

Opinion of the Economic and Social Committee on the White Paper (27 November 1985)

Caption: On 27 November 1985, the Economic and Social Committee (ESC) of the European Communities delivers its opinion on the European Commission's White Paper 'Completing the Internal Market'. The opinion is adopted by 90 votes in favour, 14 votes against and 17 abstentions.

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Opinion on 'Completing the Internal Market' - White Paper from the Commission to the European Council

(85/C 344/09)

1. Introduction

1.1. The Economic and Social Committee welcomes the Commission's initiative to consolidate the internal market and, while regretting the absence of the social dimension, supports the ambitious target of a fully unified internal market by 1992. In declaring its firm commitment, the Committee calls on the Member States to honour their pledge of 29/30 March 1985 to achieve a single market by 1992.

1.2. This task represents not only a firm step towards unity in the European Community, but is an essential prerequisite to future economic growth, employment and trading prospects in the world. Europe is faced with a stark choice: either the Community follows the choice of unifying the market as an integrated economic unit or it carries on following separate development in 12 different Member States. If we follow the latter course, we must accept economic weakness especially vis-à-vis the United States and Japan. We have also to consider the European Community's political strength in the world. Above all else, we must choose the best course to create new wealth and long-term employment prospects for all our citizens. Should we fail to complete and integrate the internal market, we fail to create a more prosperous Europe and all that that entails, in terms of reduced economic growth, higher unemployment and lower living standards.

1.3. The creation of a single internal market is one of the fundamental objectives of the Treaty of Rome as enshrined in Article 2 which states:

'The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.'

1.4. The Economic and Social Committee has repeatedly affirmed its support for these objectives, for instance in its opinion on the prospects for the 1980s⁽¹⁾. It reiterates these statements now, considering that the promotion of European integration is more imperative than ever and that the time has come to go beyond declarations of intent and to act: the abolition of frontier controls on and the reduction of administrative barriers to internal Community trade, together with progress on harmonization and standardization, must be continued and stepped up.

1.5. The Committee believes the dismantling of all unnecessary internal procedures will give a much needed political impetus and credibility in the eyes of Community citizens.

2. General comments - the conditions for success

2.1. Decision-making

2.1.1. Some recommendations in the White Paper on completing the internal market by the 1992 deadline may appear ambitious in view of the many complex problems raised by the removal of physical, technical and fiscal barriers. For this reason, the appropriate decisions will have to be taken with the unswerving political will to succeed, to overcome reservations and obstacles. In order to attain the objectives of a unified market, the Member States will have to accept their joint responsibilities under the Treaty, especially in the fiscal area, for their greater good.

2.1.2. The Committee therefore urges the Council to reform its decision-making capacity. It calls on the

Council to accept qualified-majority decision-taking. In order to cope with the large volume of legislation needed to complete the internal market, this is necessary.

2.2. Social aspects

2.2.1. The Commission White Paper, divided into three parts dealing with the removal of physical, technical and fiscal barriers, does not put forward any practical ideas on a work programme - with a time-scale - for the development and realization of a European dimension in the social field. The White Paper should be supplemented by a second paper dealing comprehensively with the social sphere.

2.2.2. This presupposes that this second paper will be drawn up in as practical a way as the present White Paper. It also calls for the laying down of a specific time-scale for implementation of the measures required in this field. A European internal market cannot be achieved without a forward-looking European policy on economic growth and employment.

2.2.3. The Committee accordingly takes the view that such a policy is an urgent necessity, since the creation of an internal market such as that proposed will have repercussions on:

- the trend in purchasing power and prices,
- working conditions and the situation on the labour market,
- standards in labour legislation,
- the structure of numerous economic and industrial sectors,
- employment prospects.

2.2.4. Measures will therefore have to be adopted so that the establishment of this internal market and the restructuring it entails promotes economic revival and reduces unemployment, rather than leading chiefly to the destruction of firms and jobs.

2.2.5. Finally, the Committee notes that the programme put forward by the White Paper should not be considered as of purely mercantile interest. Measures such as the removal of frontier checks and the mutual recognition of diplomas, vocational training qualifications and other certificates of proficiency, which the Committee hopes will be all-embracing, including sectors as diverse as the marine and aeronautical fields, will have a direct positive effect on many citizens of the Community and are thus of significance for society as a whole. They represent an important step forward towards a 'people's Europe'.

2.3. Economic convergence and regional development

2.3.1. Completion of the internal market must be accompanied by a narrowing of the gap between the prosperous and less prosperous economies of the Community. Thus, the opening of the market involves a clear commitment to implement accompanying structural policies (e.g. regional policy), without which some of the Member States will not be in a position to accept, and tolerate, such a high level of liberalization. This is the premise for marking sure that the EEC is not only an integrated market, but also a sufficiently homogeneous one. The Council, in its decisions, must not underestimate the importance of this premise.

