.

1. **Efficient internal market for network industries**: Action should aim at continuing and expanding market liberalisation, interconnecting efficiently the networks, promoting Public-Private Partnerships, facilitating access for new entrants.
2. **Coherent approach on regulatory agencies**: the competences of the national regulatory agencies and the structure of their cooperation should be reviewed so that there is more consistency and efficiency in the way agencies operate and cross-border questions are addressed.
3. The **introduction of an optional common consolidated corporate tax base (CCCTB)** would make it easier for companies to operate in different Member States.

## 2.4 Better enforcement

- Ensuring timely and correct transposition and administrative implementation of Community legislation via systematic use of transposition assistance (e.g. guidelines) and correlation tables (e.g. services directive)
- Effective and homogenous market surveillance, and efficient external border control for harmonised sectors; fair and cooperative application of the mutual recognition principle for non-harmonized sectors.
- Ensuring easier access to both EU and national problem-solving tools including promotion and reinforcement of SOLVIT and speedier and more coordinated infringement procedures.



## **2.5 Enhance the international dimension of the Internal Market**

### 3 instruments:

- **neighbourhood policy (extension of EU legislation)**
- **EU inspired international standards**
- **regulatory dialogue** with main trade partners on key issues (accounting standards, IPRs and technical regulations on goods).

## **2.6 Better management of the Internal Market:**

- 1) Enforcement of the internal market legislation is primarily the responsibility of the Member States. In an enlarging EU and an increasingly globalised market, a decentralised and cooperative system between the Member States system is needed to identify and solve problems at an early stage.
- 2) But the Commission should be the central coordinator of the network and cooperate and exchange information regularly with the national Internal Market authorities.
- 3) A Mr/Mrs Internal Market in each National Government should be designated responsible to ensure the conformity of national with EU laws and the well-functioning of the Internal Market.
- 4) The internal market strategy has two legs: the free movement policy and the competition policy. The first should be as strong and consistent as the second one... we are still far away.

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