

# Internal Market Scoreboard



July 2004  13



# TABLE OF CONTENTS

MAIN FINDINGS	5
INTRODUCTION	7
1. IMPLEMENTING AND APPLYING INTERNAL MARKET RULES	9
A. State of transposition of Internal Market legislation in the EU-15 Member States	9
B. State of transposition of Internal Market legislation in the EU-10 Member States	12
C. Infringements	14
2. SPEEDING UP RESOLUTION OF INTERNAL MARKET PROBLEMS OF BUSINESS AND CITIZENS	15
A. Package meetings	15
B. SOLVIT – Member States working together to solve problems arising from misapplication of Internal Market rules	16
3. THE IMPORTANT ROLE OF EUROPEAN STANDARDS IN REDUCING BARRIERS TO TRADE	18
4. PRACTICAL EFFECTS OF THE INTERNAL MARKET	20
A. Tracking the progress of the Internal Market: the Internal Market Index	20
B. Tracking progress on price convergence in the Internal Market	22



The Commission is keen to receive feedback on this Scoreboard, and to have suggestions for future editions. Please send reactions to Mr. Alexander Schaub, Director General, Internal Market DG, The European Commission, B-1049 Brussels, or to the following e-mail address: Markt-B1@cec.eu.int

Please also use this address if you would like to receive a copy of this or future Scoreboards.



4  
5

# MAIN FINDINGS

## Transposition

- The transposition deficit for Internal Market directives is 2.2%. This means that as many as 134 Internal Market directives have not been transposed into national law in all the Member States, despite the deadline for transposition having passed. This represents almost 9% of Internal Market directives.
- France has the worst transposition record of EU-15 Member States, followed by Greece, Germany, Italy and the Benelux countries. France compounds this by taking the longest to remedy delays in transposition.
- First indications are that there are big disparities among the EU-10 Member States in transposing Internal Market directives. Some, such as Lithuania and Slovenia, have already notified national implementing laws for the vast majority of Internal Market directives. However, others such as Malta, Slovakia and the Czech Republic still have much to do. The transposition figures we have for EU-10 Member States are preliminary figures and should be interpreted with care.

## Infringements and Alternative Problem-Solving

- There are almost as many infringement cases against Member States as a year ago, despite the Internal Market Strategy 2003-2006 having called for a reduction of 50% by 2006.
- Italy has the most infringement cases against it, followed by France. Together, they account for almost 30% of cases. Italy on its own has almost as many cases against it as Denmark, Sweden, Finland, Luxembourg and Portugal combined.
- Alternative ways of solving problems and avoiding infringement proceedings have had some success. Almost 50% of infringement cases discussed at 'package' meetings between the Commission and

Member States are resolved early. The SOLVIT network also helps to resolve problems of businesses and citizens quickly, solving 75% of cases dealt with by the network and mostly within 10 weeks.

## Standardisation

- The national standards organisations of three EU-10 Member States, the Czech Republic, Estonia and Slovakia, top the table for transposition of European standards.
- A large number of Member States still have thousands of European standards whose transposition is late. While the standards organisations of EU-10 Member States have the excuse that their accession to the European Standards Organisations is relatively recent, those of EU-15 Member States do not.

## Practical Effects of the Internal Market

- This year's Internal Market Index shows that the EU's progress towards becoming a fully functioning single market has slowed since 2000. Two of the principal factors behind this are the stagnation in intra-EU trade and in intra-EU foreign direct investment.
- A price survey carried out by the Commission provides a mixed picture on the state of price convergence in the Internal Market, with the prices of some goods converging while the prices of others diverge. Prices for some well known brands (such as Coca Cola and Snickers) varied more in 2003 than in 2001, while prices of other well-known brands (such as Twix, Uncle Ben's rice and Gillette disposable razors) converged. No discernible pattern in price convergence of non-branded goods was detected over this period.



# INTRODUCTION

10 new Member States<sup>1</sup>(EU-10 Member States) joined the European Union in May 2004. This enlargement was unprecedented in its size and importance and has created a market of over 450 million people. Ensuring that this newly enlarged Internal Market fires on all cylinders is in the interests of all, as a competitive economy is essential in order to stimulate economic growth, provide jobs and support our social model.

The Internal Market does not deliver benefits automatically. **Laws have to be adopted, transposed into national law and enforced.** Businesses and citizens, whether as workers or as consumers, need to be informed about them. When problems arise, they need to be solved quickly to ensure that citizens and businesses are not deprived of their rights and of the economic benefits the Internal Market can provide.

**All these tasks are the primary responsibility of Member States.** They all have a common interest in ensuring that the Internal Market functions properly: the Internal Market belongs to Member States, their businesses and citizens. It is they who stand to benefit if the Internal Market functions properly. If the tasks are not carried out effectively, the Internal Market's contribution to Europe's growth and competitiveness is limited. The economic interests of all Member States, and their businesses and citizens, suffer if some Member States do not deliver on their commitments.

The Scoreboard examines the records of Member States in ensuring that the Internal Market works in practice. It does so by first examining how quickly and how well each of the Member States **transposes Internal Market directives into national law.** These directives and the deadlines for their transposition are agreed by Member States at European level. There is therefore no excuse for the fact that EU-15 Member States<sup>2</sup> have been persistently late in transposing them.

The Scoreboard also highlights the **number of infringement proceedings** taken against each Member State. Every infringement is a problem for a business or citizen and should be taken seriously by Member States. Here again, Member States have shown insufficient commitment to reduce the number of cases.

Given the length of time taken to resolve most infringement cases, the Commission also holds **package meetings** with Member States to encourage them to resolve cases early. It also facilitates swift resolution of problems through the **SOLVIT network**, which relies on administrative cooperation among Member States.

