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**COMPLETING THE INTERNAL MARKET:
AN AREA WITHOUT INTERNAL FRONTIERS**

**PROGRESS REPORT REQUIRED
BY ARTICLE 8b OF THE TREATY**

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1. This report on progress made in completing the area without frontiers is the second, and final, report that the Commission is required to transmit to the Council and to Parliament under Article 8b of the Treaty. Five years after publication of the Commission's White Paper, three years after the entry into force of the Single European Act and two years before the deadline of 31 December 1992, the time is ripe to make an overall assessment of progress accomplished and of the obstacles remaining.

2. This report is intended to ensure balanced progress in the achievement of the 1992 objective as laid down in Article 8a of the Treaty. At this stage, the Commission considers that all the conditions for the achievement of this objective are met. The Community has committed itself with its structural policy measures to ensuring full participation of the less developed regions of the Community in the economic benefits of the area without frontiers. Similarly, the first measures of the social dimension of the single market have been put in place, at an unsatisfactory rate of decision-taking by the Council, in the light of the Social Charter, intended to fully associate workers with the advantages of the Europe without frontiers. But, the conditions for success depend also on research policy intended to strengthen the technological base of European industry, and external policy, which must place the Community in an open and competitive international environment.

3. As regards the single market, the 1985 White Paper programme remains the reference programme for the achievement of the objective, even though the Single Act has permitted the development of legislative initiatives in areas which were not strictly in this programme. In making this assessment, the Commission would stress that appraisal of the results obtained cannot depend solely on a quantitative evaluation of the number of decisions taken in relation to the initial programme; the political and economic impact of the creation of an area without frontiers will manifest itself fully only if substantial and sufficient progress is achieved in all the areas covered by the programme. The Commission would also stress that the deadline of 31 December 1992 has now acquired an unmistakable economic significance for economic operators, for public opinion and for third countries; it must therefore be respected at all costs. For the achievement of this objective, the abolition of frontier controls on persons, goods and services has acquired symbolic

significance; any failure in this respect would detract from the impact of progress to date as far as public opinion and individuals themselves are concerned. The area without frontiers must give the citizen access to a new area of freedom for moving around and for working in the Community. This political construction constitutes the essential foundation for economic and monetary union and political union. A failure to achieve these objectives could not help but affect these still more ambitious objectives which will be the subject of intergovernmental conferences at the end of this year.

4. The Commission has been able to table all the planned measures ahead of schedule. The Single European Act has proved its effectiveness:

- It has lent credibility to the Community decision-making process. With more than two thirds of the measures envisaged in the 1985 White Paper now having been adopted by the Council, the essential features of the architecture of the single market are already in place;
- It has maintained the adherence to the 1992 objective, thanks to the doubling of the capacities for intervention of the structural policy instruments and the implementation of the action programme relating to the Community Charter of the Fundamental Social Rights of Workers under the permanent consultation process with the two sides of industry;
- lastly, the cooperation procedure has paved the way for compromises generally acceptable to all the institutions, with any derogations being strictly limited in time and justified by economic cohesion objectives.

It should also be borne in mind that, during this period, the successful integration of Spain and Portugal has taken place. The Community has also dealt effectively with the welcome, albeit unexpected, phenomenon of German unification.

5. Progress is also measured in terms of the behaviour of operators, whether in the business community or within government. The credibility of the objective of the measures taken has prompted those involved to prepare the ground for 1992, a phenomenon which is in turn fuelling the dynamism of the integration process; this dynamism will be strengthened by the entry into force in 1991 of important

measures such as the mutual recognition of diplomas or the opening of stock markets. The Commission has assessed the economic and industrial effects of this dynamism,¹ which already surpasses the assessments given in its 1987 studies on the cost of non-Europe. Some examples illustrate this impact:

- since 1984, the Community has increased production by more than 20% and created 8.5 million jobs;
- the share of intra-Community trade in volume terms rose from 55% in 1982 to some 62% in 1988;
- among the less-advanced countries of the Community, Spain and Portugal have benefited as a matter of priority from the increase in investment;
- the growth of investment in the Community has also attracted external investment while the dynamism of the European economy has permitted an increase in investment by European firms outside the Community.

