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An Opinion of  
the EFTA Consultative Committee  
on

**A NEW STRATEGY FOR THE INTERNAL MARKET**

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The Consultative Committee of the European Free Trade Association (EFTA) is a forum for trade unions and employers' organisations in the four EFTA member countries: Iceland, Liechtenstein, Norway and Switzerland. This opinion was adopted on 26 April 2006 by the social partners from the EEA EFTA States (Iceland, Liechtenstein, and Norway)<sup>1</sup>, with the support of the social partners from Switzerland. The opinion presents the core elements they believe should be addressed in a new Internal Market strategy from the European Commission, foreseen published at the end of 2006 and covering the period 2007-2010. The current Internal Market Strategy of the European Commission will expire at the end of 2006. This year therefore offers a period of reflection on how to best proceed with the fulfilment of a genuine Internal Market. The EFTA Consultative Committee wishes to take part in the discussions on a new strategy, and would like to see the following areas prioritised in it:

- **Status and challenges for the Internal Market**
- **Need for political attention and understanding**
- **Stronger focus on implementation and administrative cooperation between Member States**
- **Linking the citizens closer to the Internal Market Policy**
- **The Internal Market in a global context**

## **I Status and challenges for the Internal Market**

1.1 The Internal Market has over the years contributed to economic growth and job creation in the entire European Economic Area. However, obstacles to the four freedoms still remain, both in the areas that are already regulated and in those sectors where the Internal Market is not yet fully functioning. To be able to achieve the goals set out in the new growth and employment strategy (Lisbon strategy) further work is needed to extend the Internal Market and to enhance its functioning. **A well functioning Internal Market is a prerequisite to achieve the Lisbon agenda.**

1.2 The Internal Market legal framework is largely in place, and **the challenge now is to make it function in practice.** The fact that the Internal Market does not function optimally does not only lead to irritation among those involved, but on a more fundamental level, it is a question to what extent inefficient and unequal implementation, interpretation and enforcement lead to delays and changes in investment patterns and a lack of trust among the general public. Such questions influence both the legitimacy and the predictability in relation to EU policy.

1.3 Both the **enlargement** of the Internal Market and the fact that the private sector increasingly operates in a **global market** are elements which need to be addressed in a new Internal Market strategy.

1.4 The importance of the **services sector** and its impact on economic activities must also be stressed in a new strategy, especially in relation to measures designed to ensure rapid and efficient implementation, application and enforcement of a Services

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<sup>1</sup> *The Icelandic Federation of State and Municipal Employees (BSRB) has reservations to the document.*

Directive that seeks to cut red tape and to ease the free movement of services across frontiers. The services sector presents a huge potential for economic growth and employment and the EFTA Social Partners therefore take, through their European umbrella organisations, an active part in the current discussions to achieve a balanced Services Directive.

1.5 In view of recent debates on services in the EEA, the EFTA Consultative Committee asks that Community action is based on the **principle of subsidiarity**. The Committee also underlines the importance of maintaining a balance between the respective advantages of an open and competitive Internal Market and the development of high-quality services of general interest, both accessible and affordable. Furthermore, it is important to respect the complexity of the services sector and to recognise the concerns of local authorities to ensure the equality and the quality of public service delivery.

1.6 The Internal Market is based on common rules to give trade and industry a competitive level playing field throughout the EEA. The social dimension is an integral part of the Internal Market and is important to avoid competition between different levels of employee protection and to ensure a minimum of protection without negative consequences for countries with a higher level of protection. To achieve this, a wide range of initiatives and directives are aimed at balancing the need for competitiveness and social considerations. The Single Act, the Maastricht Treaty and the Amsterdam Treaty all contribute to this, together with the directives for health and safety at work and the labour law directives which are all based on the Commission's social policy programme from 1990, which was confirmed in the Commission's Social Agenda from 2005. The EFTA Consultative Committee agrees that this balance needs to be maintained and developed in the new Internal Market strategy and wishes to contribute to this. In this context, it is necessary to adopt as soon as possible the revised working time directive, the temporary agency workers directive and the services directive, which will also help maintain the social dimension of the Internal Market.

## **II Need for political attention and understanding**

2.1 In their discussion on the Internal Market at the Informal Competitiveness Council in Cardiff (11-12 July 2005), Ministers observed that the Internal Market was often taken for granted and should be more vigorously promoted. The EFTA Consultative Committee shares this view.

2.2 The EFTA Consultative Committee believes that the most important challenge for the European Commission is to **generate political attention and understanding** for the fact that a well-functioning Internal Market is a prerequisite for reaching the Lisbon goals on growth and employment.

2.3 The Internal Market is a **shared responsibility**, and Member States should work alongside the Community, other Member States and the social partners to achieve this. The social partners represent economic and social interests in society and are in an excellent position to judge what can best bring the Internal Market closer to citizens and business communities.

### **III Stronger focus on implementation and administrative cooperation between Member States**

3.1 The legislation which forms the framework for the Internal Market is largely in place, with a few exceptions such as the important services sector. However, there is still much that remains to be done in the area of implementation and with regard to equal and comprehensive interpretation and enforcement of the common legal framework throughout the EEA.