Given the vital role **European standards** play in reducing the cost and administrative burdens in doing business in the European Union, it is important that they are transposed by national standards organisations. Where this is not done, it can hinder the functioning of the Internal Market. The Scoreboard therefore reports on the transposition records of the national standards organisations.

This Scoreboard also focuses on how well the Internal Market is functioning in practice. It does so in two ways. Firstly, the **Internal Market Index** aims to track progress in the Internal Market towards becoming a fully functioning single market. Secondly, the Commission has carried out a **study on price convergence** which is another indicator of how well the Internal Market is functioning.

$\frac{6}{7}$

1) Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

2) Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom.

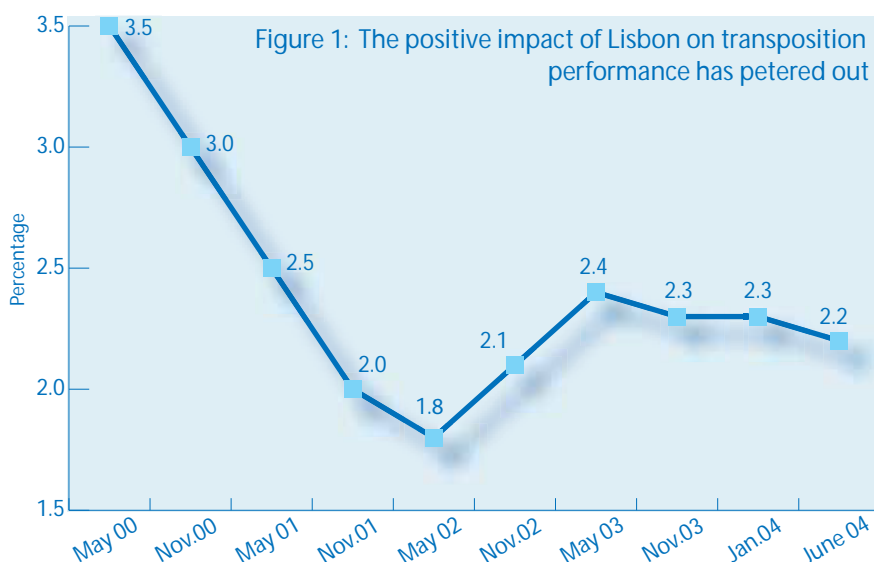


$\frac{8}{9}$

# 1. IMPLEMENTING AND APPLYING INTERNAL MARKET RULES

## A. STATE OF TRANSPOSITION OF INTERNAL MARKET LEGISLATION IN THE EU-15 MEMBER STATES

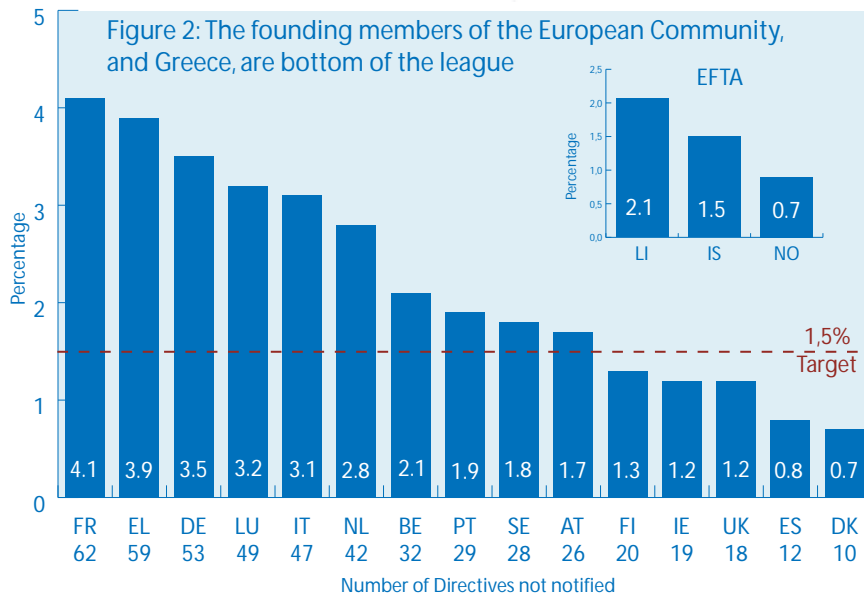
Correct and timely transposition of Internal Market directives into national law is a legal obligation for all Member States. Member States who do not respect their transposition obligations deprive businesses and citizens of their rights and of the full economic benefits of a properly functioning Internal Market. This weakens the competitiveness of the European economy as a whole, undermining the EU's ability to generate the economic growth needed to sustain a high level of social cohesion. This is why EU Heads of State and Government have repeatedly called on Member States to improve their transposition records<sup>3</sup>. Improvement is vital if the EU is to meet the goal of becoming the most competitive and dynamic economy in the world by 2010, set by the EU Heads of State and Government at their summit in Lisbon in 2000.



The transposition deficit shows the percentage of Internal Market directives not yet communicated as having been transposed, in relation to the total number of Internal Market directives which should have been transposed by the deadline.

