

E U R O P E A N E C O N O M I C A R E A

S T A N D I N G C O M M I T T E E

O F T H E E F T A S T A T E S

**THE GROUP ON THE LISBON STRATEGY AND
OTHER HORIZONTAL POLICY ISSUES**

Ref. No. 1063615
24.02.2006

New Strategy for the Internal Market – Input from the EEA EFTA States

As partners in the Internal Market and interested in its continued development, the EEA EFTA States welcome the Commission's initiative to develop a new strategy for the Internal Market. It is an important process, and the invitation to the EU/EEA States to give their initial contributions is appreciated.

The new Internal Market Strategy should contribute to the realization of the goals of the Lisbon Strategy. It is important that the new strategy takes into account the internal challenges in the Internal Market such as enlargement, greater economic disparities, and socio-economic and demographic changes, as well as external challenges related to globalisation and rapid technological change.

The Internal Market legal framework is largely in place. The challenge ahead is however to make the Internal Market function better and to make it effectively deliver the expected benefits. In order to do that it is necessary to address the following issues:

- 1. Improve awareness and knowledge of the Internal Market;**
- 2. Promote confidence in the Internal Market;**
- 3. Achieve a better regulated market.**

1. Improve awareness and knowledge of the Internal Market

Businesses and citizens will only make best use of the Internal Market if they have confidence in it. It is troubling that some recent surveys indicate that companies believe the Internal Market has made little difference to their ability to trade goods and services within the EEA. In order to make businesses and citizens better able to exploit the rights and opportunities in the Internal Market, they have to be well informed.

The strategy should aim at increasing trust and knowledge among national authorities, industry, SMEs and citizens through targeted communication. Today the quantity of information on the Internal Market is impressive. The challenge ahead is to demonstrate the benefits of the Internal Market to the general public as well as to selected target groups with accessible and relevant information. Information

campaigns with tailor-made messages, supported by facts and easily understandable examples, should therefore be developed. Efforts to promote political engagement in the Internal Market needs to be combined with information campaigns towards businesses and consumers. This work should be initiated at the EU level, but has to be carried out as a joint-venture between the Commission, EEA States, the social partners and other stakeholders. Such information and communication initiatives would be a logical follow-up of the Commission's White Paper on Communication, as a part of "Plan D".

2. Promote confidence in the Internal Market

There is a need to promote confidence in the Internal Market. Despite the fact that products are in full conformity with EEA requirements, many companies still meet barriers to trade, as, inter alia, rules are sometimes implemented differently throughout the Internal Market, or implementation is delayed; CE marking is not always accepted as sufficient proof of conformity with safety requirements; and companies are often still required to conform to national requirements. Confidence in the Internal Market can be promoted by improving the existing arrangements.

It is important that the principle of Mutual Recognition is applied throughout the Internal Market. In order to achieve that, it might be necessary to implement binding rules to enforce the principle and thereby ensure harmonization and prevent divergent national practices. Furthermore the New Approach, which has played an important role in the efforts to reduce trade barriers in Europe, needs to be updated and improved. This is a key element to ensure confidence in the CE-mark as the passport for free circulation of industrial goods. The new strategy should therefore ensure that the revised New Approach functions in accordance with the aim of the revision, i.e. strengthened market surveillance, better cooperation between authorities and a protected CE mark. Use of the New Approach, or selected elements of the New Approach, could also be considered for extension into new areas.

Tools for administrative cooperation such as SOLVIT and the planned Internal Market Information system (IMI) are vital for efficient co-operation and the well-functioning of the Internal Market. In order for SOLVIT to continue as a successful tool, it is essential that national SOLVIT Centres have full political and administrative support and are equipped with sufficient resources. The Internal Market Information System (IMI) has the potential to strengthen confidence in and understanding of Internal Market rules if it becomes operational. With good publicity of these networks and their success stories, trust in the Internal Market should grow.

The services sector is growing rapidly and already makes up about 70% of EEA GDP, and more than 60% of EEA employment. Service providers continue to face barriers when seeking to sell their services or establish their businesses abroad. The EEA EFTA States therefore support the general purpose to reduce barriers to trade in services in Europe and to contribute to economic and social progress.

For some service sectors, strong efforts have been made to create a single market. For instance, as regards financial services, the European Commission launched in November 1999 an Action Plan with a series of policy objectives and specific measures to improve the single market for financial services over the following five

years. As per its 2004 deadline 39 out of 42 of these measures were adopted, which is considered a success in legislative procedural terms. However, it still has to be evaluated whether the Action Plan has achieved its stated objectives, and further measures may be necessary in order to fully achieve pan-European financial services and capital markets. With regard to Services in general, the EEA EFTA States take note of the result of the European Parliament's first reading of the Services Directive, and expect the directive's finalization in the not too distant future.

3. Achieve a better regulated market

The EEA EFTA States call for the continuation of the important efforts to improve and simplify the regulatory framework of the Internal Market, at European and at national level. The Strategy should include an invitation to the Member States of the Internal Market to carry out impact assessments when they propose new measures at national level. Regulations should be simple and not imply unnecessary costs and burdens for businesses. The Commission's "Think Small First Principle" should be kept in mind given the important role SME's play in the European economy¹.

Screening existing regulations and making sure they are compatible with the Internal Market regulations is another way of eliminating barriers to trade. The Commission should therefore invite EEA States to run screening processes on existing national regulation. Certain EEA States have carried out such exercises already. Useful lessons can probably be drawn from their work. Exchange of experience in this field would be useful.

In order to prevent new barriers to trade in the Internal Market, effective routines for notification of draft national regulations are essential. We would therefore suggest that the 98/34 procedure is applied to all non-harmonized national Internal Market regulations. In addition, EEA States should carry out a "compatibility test" as a part of the 98/34 procedure, and should state that the draft national regulation would not create illegal barriers to trade. Thirdly, the Strategy should point at ways to encourage businesses and other actors to make more active use of the 98/34 procedure. Furthermore, we believe that a database containing the definitive text of regulations notified according to the 98/34 procedure should be established. .

Finally, the EEA EFTA States look forward to continuing the close co-operation with the Commission and the Member States on developing an even more efficient Internal Market. Our success in making the Internal Market function better is to a large extent necessary for the fulfilment of the goals in the Lisbon Strategy for Growth and Jobs in Europe.

¹ There are some 23 million SMEs in the EU, providing around 75 million jobs and accounting for 99% of all enterprises. Source:
(www.eu.int/comm/enterprise/entrepreneurship/index_en.htm)