2.4. Consumer interests

2.4.1. In addition to enforcing competition policy effectively, parallel action relating to the information and protection of consumers is an essential ingredient for the proper functioning of the internal market. In this respect, the Committee notes that the Commission has recently issued a communication to the Council entitled 'A New Impetus for Consumer Protection Policy' (COM85) 314 final), on which the Committee does not consider it appropriate to express its views on this occasion.

3. Specific comments - the White Paper

3.1. The control of goods (White Paper, Part One, II)

3.1.1. The creation of a single administrative document which is intended to replace up to 70 different forms currently in use for intra-Community trade is an outstanding example of how bureaucratic procedures can be reduced. Further work on this document could simplify it even more. In addition, the work on the Coordinated Development of Computerized Administrative Procedures (CD) project should be accelerated to the extent that it facilitates the flow of trade.

3.1.2. In furthering the establishment of a recognizable Community market for Community citizens, the Council should accept a phased timetable for increases in duty and tax-paid allowances on goods for travellers, to the point where no further frontier control will be necessary by 1992.

3.2. *The control of individuals* (White Paper, Part One, III)

3.2.1. The Committee fully agrees that internal frontier controls should be abolished by 1992. The need to combat crime and drug trafficking must not be used as an alibi for maintaining systematic controls at internal frontiers, but should be tackled through closer cooperation between national authorities. Control over criminals and terrorists should, unless special circumstances dictate otherwise, be exercised in a concerted manner at the Community's external frontiers. Appropriate measures should also be taken to curb illegal immigration. At internal frontiers, only spot checks, which should be kept to a minimum, should be practised, the majority of checks should take place inside Member States and not at frontiers. Equivalent penalties in all countries are essential.

3.3. *Technical barriers* (White Paper, Part Two, I)

3.3.1. The Committee reaffirms the pressing need to end the divisions in the Community market caused by differing health and safety requirements and other technical specifications. Non-tariff barriers constitute one of the chief reasons for the lack of European competitiveness. The Commission's new approach to harmonizing technical rules, which will involve directives merely laying down essential requirements concerning safety or other areas, is welcomed. But the Committee recommends that the Commission should organize prior consultations enabling representatives of all parties concerned, e.g. governments, employers, workers and consumers, to contribute to the formulation of proposals, so that their interests are really taken into account when the draft directives are drawn up.

3.3.2. With regard to the new approach to drawing up technical standards, the Committee welcomes the Commission's statement (paragraph 72 of the White Paper) that the views of all interested parties will be taken into account and that arrangements have been made for consumer bodies to participate in CEN/CENELEC work. The Committee would ask the Commission to encourage the taking of the measures necessary to this end.

3.3.3. The Committee urges the Commission to use all the powers available under the Treaty, particularly Articles 30 to 36, to reinforce the principle of mutual recognition of tests and certification.

3.4. *Free movement for labour and the professions* (White Paper, Part Two, III)

3.4.1. The failure to coordinate immigration policies, and the freedom of Member States to conclude bilateral immigration agreements with third countries, have seriously impeded effective exercise of the right to free movement and have meant that the principle of Community priority has not been applied.

3.4.2. As regards the right of the liberal professions to establishment and freedom to provide services, the Committee considers that there must be specific provisions made for access to, and the right to exercise, each profession contemporaneously with the mutual recognition of higher education diplomas (on which it is currently examining the Commission proposals).

3.5. *Industrial cooperation* (White Paper, Part Two, VI)

3.5.1. In terms of new job creation, it is the smaller businesses that are increasing in number and creating many of the jobs of the future. Europe's internal barriers impose a heavy burden on all enterprises, in particular the smaller ones, and on the development of new technologies. An integrated internal market would lower administrative costs, allow for economies of scale and reduce subsidies. Only thus will the Community's economy be able to expand and operate on a truly continental scale. Particular attention will have to be given to the effective coordination of national research and development aid and a greater role for the Community in the pre-competitive granting of aid to new technology sectors.

3.5.2. European Community industrial policies which encourage innovation, strengthen the competitive position of Western Europe and safeguard the interests of its peoples, need to be extended.

3.5.3. To achieve these objectives, it is essential to reinforce the dialogue between the Commission, governments, employers and trade-union organizations.

3.5.4. The Council's approval of the 'European Economic Interest Group' has given a legal framework on which to build teams able to contribute to an expanding single Community market. Further work needs to be undertaken to improve the climate for investment and risk-taking by reducing the legislative burden falling on companies and simplifying administrative procedures.

3.5.5. Adoption by the Council of the 'European company' statute would facilitate transnational restructuring of industrial companies. This would also have a beneficial effect on the harmonization and standardization of norms. It would reduce or eliminate technical obstacles to the free circulation of industrial products. It would also make European industry more competitive vis-à-vis third countries.

3.5.6. In addition to simplification in company affairs and greater share ownership (paragraph 139) it is essential that actions undertaken towards consolidating the internal market be accompanied on the practical side by pursuing the opportunities which are at present not being exploited (for example in the defence equipment industry).