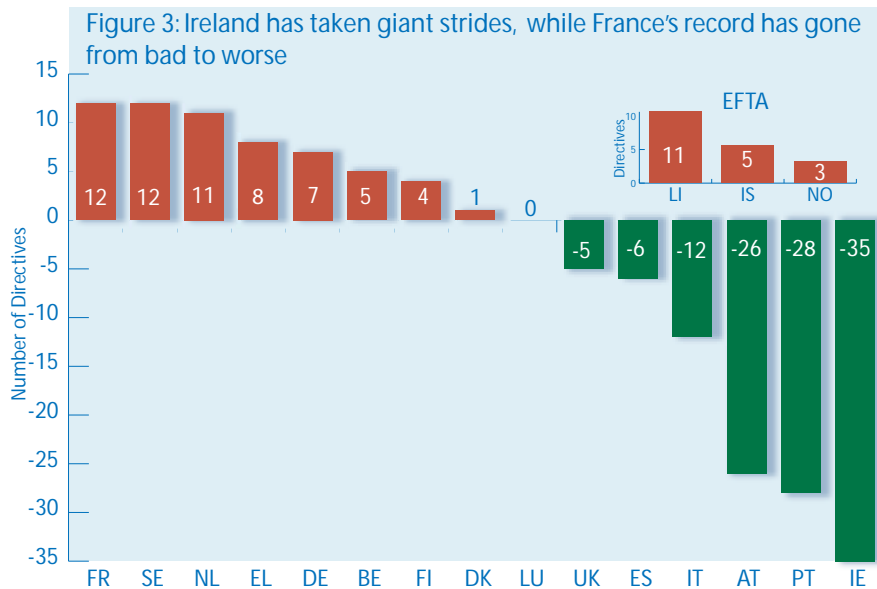
The transposition deficit for Internal Market directives is 2.2%. This means that as many as 134, or 9% of, Internal Market directives have not been transposed into national law in all the EU-15 Member States, despite the deadline for transposition having passed.

3) Conclusions of the European Council summits of Stockholm (23-24 March 2001), Barcelona (15-16 March 2002) and Brussels (20-21 March 2003 and 25-26 March 2004).



- Denmark, Spain, the UK, Ireland and Finland are to be commended for once again meeting the 1.5% interim target set by EU Heads of State and Government<sup>4</sup>. Norway and Iceland also met the target.
- France is once again bottom of the transposition league, failing to have transposed as many as 62 directives on time.
- The other founding members of the European Community, namely Luxembourg, Germany, Italy, the Netherlands and Belgium, as well as Greece, have the next worst records. All but Belgium and the Netherlands now have deficits more than double the 1.5% interim target set in 2001.

10  
11



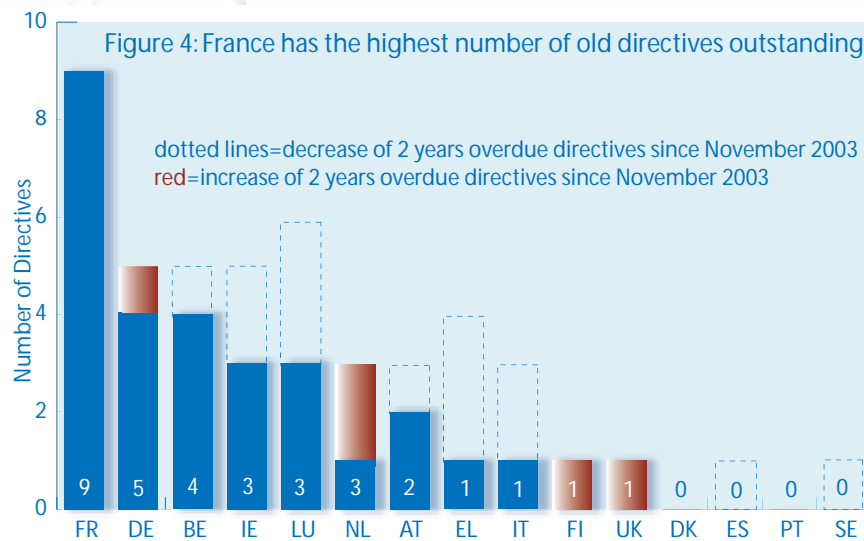
*Change in the number of outstanding directives since Scoreboard 12 (May 2003). Thus, Ireland has decreased its backlog by 35 directives, while France has increased its backlog by 12 directives.*

4) See footnote 3 above.

At a time when Member States need to redouble their efforts, many of them appear to have gone into reverse.

- France again has the worst record, its already big transposition deficit having got even bigger since the last Scoreboard in May 2003.
- Sweden's record is also disappointing, as its deficit has almost doubled since May 2003.
- The Netherlands has also seen a big increase in its deficit.
- Ireland, Portugal and Austria have all improved their records significantly.

Ensuring that delays in transposing Internal Market directives into national law do not go on indefinitely is also important. This is why the EU Heads of State and Government set a 'zero tolerance' target for directives whose transposition is over 2 years late.



Number of overdue directives with a deadline for transposition into national law before 30 April 2002 which have not been transposed by 28 May 2004.

- For France, the number of directives whose transposition is over two years late is now almost double that of the next worst offenders, Germany and Belgium.
- Only Spain, Denmark, Sweden and Portugal met the 'zero tolerance' target.
- Belgium, Luxembourg, Ireland, Austria, Greece and Italy all improved their performance.
- The positions of Germany, the Netherlands, Finland and the UK got worse.
- This is only part of the picture. EU-15 Member States that have the worst transposition deficits also take the longest on average to transpose directives whose transposition is already late. France, Germany, Belgium, Luxembourg and Austria all take a year or more on average to remedy late transposition, while Portugal, Spain and Denmark take only 7 months.

Late transposition harms the interests of businesses and citizens in a wide variety of key sectors.