6. The Commission's White Paper contains three major chapters: the removal of technical barriers, the removal of physical barriers and the removal of tax barriers. If progress towards the abolition of technical barriers is, despite certain areas of difficulty, generally satisfactory, the same cannot be said of the other two.

As regards internal frontiers, the Commission pursued two objectives. On the one hand, it aimed for the elimination at frontiers of certain administrative controls and formalities which constituted not only an important source of costs for economic operators, particularly the SME's, but also a considerable psychological barrier, in particular for individuals and small and medium-sized businesses. On the other hand, over and above the simple elimination of controls at frontiers, it strove to establish the conditions, notably in the tax and health fields, which would ensure the movement of goods and services within the Community under the same conditions as within Member States:

- With regard to the first objective, the Council has not yet been able to reach agreement on the decisions necessary for the removal of controls on the free movement of persons. Against this, basic political decisions have been taken in the fields of indirect taxation and animal and plant-health controls. However, these decisions of principle will remain without effect, especially in the tax field, if the Council cannot define the basic implementing provisions on time.

¹ SEC(90)494 of 28 March 1990, "Three years to the completion of the internal market - a first assessment of its impact".

- With regard to the second objective, however, the situation is far from satisfactory. As far as indirect taxation is concerned, provision has been made for a transitional period beyond 1992, at the end of which the definitive unified VAT system will be in operation; in the Commission's view, this period should not run beyond 1996. In the field of animal and plant health, a large number of measures have yet to be taken.

7. The situation should also be analysed from the point of view of those bodies called upon to take decisions. The Council meetings on the internal market have overall made considerable progress. However, the Council has fallen behind schedule to a worrying extent in other areas (in particular agriculture, economic and financial affairs, and the movement of people). Therefore, a more concerted effort should be made and greater impetus given by the Council to the 1992 objective, reflecting more closely the high priority assigned to it.

ADOPTION OF MEASURES FOR ABOLISHING INTERNAL FRONTIERS

8. As indicated above, it is in the removal of physical and tax frontiers that the most important work remains to be done, the removal of technical frontiers having reached the point of irreversibility.

1. Removal of physical and tax frontiers

9. The objective of abolishing frontiers spelt out in Article 8a of the Treaty represents both a political ambition fundamental to the Community integration process and a technical challenge because of the diversity of areas involved. This technical complexity must not be used as a pretext for calling the objective into question. Any such setback would be fatal to the Community's image at a time when its Eastern European neighbours have surmounted much greater obstacles in recent months. Accordingly, the Commission considers that the implementation of the Single European Act must involve the abolition of all formalities, including those applicable to non-Community nationals moving within the Community.

10. However, it is precisely in the elimination of physical and tax controls at frontiers that work is furthest behind schedule. Still confronted with a panoply of police and customs checks at ports and airports and (to a lesser extent among the Member States party to the Schengen Agreement) at land frontiers, individuals have, within just under two years to go to the 1992 deadline, every reason to wonder what the political commitments made amount to in practice. However, there have been signs in recent months that the situation is evolving in a way which suggests that the Commission's message is getting through.

11. It is of fundamental importance that, as with the internal market programme as a whole, the Commission should ensure the total irreversibility of this objective. Half measures will not suffice; as long as structures for carrying out checks remain in place at frontiers, checks will be carried out. Such administrative control structures must therefore be challenged and, for that, the social implications for the personnel concerned must be grasped and in particular the safeguards which individuals have a right to expect must be secured, notably as regards security, immigration and measures to combat drug trafficking.

(a) Abolition of controls on goods

12. Work has certainly progressed in recent months, as regards both customs controls in the strict sense and animal and plant health controls:

- **Customs controls:** The Council has adopted two basic measures which will take effect on 1 January 1993. One concerns the abolition of the transit regime in intra-Community trade and the other the "presumption" that any product on the Community market has Community "status", thus abolishing the need to control origin in intra-Community trade. The Commission was therefore in a position to present a proposal in 1990 for the elimination of the single administrative document, which is the basic document in all customs procedures; this proposal forms part of the system proposed by the Commission with a view to the abolition of fiscal frontiers.