3.2 A new strategy for the Internal Market should focus mainly on implementation and close administrative cooperation between Member States to ensure a better-functioning Internal Market. A high quality regulatory environment is an important element in this context and essential both for competitiveness and popular support.

3.3 This is not at least the case for SMEs. The European Commission and the Member States should help businesses at every stage in their development, with less red tape at home and across borders. The EFTA Consultative Committee welcomes the launch of a new EU policy framework for SMEs based on the principle of “Think Small First” and asks for a follow-up with specific measures at both European and national level, including in the EEA EFTA States.

#### *a) At the EU level*

3.4 The first pre-condition in order to achieve a uniform and correct implementation of the EU legal framework is to ensure that this framework is formulated in a way that makes it easy to access and understand, both for those who must follow it, and for those whose task it is to monitor and enforce the Community framework.

3.5 Actions and activities under “Better Regulation” must result in enterprises experiencing a real **simplification of the EU’s legal framework** without losing important regulative instruments for social protection of workers. Thorough **impact assessments** are a prerequisite, and must follow the legislation from “cradle to grave”, i.e. throughout the entire decision-making process towards adoption. Even though prevention is the best cure, the Committee also proposes ex-poste impact assessment of legislation several years after implementation, so that poorly functioning legislation can be amended or removed. The EFTA Consultative Committee would also propose that the principles laid down in the **New Approach** should be the key principles applied to all new legislation relating to the free flow of goods and services.

3.6 In the Committee’s view, also the renewed emphasis on **cost/benefit analysis** should help provide the motivation to enhance the collection of data, which can then be a powerful tool to promote the Internal Market.

#### *b) At Member State level*

3.7 The Committee believes that most of the existing barriers in the Internal Market are caused by a lack of political attention and understanding of the importance of a well functioning Internal Market to achieve growth and employment at national level. The fact that national authorities fail to assume responsibility for the follow-up of measures whose adoption they themselves have participated in at EU level, serves to reduce trust in the Internal Market.

3.8 There is a need for efficient and comprehensive **follow-up programmes at national level**. Efforts relating to better regulation should be reflected at national level when the EU legal framework is being translated into the national languages. It will be necessary to revise existing and eliminate unnecessary and poorly accessible legislation while taking care to ensure that the necessary legislation is applied and enforced correctly. The same applies to administrative procedures and requirements. Moreover, simplification efforts should be applied to *all national legislation*. The Member States should be obligated to conduct a review of their national legislation to ensure that it: a) does not come into conflict with the EU legal framework and b) is easy to understand and thus easy to comply with. All new national legislation should be subject to an “**Internal Market Compatibility Test**” to ensure that it does not come into conflict with the EU legal framework. The Danish TIM project<sup>2</sup> could serve as a best practice example, and similar exercises should be carried out in other EEA States.

*c) Cooperation between Member States*

3.9 A major challenge in the years to come is to find tools to build **trust, understanding and knowledge between the EEA Member States**. In order to achieve a uniform and equal interpretation, application, monitoring and enforcement of the EU legal framework and thus avoid a distortion of competition, close administrative cooperation between Member States is necessary. Systems like IMI (Internal Market Information system), which is under way, should help Member States’ officials cooperate and communicate with each other, and in the process also learn about other Member States’ systems and procedures, thus creating the necessary trust between administrations.

3.10 The EFTA Consultative Committee strongly underlines the need for all Member States, including the EEA EFTA States, to take an active part in the development of the confidence building process initiated by the Commission through the IMI. The new Internal Market strategy should seek to identify specific issues of trust and to put forward targeted measures (meetings, exchange of information, events) to enhance understanding and acceptance of other Member States’ approaches to common problems.

3.11 An effective and well-functioning **problem-solving system** is also of vital importance in order to fully exploit the opportunities of the Internal Market to the benefit of citizens, authorities as well as enterprises. The SOLVIT system seems to be a useful tool in this respect. However, for this system to be efficient, each and every EEA State must put sufficient resources to the administration of their SOLVIT centres. In addition, adequate resources need to be allocated to **information**. There is no use creating good tools if the people who should use the tools are not aware of their existence.

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<sup>2</sup> *The TIM project (Task Force for the Internal Market) was presented as a best practice internal market screening project by the Danish delegation to the Internal Market Advisory Committee (IMAC) at its meeting on 5 April 2005. The aim of TIM is to systematically scrutinise and screen Danish rules and regulations as well as administrative practice in particular areas, in order to detect, and remove, barriers to cross-border trade. Areas where the government has conducted screening so far include the free movement of goods and the implementation of the New Approach Directives. A screening exercise in the services sector is ongoing.*

*3.12 The necessary actions listed under paragraph b) and c) above will, however, not be a priority for the Member States' officials if their political leaders are not putting this issue on top of their agendas.*

#### **IV Linking the citizens closer to the Internal Market Policy**

4.1 The best way to demonstrate the benefits of a well-functioning Internal Market is to **solve the problems** which citizens and enterprises encounter in their attempts to reap the benefits of the Internal Market. The EFTA Consultative Committee believes that it is important to generate public attention and understanding for the opportunities that lie within the Internal Market and the Lisbon process for the individual citizen. A pre-requisite is a common EU framework which respects a balance between the need for common rules and the principle of subsidiarity.