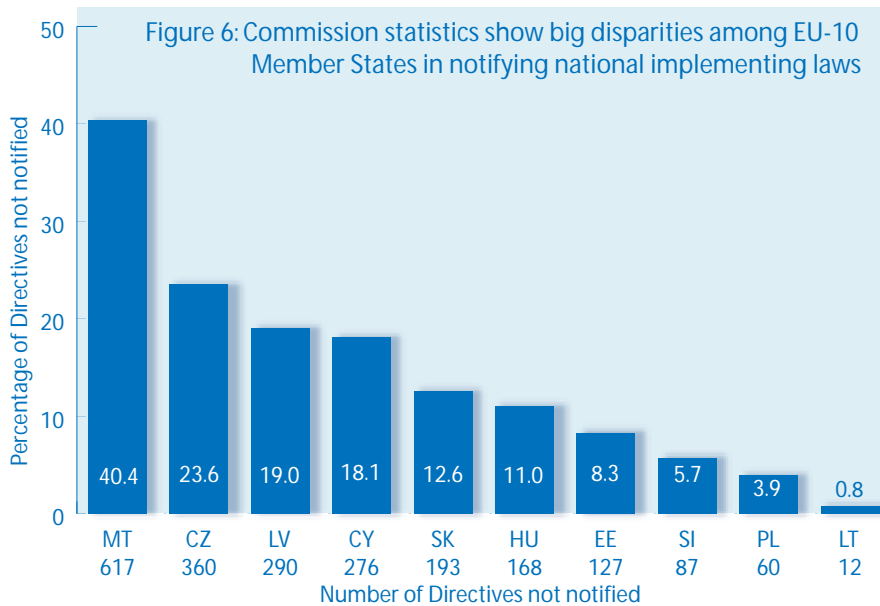
Figure 5: Key directives whose transposition is late

Directive	Not yet transposed by:
1998/44: Legal protection of biotechnological inventions	BE, DE, FR, IT, LU, NL, AT
1999/44: Sale of consumer goods and associated guarantees	BE, FR
2001/18: Release into the environment of genetically modified organisms	BE, DE, EL, FR, NL, AT, FI
2001/19: Recognition of professional qualifications (amendment)	BE, DE, EL, FR, AT, SE
2001/29: Copyright and related rights in the information society	BE, ES, FR, NL, PT, FI, SE
2002/39: Competition of Community postal services	FR
2001/12: 1st Railways Package	DE, EL, SE, UK
2001/17: Reorganisation and winding-up of insurance undertakings	BE, FR, SE, UK
2002/19-20-21-22: Electronic communications networks	BE, DE, EL, FR, LU, NL
2002/77: Competition in the markets for electronic communications	DE, EL, FR, LU, NL
2003/48: Taxation of savings income in the form of interest payments	DK, EL, FR, IT, LU

## B. STATE OF TRANSPOSITION OF INTERNAL MARKET LEGISLATION IN THE EU-10 MEMBER STATES

How well the Internal Market functions in an enlarged EU will depend to a great extent on how well Internal Market rules are transposed and applied by the EU-10 Member States. The data we have at this stage on the state of transposition in the EU-10 Member States is less refined than for EU-15 Member States. It is therefore not yet possible to compare EU-10 Member States with EU-15 Member States. This is because, for EU-15 Member States, each national implementing law is verified to see whether it fully transposes a directive or whether further national measures are necessary. Given that thousands of national implementing measures have been notified to the Commission by EU-10 Member States since their EU accession on 1 May 2004, it has not yet been possible for Commission services to carry out this verification.

The number of national implementing laws notified so far by the EU-10 Member States does, however, provide a first indication of the state of transposition in each EU-10 Member State.

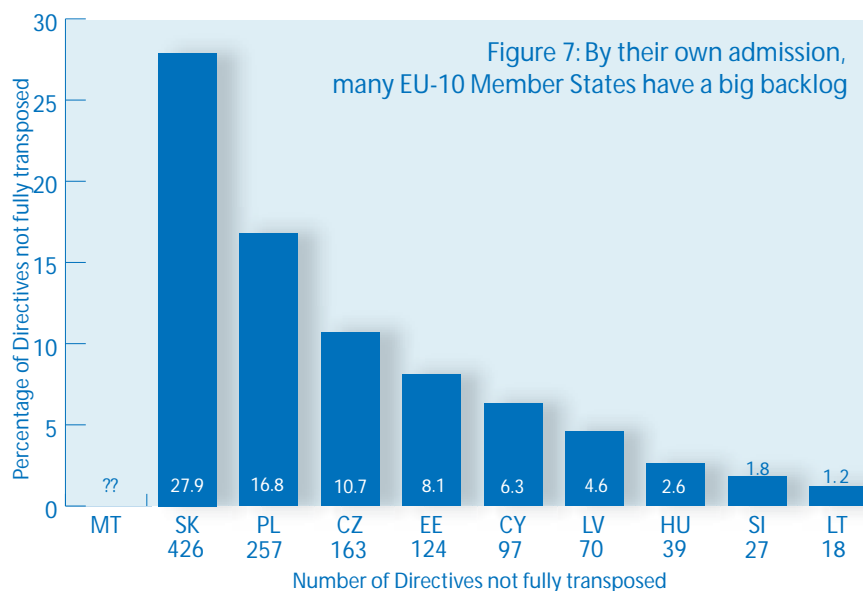


Percentage of Internal Market directives for which no national implementing measures have been notified by EU-10 Member States, as at 31 May 2004.

- Lithuania has notified national measures for all but 0.8% of Internal Market directives, while Poland and Slovenia have notified measures for all but 3.9% and 5.7% respectively. The number of national measures they have notified is significant, given that notification of national implementing measures only became a legal obligation upon their EU accession on 1 May 2004.
- Six of the EU-10 Member States have not, however, notified national measures for over 10% of Internal Market directives. Of these, Malta, the Czech Republic, Latvia and Cyprus each still has to notify national implementing measures for over 275 directives.