- **Animal and plant-health controls:** Harmonization of the relevant rules has progressed since the last Article 8b report drawn up by the Commission. Although 35 proposals are currently before the Council, 47 have now been adopted, especially in the past two years. The Council has now accepted the basic principles contained in the Commission's proposals with the exception of the principle of extending to the national market existing rules for intra-community trade ; the other difficulties concern notably the guarantees as to the functioning of the rules laid down and the difficulty of delegation of powers to the Commission. In order to respond to the doubts expressed by Member States concerning the current management capacity for the regulations adopted or yet to be adopted by Council, the Commission envisages the setting up of a Veterinary and Plant Health agency which would give technical support to the management of these regulations.

As regards animal health controls, the Commission has proposed three types of provision: first, the conditions for allowing live animals and products of animal origin to cross frontiers unrestricted; second, the conditions for releasing goods onto the market, the aim being to ensure automatic recognition of controls carried out at the place of production; and, third, arrangements for the eradication of diseases. The necessary measures for abolishing controls at frontiers have now been adopted and some will take effect before 1 January 1993. This does not mean that the work has been completed, since 26 proposals are still before the Council; these measures must be adopted to establish identical controls irrespective of the origin of the products, but their adoption is not a prerequisite for the abolition of controls at frontiers. However, these decisions allow the quarantine rule to be retained, in those Member States which apply it, for certain domestic animals accompanying travellers.

As regards plant health controls, the Commission has proposed that Community rules be extended to all plants marketed within the Community, that controls be focused on the place of production (the decisions of principle have now been taken to do away gradually with controls either at the frontier or at the place of destination) and that ecological regions and protected areas be set up to take account of differences in plant health risks and the geographical spread of diseases. The conditions thus established for the free movement of plants and plant products are closely linked to the work being carried out on plant-protection products, where the Council has to decide on the rules governing marketing in the Community.

(b) Abolition of controls on persons

13. As regards controls on persons, there has been undeniable progress, at least in the organization of work, even if such progress has not been very noticeable to the general public. The impetus given by the European Council at its meeting in Rhodes in December 1988 and the setting-up of the group of "coordinators" have led to a resumption of work on the basis of a precise programme (the Palma document). The group's continuous monitoring of all the work carried out in many different forums has expedited the work, resulting in the signing by eleven Member States of a convention on the examination of applications for asylum. In addition, the signing of the supplementary convention on the Schengen Agreement (which was recently extended to include Italy) not only provides the technical basis for achieving a frontier-free Europe but also demonstrates that the problems currently confronting the Community can be overcome through the exercise of political will.

14. Leaving aside the need to finalize the signing by all concerned of the convention on the examination of applications for asylum and its subsequent ratification, work must be completed in the following two areas if the abolition of frontier controls is to be effective:

- The organization of controls at external frontiers: A convention should be signed at the end of this year providing all Member States with an assurance that controls will be carried out in the same way at all the Community's external frontiers. It will have to be backed up by coordination of policies on visas, a process which has been going on for the past two years. In view of Denmark's particular position as a continuing member of the Nordic Union, the Community must seek practical arrangements with the other members to ensure that controls at external frontiers remain fully effective;
- Coordination and convergence of policies currently operating at frontiers: Of particular importance is the fight against terrorism, drugs and illegal immigration. In addition to legal instruments, these areas call for methods of cooperation in exchanging information and joint action. The relevant structures are being established gradually: the Trevi Group, under the authority of the Ministers for Internal Affairs and Justice, organizes cooperation between national departments responsible for security policies; Celad, set up in 1989, has extended such cooperation to

the fight against drugs; the Schengen Information System (SIS) will permit operational cooperation between Member States' police forces. Special units have been set up to monitor the decisions taken. The implementation of these measures must not overlook the difficulties faced by certain Member States in introducing appropriate controls; the European Council has asked the Commission for a report which will be drawn up as soon as the conditions for the organization of controls at external frontiers are known. The economic development measures contained in the Structural Funds could indirectly contribute to this objective, for example, by means of the INTERREG initiative which aims in particular at helping border regions cope with their new rôle at Community frontiers.

The same degree of consensus has not as yet been achieved on the subject of immigration, since the perception of this phenomenon still differs somewhat within the Community. The report drawn up by a group of experts and presented, at the request of the European Council, by the Commission to the Council² and the Immigration Group's report should provide a starting point for discussion of this important social problem.