3.5.7. The Committee further strongly endorses the Commission's view on the necessity for the development of Community policy on 'intellectual property'.

3.6. Application of Community law - infringements (White Paper, Part Two, VII)

3.6.1. The Committee urges the Commission to pursue intensively its systematic action in enforcing free circulation of goods under Articles 30 to 36 to ensure free movement of goods.

3.6.2. The Commission should investigate if traders could be given further assistance by examining problems in the interpretation of existing regulations and making recommendations to approximate their interpretation in each Member State.

3.7. Competition and State aid (White Paper, Part Two, VII)

3.7.1. The Committee strongly endorses the view expressed by the Commission that an effective competition policy is vital to maintain and improve the internal market. Undue market concentration and anti-competitive restrictive trade practices must be vigorously controlled under Articles 85 and 86.

3.7.2. The Committee attaches particular importance to the introduction of legislation providing for Community control of concentrations between undertakings. It considers that the Commission's proposal of December 1981, endorsed by its opinion of 30 June 1982, should figure in the Annex amongst the decisions to be taken by the Council.

3.7.3. The Committee commends the Commission on its efforts to reinforce the efficiency and competitiveness of European companies by enforcing a rigorous policy with regard to State aids. Effective policy in this area will allow resources to be directed towards competitive job-creating industries and

services of the future.

3.8. Removal of fiscal barriers (White Paper, Part Three)

3.8.1. The Committee welcomes the Commission's determination to attain the final abolition of internal frontier controls through the reduction of major differentials in indirect taxation. The abolition of internal barriers does not require total harmonization of VAT and excise duties. The differentials should not however be so great that they lead to changes in purchasing habits, shifts in trade and hence distortions in competition between the Member States.

3.8.2. The approximation of rates will in practice need to be phased in over a period of several years towards the future rate bands. To prevent further divergence in the near future, 'standstill' provisions should be introduced as soon as possible whereby Member States would undertake to avoid moving away from the common bands. Furthermore, it is urgently necessary to take the outstanding decisions relating to the structure of VAT. These include, in particular, uniform tax exemptions and the stipulation of services subject to a special tax rate. Whatever political decisions are made, there should be no further delay in beginning the preliminary work on the introduction of a VAT Clearing House System.

3.8.3. For the period leading up to the removal of fiscal barriers, provisional measures should be adopted to minimize or eliminate the administrative burdens arising from the differences in the incidence and collection of national VAT. Thus considerable advantage would be derived from the universal adoption within the Community of the Postponed Accounting System (PAS). The Committee notes that the adoption by Council of the draft 14th VAT Directive is overdue and should be adopted without delay.

3.8.4. An example of the difficulties involved in the fiscal field is the harmonization of the structure of excise duties on cigarettes. The Committee reaffirms its opinion on this that *ad valorem* taxation magnifies cost differences; because of the 'multiplier' effect both the *ad valorem* and the specific part of the tax would have to be at broadly similar levels, if frontier controls were removed. In most Member States this would require large changes from present tax rates. Member States would retain freedom to set their own rates, but only within limits that did not distort trade at frontiers.

3.8.5. VAT and excise duty rates on alcoholic drinks in different Member States must be brought closer together not only in order to end frontier controls but also to establish an equitable relationship in the taxation of all alcoholic drinks and thus eliminate distortion of inter-State trade and consumer choice. Furthermore, standstill provisions must be introduced both for VAT and excise duties to prevent further divergence of rates.

4. Timetable

4.1. The Committee endorses the Commission's insistence on the need for a timetable, with 1992 as the deadline.

4.2. For this timetable to be respected the Committee underlines the need for the Council to streamline its decision-making procedures by all measures at its disposal, including a rolling forward programme as agreed by the present and upcoming Presidencies (LUX, NL, UK) and by utilizing the procedure under Article 155 of the Treaty⁽²⁾.

4.3. To facilitate progress in the most contentious areas, namely approximation of indirect taxation, Member States must be allowed to derogate where necessary provided this does not involve systematic frontier checks.

5. Public relations

If the European Community is to achieve the stated aims with the general support of its peoples, the Committee considers that an information and education campaign has to be undertaken without delay. As

much factual information as possible needs to be assembled in order to make the general public aware of the negative effects of internal barriers and the benefits which the White Paper proposals will bring. A campaign of this nature requires concerted efforts by all concerned, in particular Community institutions, Member State Governments and representative interest groupings.

Done at Brussels, 27 November 1985.

The Chairman of the Economic and Social Committee

Gerd MUHR

1) Opinion on 'Prospects to the Eighties' adopted on 27/28 October 1981 (OJ No C 313, 31.12.1981, p. 29).

2) 'In order to ensure the proper functioning and development of the common market, the Commission shall: ...exercise the powers conferred on it by the Council for the implementation of the rules laid down by the latter.'