These figures should, however, be interpreted with care. The information on notifications may over-state the transposition records of EU-10 Member States to the extent that some of the national legislation notified may only partially transpose directives. At the same time, it may under-state their records where national implementing measures have been adopted but have not yet been notified to the Commission.

Given the preliminary nature of the information on notifications presented in Figure 6, EU-10 Member States have been invited to state what they consider to be the situation on transposition in their country. The results of this self-certification exercise, set out below, are provisional and have not been verified by the Commission.



*Number of Internal Market directives that EU-10 Member States say they have not fully transposed as at 31 May 2004, as a percentage of the total number of Internal Market directives. Malta made no declaration as to the number of directives it has not transposed.*

The relative positions of the EU-10 Member States from this self-certification exercise are broadly similar to those in Figure 6. Where a country's position is better in Figure 6 than in Figure 7, this is probably because it recognises that some of the national implementing legislation it has notified does not fully transpose the relevant directives and that further national measures are necessary. By contrast, where a country has a better position in Figure 7 than in Figure 6, this probably means that it has transposed directives but has not yet notified national implementing legislation to the Commission.

Figures 6 and 7 provide a useful preliminary indication of the state of transposition in the EU-10 Member States.

- Lithuania and Slovenia are in the top three in both Figures. They both state that they have transposed more than 98% of Internal Market directives.
- Malta, Slovakia and the Czech Republic still each have over 160 directives to transpose, whichever Figure is taken into account. This is highly unsatisfactory.

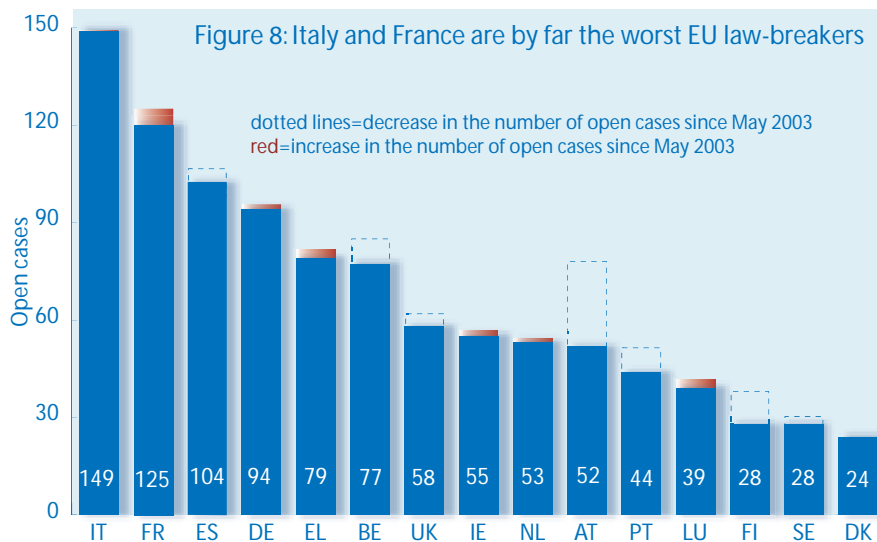
### C. INFRINGEMENTS<sup>5</sup>

The Internal Market Strategy 2003-2006<sup>6</sup> highlighted the fact that when directives are not applied correctly in practice by Member States, EU citizens and businesses are often deprived of their rights. This self-inflicted damage causes wholly unnecessary harm to the European economy and undermines the confidence citizens and businesses have in the Internal Market and the EU.

Where the Commission considers that Internal Market rules are not properly applied, it takes infringement action against the Member State in question. Every infringement is one too many; they are costly and can take a long time to resolve. The Strategy therefore called on Member States to reduce the number of infringements against them by 50% by 2006.

Over a year later, little has changed:

- The Member States with the most infringement cases against them, France and Italy, now have even more cases against them than a year ago. Combined, they account for around 30% of all infringement cases. Indeed, Italy alone has almost as many cases against it as Denmark, Sweden, Finland, Luxembourg and Portugal combined.
- Only Austria has improved its record significantly. It now has 17 fewer cases against it than a year ago.

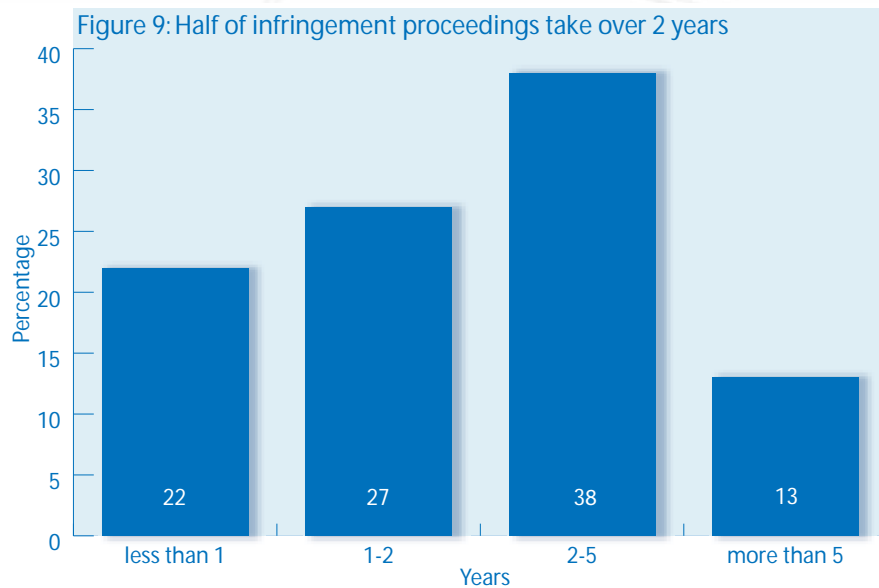


Open infringement cases as at 1 May 2004.