15. Pursuit of this work will be certain to require constant political impetus from the European Council, such impetus being all the more necessary as the key aspects of the work are being carried out within an intergovernmental framework and do not therefore currently benefit from the requirements of the Community decision-making process. The ongoing work should be based on a number of clear guidelines:

- An agreement should be reached on the arrangements which are to apply at the common external frontier and in which all Member States can have confidence. The legislative framework for this should be agreed by the end of 1990 if the European Council's requirements are to be respected by the ministers concerned. Translating legislation into action will require careful and thorough cooperation by those responsible in the Member States. There will be a need for existing resources to be redeployed from internal to external frontiers both within and, probably, among Member States. Such solidarity is part of normal Community practice when an agreed objective needs to be achieved through common action;

² Approved by the Commission on 26 September 1990.

- The joint effort against terrorism, drugs and organized crime must be intensified. The experts in the Trevi Group, in accordance with objectives set by the Rhodes Group of Coordinators and Celad are responsible for putting this into effect. But it would make no sense for this cooperation to be dependent as in the past on the controls conducted at the Community's internal frontiers. Of course, frontier areas will not become "no-go areas" for law-enforcement agencies. But the general principle should be unrestricted passage with the exceptional use of spot checks when genuinely necessary, rather than systematic checks conducted through a permanent presence at crossing points between Member States (including ports and airports where internal Community journeys are concerned). This is the position which the Commission has taken in granting financial support to ports and airports. Given the right instructions and determination, such arrangements can be devised as will allow travellers to move as freely between Member States as they do within a Member State;

- The distinction made between Community and non-Community citizens in order to determine whether the Treaty is applicable is valid up to a point. But that point should stop short of requiring Community citizens to be stopped. This would not be a satisfactory solution for anyone. On the other hand the distinction is valid in respect of the right of work or residence. Here, the Treaty is unambiguous: it is only Community citizens who should have the right to work and reside wherever they wish within the Community. The abolition of internal frontier controls would not change this. The benefit to a non-Community citizen of being able to move freely between Member States would carry with it no right of residence or work throughout the Community even for those non-Community citizens who have been granted such a right in a particular Member State.

(c) Abolition of fiscal frontiers

16. The 1992 objective depends more and more on the abolition of fiscal frontiers. Admittedly, the Council has undertaken to introduce by 31 December 1992 a system for collecting VAT and excise duties that is compatible with the removal of frontier controls. However, it has not yet adopted any specific measure from among the various proposals laid before it by the Commission (16 proposals have been

presented concerning the indirect taxation system after 1992 approximation of VAT and excise-duty rates, the harmonization of excise-duty structures and the arrangements applying to the movement of goods).

At the end of 1989 the Council took the view that it would not be able to adopt the definitive VAT system in time, i.e. by 1 January 1993; it therefore took up the idea of a transitional system applying for a limited period that would maintain taxation in the country of destination under conditions compatible with the abolition of frontier controls. The Commission has endorsed proposals with that aim in mind although it regrets the Council's lack of any ambition to move to the definitive system; the Commission proposes that the definitive system be in place by 1.12.1996 at the latest and considers this to be of crucial importance. In all the circumstances it views as essential that controls at frontiers should be eliminated in the transitional phase and that in the definitive phase all fiscal controls relating to intra-Community trade should be abolished.

In June 1990, the European Council stressed the urgent need to take the relevant decisions and requested that the new system for VAT and excise duties be adopted by the end of the year so that it could be implemented by 31 December 1992. The Commission particularly deplores the fact that the Council has not been able to adopt the transitional measures on tax-free allowances, which would have cleared the way for the introduction in January 1990 of new arrangements for individuals moving within the Community. This delay is all the more regrettable for individuals since the level of tax free allowances has remained the same (390 ECU) since July 1989 when it should have been progressively raised in order to facilitate the removal of the tax free regime which will occur in any case by 1 January 1993. In addition, the absence of increases in duty free allowances does not create pressure for the approximation of VAT and Excise Duty rates.

However, even if the legal instruments have not been adopted, there are signs that most Member States are anticipating events in their tax policies and are independently aligning their rates on the average levels of the rate bands proposed.