4.2 Citizens often relate to the end result of a given policy rather than the political process needed to achieve it and expect politicians to take responsibility for ensuring that the market and the society function in such a manner to enable them to feel safe in their everyday lives. **Reputation and trust** are key words and the new Internal Market strategy needs to include measures to increase the trust of businesses and citizens in the Internal Market. National authorities need to:

- manage the financial means and other resources in a transparent way which benefits the community as a whole;
- follow-up on better regulation initiatives;
- and assume responsibility at national level for legislation they themselves have adopted at EU level; measures to hinder “gold-plating” should be established in the new strategy.

4.3 Good “**grass root**” **communication** is an absolute prerequisite for building trust and understanding. The best communication takes place closest to the citizens, i.e. at national level, and needs to involve in-put from a wide range of stakeholders, such as social partners, regional and local authorities, and NGOs. The new Internal Market strategy needs to incorporate a dialogue at national level between the authorities and these groups to ensure that targeted communication reaches out to citizens and relevant business communities.

- **National Information Programmes** need to be developed with easily accessible explanation and examples as to why new EU legislation is required in various areas, what the new legal framework aims to regulate and how it should be interpreted.
- Businesses and citizens need to be informed about **swift and effective dispute mechanisms** should conflicts arise. Good solutions will create a more positive attitude towards the Internal Market, not only among those directly involved in a case, but also among other citizens.

#### **V The Internal Market in a global context**

5.1 The EFTA Consultative Committee would also like to draw the attention to the fact that companies increasingly operate in the global arena, a fact which needs to be reflected in a number of areas. In this context, it is important that the private sector throughout the Internal Market is given **framework conditions** that make it possible to compete in the global market.

5.2 At the same time, EEA industries will benefit from being at the forefront of cutting edge technology which complies with, increases and **leads the way to higher standards in the international community**. This requires EEA States to stick to the goal of the Lisbon Strategy and invest more of their GDP on research, development and innovation. Joint technology initiatives and public-private partnerships need to be established, which can create new and innovative products and services, make Europe more competitive and establish European standards as the global norm.

5.3 Furthermore, the Consultative Committee holds the opinion that it is important that cooperation be established between the EU law-makers and corresponding authorities established by our trading partners. Marketing the typically European system of the New Approach, where the essential requirements are laid down in the legislation while the technical specifications are being determined by European standards, is important in this context. A “**globalisation**” of the **New Approach** would be a step in the right direction. Common regulatory objectives and mutual recognition of conformity assessment procedures are important in order to achieve increased use of international standards. Actions aimed at promoting the EU harmonization system at international level should therefore be included in a new Internal Market strategy.

## VI Conclusions

6.1 The EFTA Consultative Committee believes the major challenge with regard to the development of the Internal Market is to gain **political attention and understanding** for the fact that a well-functioning Internal Market is a prerequisite for reaching the Lisbon goals of increased growth and employment. Removing national legislation and regulations that hinder optimal use and exchange of knowledge and technological development will be important in this context.

6.2 Cross-border **cooperation** and specific actions relating to **building trust and confidence between Member States’ administrations** are of vital importance. They are essential to achieve correct and **uniform application and enforcement** of the EU legal framework, ensuring that both citizens and enterprises do not experience unnecessary trade barriers in their cross-border activities.

6.3 The Internal Market legal framework is largely in place, and the challenge now is to make it function in practice. In this respect, **the individual Member State must take ownership** of the development of the Internal Market. National authorities must mirror better regulation initiatives at national level, apply simplification also to national legislation, ensure that necessary legislation is applied and enforced in a comprehensive manner and that national legislation is compatible with EU legislation. Efficient problem-solving procedures must be established, both at Community and Member State level. All these elements should be put down in **national Internal Market strategies**.

6.4 **National information programmes** also need to be established. Such programmes must be designed to ensure that both enterprises and the general public are informed of the possibilities and rights granted by the common EU legal framework, and thus enable them to benefit from a well-functioning Internal Market. The EFTA Consultative Committee calls on national authorities to consult the social partners when developing such programmes. Their contribution is vital for the Internal Market Policy to be brought closer to citizens and businesses.

6.5 A **sustainable development** strategy must take into account economic, social and environmental concerns. A new Internal Market strategy must therefore strike a balance between the need for work migration, a well-functioning European services market as well as ensuring good working conditions, safety for the consumers and local self-government.

6.6 **The Consultative Committee** would like to contribute to the further work relating to the development of an Internal Market strategy for the period 2007-2010, and looks forward to a dialogue with the EEA EFTA authorities and also with the European Commission on this work.