5) This section only concerns EU-15 Member States because no infringement proceedings have as yet been taken against EU-10 Member States on Internal Market issues.

6) COM(2003)238 final of 7.5.2003.

Not only has there been little improvement in the number of infringements, there has also been little or no progress in EU-15 Member States' willingness to solve them quickly. Austria and Denmark have the best records, while France and Ireland have the worst records. What is worse, where infringement cases are not solved early, they can go on for years. Indeed, the majority of infringement proceedings take over 2 years, with over 10% taking more than 5 years.



Cases closed between 1 November 2001 and 31 October 2003, calculated as the time from the letter of formal notice to the date when the Commission closes the case.

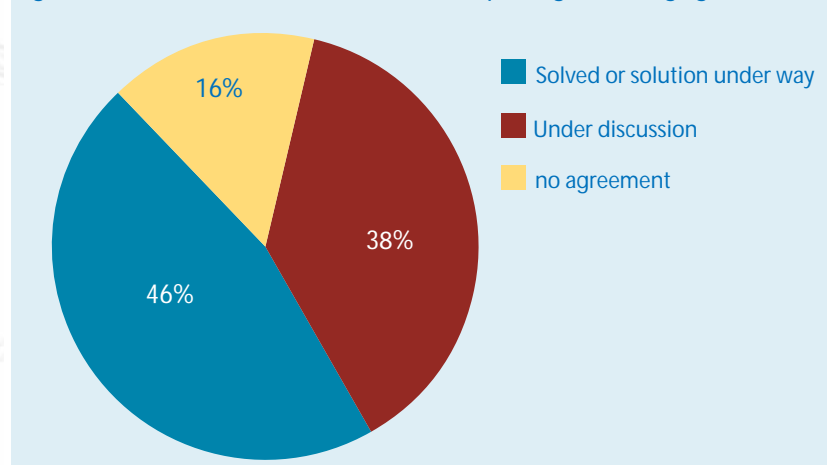
## 2. SPEEDING UP RESOLUTION OF INTERNAL MARKET PROBLEMS OF BUSINESS AND CITIZENS

14  
15

### A. PACKAGE MEETINGS

Package meetings involve experts from the Commission and a Member State, who meet informally to examine a 'package' of infringement cases with a view to solving them without the need for further legal action.

**Figure 10: Almost half of cases discussed at package meetings get resolved**



Percentage of cases discussed in 2003 in package meetings organised by Internal Market Directorate-General and Enterprise Directorate-General

## B. SOLVIT – MEMBER STATES WORKING TOGETHER TO SOLVE PROBLEMS ARISING FROM MISAPPLICATION OF INTERNAL MARKET RULES

SOLVIT is an on-line problem-solving network. Through the network, Member States work together to find solutions for businesses and citizens. There are 28 SOLVIT Centres, one in each Member State and in Norway, Iceland and Lichtenstein.

Figure 11: SOLVIT Centre performance – Portugal and Belgium are top of the league

	Resolved	Rejected	Unresolved	Average Time to solve cases in days
(total numbers in brackets)				
Portugal	100% (15)	0% (0)	0% (0)	55
Belgium	95% (19)	0% (0)	5% (1)	48
United Kingdom	92% (11)	8% (1)	0% (0)	71
Germany	77% (10)	8% (1)	15% (2)	73
SOLVIT average	75% (125)	12% (20)	13% (22)	66
Italy	73% (8)	18% (2)	9% (1)	83
France	68% (15)	14% (3)	18% (4)	84
Spain	67% (18)	22% (6)	11% (3)	60
Greece	42% (5)	33% (4)	25% (3)	68

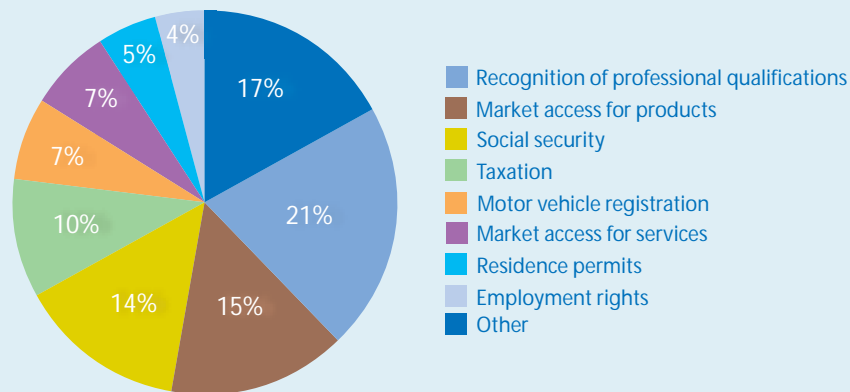
*Based on cases opened and closed between 1 May 2003 and 25 May 2004. Individual figures for countries with less than 10 cases during this period are not included. However, their performance is included in the SOLVIT average.*

The overall performance of SOLVIT over the last twelve months has been good, with a 75% success rate. The number of cases dealt with by the network is steadily increasing as a result of enlargement and as promotion activities are undertaken to increase awareness of SOLVIT. On current trends, caseload for 2004 is expected to exceed 300 cases.

The success of a SOLVIT Centre is to a great extent determined by the level of commitment of the staff to the cause of citizens and businesses. This often involves the difficult task of taking on a battle with their own administrations. The success rates in Figure 11 suggest that Portugal and Belgium have demonstrated particular qualities in this respect. Indeed, these two countries have even managed in some cases to get the law changed to remove the cause of the problem.