17. If the Council is able to quickly adopt the tax arrangements for the movement of goods, it will be possible to do away with physical and fiscal controls at frontiers. With this in mind, there is an urgent need for the Council and the Member States to respond to the removal of frontier controls in respect of a number of products which are currently subject to arrangements entailing either formalities or controls at frontiers: while the work on products covered by Article 115 is resulting in the non-application of that Article, on the other hand important work remains to be carried out on export controls (national treasures and strategic products) and on agricultural products subject to agri-monetary arrangements, levy or co-responsibility systems. The abolition of these various controls will require fairly rigorous organization of the work in hand. Even so, such measures, which involve only limited product categories, could not be seen as a prerequisite for the abolition of controls.

2. Abolition of technical frontiers

18. As regards technical barriers, although 44 proposals are still awaiting adoption by the Council, only 19 are facing difficulties:

- In the case of technical rules, there is reason to believe that, even though the work on motor vehicles and pharmaceuticals has still to be finalized, the measures in this area as a whole will be completed in 1991;
- In the case of financial services, the objective has been achieved with the liberalization of capital movements, the opening-up of stock exchanges and the freedom to supply banking services, to be followed gradually by insurance services;
- In the case of public procurement, the irreversibility of the process has also been ensured; the boost given by the adoption of the Directive on utilities should allow the Directives on review procedures and on public service contracts to be adopted in 1991;
- In the case of right of establishment, the long-awaited decisions on right of residence and the recognition of diplomas have been taken, warranting the expectation that the work will be finalized in the first half of 1991;

- In the energy field, the first measures facilitating trade in electricity and gas have been taken or are about to be taken; although modest, these measures are a step towards an open energy market, which remains the central objective of the Commission.

19. However, where technical barriers are concerned, the prospects in other areas are more uncertain:

- Intellectual property: In a single market, it must be possible for products to be covered by a single system of legal protection. This meets not only an industrial need, but also a consumer protection need. However, although important directives have been adopted, the key proposals (Community trade mark, Community patent and the establishment of Community law on the protection of biotechnological inventions, and new varieties of plants) are still awaiting adoption, despite the urging of the European Council;
- Cooperation between firms : Despite the success achieved in the adoption of the first European Community measures abolishing double taxation on enterprises, the instruments for securing cooperation between firms are only partly in place. The Commission is urging rapid adoption of the European Company Statute and of the arrangements for cross-border company mergers (Tenth Directive), public takeover bids (Thirteenth Directive) and the carry-over of losses;
- Transport: Although notable progress has been made as regards the carriage of goods by road and air transport, the measures adopted remain insufficient because they are themselves incomplete and, in particular, because they have not been backed up by equivalent measures for road passenger transport, shipping and inland waterway transport. In addition, in none of these fields can the regulatory approach be dissociated from the proper functioning of infrastructures in a trans-European context.

3. The decision-making mechanisms under the Single European Act

20. This state of affairs illustrates both the success of the Single Act and the limits which have been imposed on its application:

- It is clear that these results would not have been achieved in the absence of an effective decision-making procedure. Even though, in the areas covered by the White Paper, a formal vote was taken only in a limited number of cases, many of the 105 instruments adopted pursuant to provisions permitting such a vote would not have been adopted without this element of pressure: in fact the Council usually decides as soon as the voting conditions are met. The cooperation procedure has also demonstrated its effectiveness: the number of proposals pending before Parliament, (43 of which 10 awaiting first reading, 4 awaiting second reading and 29 awaiting opinions), remains small in relation to the total number of proposals currently on the Council table (104, of which the Parliament has delivered the necessary opinion on 60⁽³⁾). The Commission must however deplore the lack of consideration given by the Council to the views of Parliament expressed on second reading: whereas the Commission has taken up 58% of the amendments, the Council has accepted only 32%; none of the White Paper proposals or common positions has been rejected by the European Parliament.
- Alongside these positive aspects, the Commission can only confirm the analysis made by it in the previous report concerning the limits imposed by the Member States on the application of the Single European Act. Contrary to the commitments made under that Act, the delegation of responsibilities does not ensure effective management mechanisms:
- Generally speaking, it is only in a very few cases (8) that the Council has agreed to a clear delegation of powers to the Commission. For the rest (79), the latter's responsibility has been diluted in procedures that either detract from legitimate control by Parliament or are harmful to efficiency.

However, the Council accepted a wide delegation of responsibility for the transitional period linked to German unification in the areas relating to the completion of the internal market.

(3) Of which half are subject to the cooperation procedure

FUNCTIONING OF THE SINGLE MARKET

21. Already more than one third of the programme for completing the single market is in place; the remainder will enter into force over the next two years. The Commission is therefore faced with the challenge of managing this market and has to take account of the diverse situations brought about by traditions, administrative structures and levels of economic development.

22. It is clear that the functioning of the single market supposes that the general framework to ensure conditions of equitable competition is in place. Although the instruments of competition policy have been considerably reinforced over the last few years, in the field of transport, decisions still have to be taken in the transport sector so as to avoid any harmful distortions of competition. Likewise, the Commission considers that progress in the social field is not enough to ensure a balance between the economic dimension of the internal market and its social dimension. Lastly, it is important, if the 1992 objective is to be achieved, that the Council, on the basis of its resolution of 22 January 1990, adopt a genuine programme for trans-European networks.

23. The functioning of the market depends on the proper transposition into national law of the rules laid down by the Council, on their proper implementation by the Commission and the Member States and especially on development of the principle of mutual recognition.

1. Transposition of Community legislation

24. The process of transposing Community provisions into national law has improved considerably over the last fifteen months. The proportion of national transposition measures actually taken has risen from 30% to over 70% in one year, even though new Community measures have been adopted. The situation, which changes daily, can be summarized as follows:

- All Member States, with the exception of Italy (40%), have fulfilled more than 60% of their obligations. In reality, however, there is considerable variation: Denmark ranks first with over 88%, followed, if allowance is made for the derogations to which it is entitled, by Portugal with nearly 85%. The position in the other Member States ranges from 60% (Greece) to 84% (United Kingdom);⁽⁴⁾

⁽⁴⁾ Luxembourg : 67%, Ireland 68%, Belgium 69%, Netherlands 71%, Spain 74%, France 75% and Germany 81 %

- Countries such as Spain and Portugal have made major efforts. Against this, countries such as Italy and Greece have fallen behind schedule to a worrying degree, and the situation has continued to worsen as new instruments have entered into force; disregarding these two countries, the level of transposition would be 76%;
- In quantitative terms, delays will occur from now on chiefly in the agri-food sector, where the level of transposition is only 50%. It is plain though that, with the exception of the liberalization of capital movements, none of the areas regarded as priority at decision-making level (public procurement, the "new approach", European economic interest grouping, financial services) has been assigned the same degree of priority when it comes to transposition; none of these instruments has been transposed within the requisite time limits;
- In fact, of the 107 measures which are in force, only one quarter have been the subject of national implementing measures in all the Member States. But more than half have been transposed in at least eight Member States.

25. The general improvement is attributable to the following:

- transposition of Community provisions into national law is viewed by the European Council as the new stage in the process of establishing the single market; at its meeting in Dublin in June 1990, it asked the Commission to reinforce its monitoring procedures;
- the fact that the situation regarding transposition is transparent at all times puts pressure on all the Member States;
- all the Member States have, because of the differing administrative arrangements in their countries, taken steps to introduce centralized monitoring of the transposition process, the upshot being that, in addition to monitoring by the Commission, there is now monitoring at national level;
- the Commission assists the Member States in coordinating transposition in those areas which require consistent interpretation of Community provisions.

2. Implementation of Community Instruments

26. The need to implement Community instruments will impose on the Commission mounting management responsibilities, although the actual burden they will represent is difficult to predict on account of their technical nature. Except in economic matters proper (public procurement, competition policy), these responsibilities will relate to health, safety and environmental protection. The widening scope of these responsibilities and the requirements of effective management mean that procedures will have to be tailored as closely as possible to the needs of the situation:

- Wider management responsibilities require extra technical support for the Commission, warranting in some cases ad hoc structures. As proposed in the field of environment this should also be the case in the field of Pharmaceuticals (creation of the European Medicines Agency), veterinary matters (stepping-up of inspections) and agri-food matters (strengthening of the Scientific Committee);
- Work on technical regulations has proceeded apace as a result of the new approach in particular; the effectiveness of the regulations laid down on the one hand requires effective action on European standards and on the other the setting-up of certification agencies and finally the monitoring of the Market by the Member States.