The average time taken to resolve cases is 66 days, slightly less than the target deadline of 70 days. While Portugal and Belgium have managed, on average, to solve cases significantly quicker than the target deadline, France and Italy have on average been unable to deliver on time. Overall, performance depends on political commitment and on the availability of trained personnel, as the European Parliament has recognised<sup>7</sup>.

Figure 12: SOLVIT - Citizens have most difficulties in having their professional qualifications recognised - Businesses' main problem is selling their goods in other Member States



*Division of cases by type of problem, July 2002 to April 2004.*

### Case example 1

A toxicologist, who had obtained her professional qualification in France, wished to take up employment in Belgium. However, the Belgian authorities refused to recognise her qualification, stating that they felt that she had obtained insufficient marks for certain parts of her curriculum. SOLVIT pointed out to the Belgian authorities that their decision probably breached EU rules because her qualification had been correctly granted by an EU Member State and because she had significant experience as a toxicologist. As a result, recognition of her qualification was granted some 9 weeks after the case had been sent to SOLVIT.

### Case example 2

After the intervention of SOLVIT, the Finnish customs authorities lifted a sales ban on a Swedish fruit product within one week. The ban had been imposed because the label on the product packaging did not indicate all ingredients separately and in descending order of weight. The Finnish SOLVIT centre advised the customs authorities that while they may request that labels comply with EU rules, refusal to allow products onto the Finnish market would be a disproportionate measure since the product did not present a danger to public health. Following this action, the customs authorities agreed to give the Swedish company 3 months to correct the label and to allow the product onto the Finnish market in the meantime.

### Case example 3

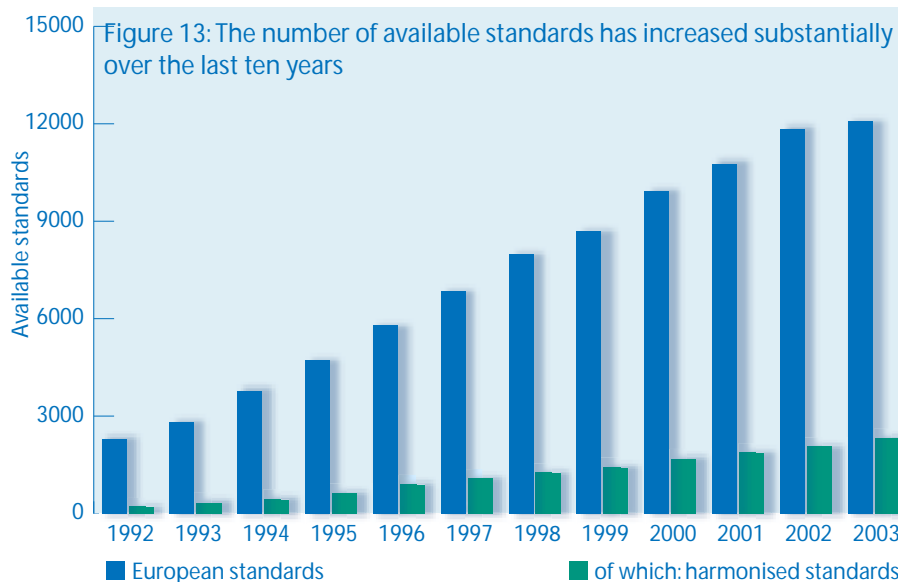
A UK citizen had been working in Italy for four years before having to resign for health reasons. The Italian Pension Authorities were competent to deal with his application for invalidity benefits until he reached retirement age. He had difficulty in obtaining a response from the Italian authorities, and therefore contacted an MEP, who in turn submitted the case to SOLVIT. The Italian SOLVIT centre put pressure on the Pension Authorities and after 14 weeks they accepted that he had the right to receive invalidity benefits and started to make the appropriate payments.

### 3. THE IMPORTANT ROLE OF EUROPEAN STANDARDS IN REDUCING BARRIERS TO TRADE

European standards play a vital role in ensuring that the Internal Market works in practice. Once a European standard is agreed and has been transposed by national standards organisations, it replaces the 25 or more different national standards in the Member States. As a result, a product complying with a European standard can circulate more freely in the EU. This leads to efficiency gains for companies, and a significant reduction in the cost of doing business across Europe.

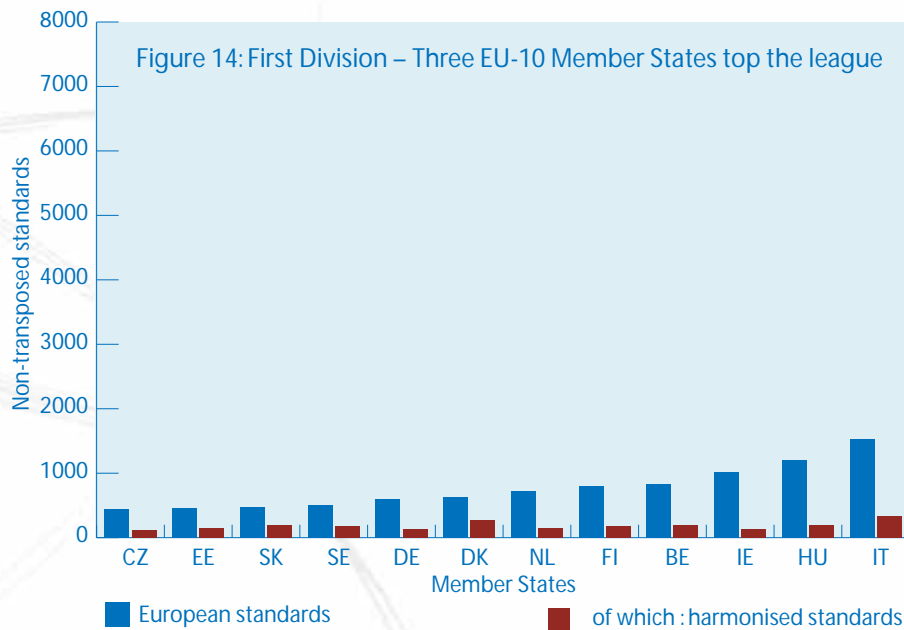
The number of European standards has increased greatly over the past 10 years. Around 80% of standardisation now takes place at European, rather than national, level. Standards cover a wide range of goods, from machinery to mobile phones, from toys to construction products, and from lifts to medical devices.