27. Several measures already adopted (banks, insurance, public procurement, testing and certification, etc.) have consequences for managing the external dimension of the internal market. The attention being paid to the 1992 programme by the Community's partners illustrates the change in the Community's stature on the international stage. The Community must therefore be able to perform fully the role now incumbent upon it in particular vis à vis the various international bodies. This it is already doing in the Uruguay Round negotiations on services.

28. Generally speaking, the Community is faced with two problems:

- Full and rapid transposition of Community directives into national law is essential to the Community's credibility as an actor on the international stage and the very operation of the single market would be jeopardized if, in negotiations with non-member countries, the Community were not fully able to assume all such responsibilities because of procrastination by any one Member State.

- The exercise of the Community's new external powers must not be jeopardized by difficulties stemming from the new allocation of responsibilities between the Community and the Member States. Greater discipline by the Member States is needed to protect its general interests.

29. Lastly, the operation of the internal market requires physical and intangible infrastructures that will give full effect to freedom of movement. This need has been recognized by the European Council and has been embodied, at the latter's prompting, in the Council Resolution of 22 January 1990. The chief purpose is to ensure that national projects in the fields of transport, energy, telecommunications and vocational training are consistent with a Community approach enabling networks to operate as economically and as efficiently as possible for the benefit of users. The intention also is to make such networks, especially those relating to data transmission, available for the management of Community instruments, especially where the customs and tax spheres and the freedom of movement of individuals are concerned; in this context particular priority should be given to the setting up of trans-European electronic data transmission networks.

3. Recognition of national rules

30. The entire programme set out in the White Paper is based on the principle of mutual recognition, which is of pivotal importance to the proposals for technical regulations ("new approach"), financial services, recognition of diplomas, etc.

31. As regards the free movement of goods, the principle has been developed on the basis of Article 30 of the EEC Treaty and in decisions of the Court of Justice. In the shape of Directive 83/189/EEC, which provides for compulsory notification of draft national technical regulations, the Community has acquired a particularly effective means of preventing infringements and promoting mutual recognition. This Directive has now been incorporated into national law in several Member States, although it is implemented differently and does not permit monitoring of the application of national rules for transposing Community directives.

32. The principle of mutual recognition does not mean, however, that exceptions granted by Article 36 of the EEC Treaty - especially, in the present circumstances, those permissible on environmental protection grounds - will not apply. All Member States have the right, for overriding reasons of consumer or environmental protection, to take measures which may adversely affect the movement of goods and to which the Commission is obliged to react. It will therefore be necessary for new legislative proposals, which alone can prevent such barriers being erected, provided that they comply with the requirement laid down in Article 100a(3), namely that the Commission take as a base a high level of protection.

33. Mutual recognition, as applied to goods, has not so far been applied directly to services. Harmonization of company law, recognition of diplomas, or measures taken in the field of financial services, transport or telecommunications cannot by themselves solve the problems associated with the supply of services. The cross-border supply of services is still impeded by the national rules on the carrying-on of a professional activity which sometimes have the effect of prohibiting a service activity and, more often, of subjecting a person to as many authorizations as there are Member States in which he does business. This situation, which is not compatible with the principle of freedom to provide services, presents a problem which has to be remedied.

34. Article 100b of the Treaty expresses the Community's political resolve to promote the mutual recognition of national rules in the absence of Community rules. The Commission has begun preparing the way for implementation of this provision in accordance with the timetable laid down and with the legal constraints it contains.

35. To ensure the proper functioning of the single market, the Commission considers it necessary to implement 4 types of measure :

- (1) The transparency of Community law makes a major contribution to its proper transposition and application. The Commission must therefore ensure that codification mechanisms are as systematic as possible;
- (2) Strengthening of administrative cooperation will ensure that the Commission and national administrations provide one another, as well as firms, with the information necessary for management of the market: to

this end, Parliament and the Council will both have to take specific steps to increase the budgets for existing programmes, and the Commission will subsequently have to hold fuller consultations with the Member States on the implementation of directives and to facilitate exchanges of national officials, as is the case in the customs field (Matthæus programme), so as to improve trust between administrations;

- (3) The implementation of structural policy instruments, whilst respecting the assignments attributed to these instruments, in order to assist Member States that are encountering difficulties in incorporating common policies into their administrative set-ups; in particular this concerns the introduction of certification structures and the adaptation of the frontier regions to their new role at the Community's external frontiers;
- (4) Specific supervisory and inspection mechanisms strictly limited to what is needed to ensure mutual trust in the various national systems, in particular, for the agri-food sector and laboratory accreditation, and this along the lines of what already exists in the animal health field.

CONCLUSIONS

36. The remarkable progress achieved in the implementation of the 1985 White Paper programme shows up the delays and gaps in decision-taking. All the proposals are now on the Council table; they constitute the necessary and adequate basis for the achievement of the 1992 objective. Parliament has fully fulfilled its rôle in the examination of these proposals. It is therefore up to the Council and to the Member States to take the measures necessary to ensure that the deadline is met.

To achieve this, the Commission therefore proposes that :

- the European Council should invite Council to implement during 1991 the programme contained in the annex to this report; the adoption of this programme would guarantee the attainment of the objective in a balanced and satisfying manner;
- the Internal Market Council should ensure the monitoring of the work needed to implement this programme which will be carried out in the different Council bodies; in this framework it will take stock of this work at least twice every six months and will on these occasions refer to the dossiers required for this purpose;
- the European Council should take new actions, if necessary of an exceptional nature, to guarantee that the deadline of 1.1.1993 is, whatever the circumstances respected, if the delays already pointed out worsen in 1991 despite the proposed procedures;
- the Member States should commit themselves to accelerating the rate of implementation so that all the current delays are eliminated in all Member States by the end of 1991.

ANNEX

COUNCIL'S WORK PROGRAMME FOR 1991:
COMPLETING THE INTERNAL MARKET

This timetable refers to the final adoption in respect of measures not subject to the cooperation procedure, and to the common position for those which are subject to it.

REMOVAL OF PHYSICAL BARRIERS

Goods

- Controls on the movement of waste : December
- Animal health checks
 - Intra-Community trade and imports from non-member countries :

poultrymeat*, sheep and goats*, aquaculture*:
December

other animals and products of animal origin :
December
 - Production and marketing rules :

game meat and rabbit meat *, fisheries products *, molluscs *, pathogens in feedstuffs *, milk, fresh meat, milk products and derogations : June

Poultrymeat, meat-based products, minced meat, oils and fats, general rules for products of animal origin : December
 - Inspection arrangements : administration of safeguard clauses, inspection of products * and live animals from non-member countries : June
 - Protection of animals during transport : December
- Plant health checks
 - Simplification of Community standards and extension of Community rules to national trade : June
 - Arrangements for inspection at the place of production : June
 - Rules for products from non-member countries : June
 - Marketing of certain plants : December
 - Approval of plant-protection products*
- Trade in weapons : February

Persons

- Intergovernmental convention on external frontiers* :
April

* a decision is expected to be taken by end 1990

REMOVAL OF TECHNICAL BARRIERS

Technical rules	
- Community type-approval for motor vehicles	June
- Pharmaceuticals	Dec
- Veterinary products	June
Opening-up of public procurement	
- Public service contracts	Dec
- Public contracts: remedies	June
Freemovement movement of workers	
- Right of residence	June
- General recognition of diplomas	June
Financial services	
- Winding-up of credit institutions	Dec
- Investment services	June
- Annual accounts of insurance companies	June
- Non-life insurance (3rd directive)	Dec
- Adequacy of own funds for investment firms	June
Transport	
- Inland waterway transport; cabotage	Dec
- Qualifications	Dec
- Carriage of passengers by road: supply of services :	April
- International transport	April
- Sea transport (cabotage)	April
- Air transport: qualifications	Dec
Cooperation between firms	
- European Company	June
- Mergers (10th Directive)	Dec
- Company structure (5th Directive)	June
- Takeovers (13th Directive)	April
- Community trade mark	Febr
- Biotechnological inventions	Dec
- Taxation of carry-over of losses	Dec
- Taxation of securities transactions	Dec

REMOVAL OF TAX BARRIERS

- Abolition of single administrative document*	June
- Abolition of tax frontiers : transitional régime (VAT)*:	June
- Approximation of VAT and excise-duty rates	Dec
- Arrangements for movement of products subject to excise duties and harmonisation of structures * :	Dec
- Administrative cooperation *	June

* a decision is expected to be taken by end 1990