While the vast majority of European standards are developed at the request of industry, standards are also developed to implement EU 'New Approach' legislation. Under the New Approach, European legislation is limited to the essential requirements, mainly on health and safety issues, needed to ensure free movement of goods throughout the EU. The task of drawing up standards is entrusted to the European Standards Organisations (ESOs), namely the European Committee for Standardisation (CEN), the European Telecommunications Standardisation Institute (ETSI) and the European Committee for Electro-technical Standardisation (CENELEC). Where a product complies with such 'harmonised standards' drawn up by these organisations, there is a legal presumption of conformity with the corresponding essential requirements and the product can thus be put on the market throughout the EU.



Once a European standard has been adopted by one of the ESOs, it is up to national standards organisations to implement them at national level. They do so by transposing them as national standards, either by publishing an identical text or by endorsing them. National standards organisations must also repeal any existing national standards that conflict with European standards.

When national standards organisations do not transpose a European standard, this can lead to problems for industry. In some cases, industry is faced not by one EU-wide standard for the product in question, but by a patchwork of different national standards with which it is more costly and cumbersome to comply.



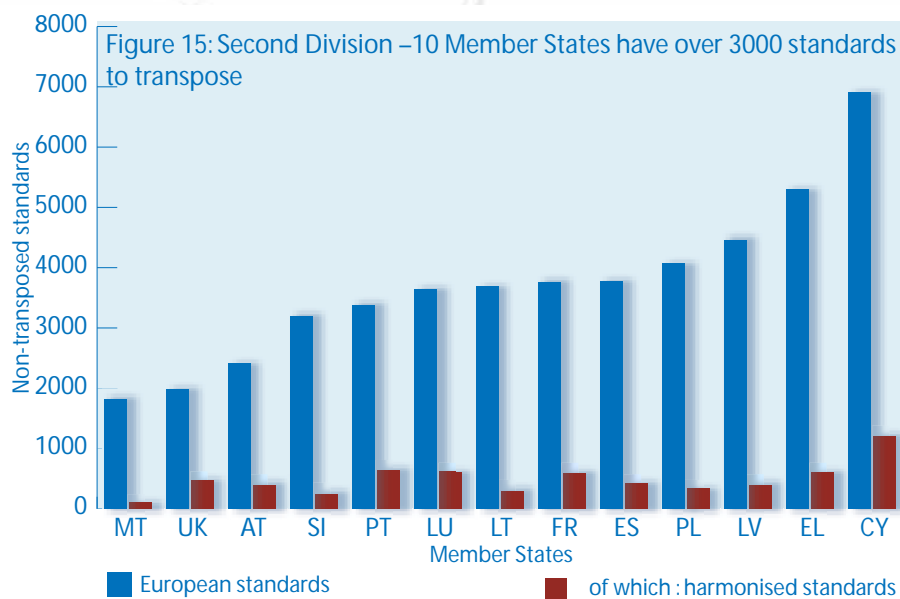
The transposition deficit shows the number of standards not yet communicated to the ESOs as having been transposed. Latest available figures: CEN: 12/5/2004 – CENELEC: 31/3/2004 – ETSI: 30/4/2004<sup>8</sup>.

- The national standards organisations of the Czech Republic, Estonia and Slovakia are top of the league, having transposed the most European standards nationally, and are to be commended.
- Hungary's standards organisation is also to be congratulated for being in the First Division and overtaking a number of EU-15 Member States.
- The fact that all the standards organisations in the First Division are late in transposing hundreds of standards is a matter of concern, as is the fact that it is possible for Italy, Hungary and Ireland to be in the First Division despite having over a thousand standards outstanding.

8) Total numbers of published standards to be transposed as at these dates : CEN: 8393 European standards and 1961 Harmonised standards; CENELEC: 3636 European standards and 995 Harmonised standards; ETSI: 3354 European standards and 204 Harmonised standards. For CEN, the column 'European Standards' also includes Pre-standards and Harmonisation Documents.

9) See footnote 8 above.

10) As figures concerning its transposition of CENELEC standards are not yet available, it is assumed for the purposes of the Scoreboard to have transposed none.



The transposition deficit shows the number of standards not yet communicated to the ESOs as having been transposed. Latest available figures: CEN: 12/5/2004 – CENELEC: 31/3/2004 – ETSI: 30/4/2004<sup>9</sup>.

- The standards organisations of Cyprus and Greece are bottom of the Second Division, with over 5000 European standards awaiting notification. In Cyprus' case, this may be partly explained by the fact that it joined CENELEC only in February 2004<sup>10</sup>.
- Many national standards organisations still have a large number of voluntary European standards whose transposition is late. While the standards organisations of EU-10 Member States in the Second Division still have much to do, they at least have the excuse that their accession to the ESOs is relatively recent. The seven EU-15 Member States in the Second Division do not.

	CZ		EE		SK		SE		DE		DK		NL		FI		BE		IE		HU		IT	
	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS
CEN	102	67	0	0	188	82	110	41	163	24	8	18	130	46	71	22	103	29	17	13	86	36	404	110
CENELEC	340	50	458	113	285	113	390	131	342	100	604	260	252	77	688	152	730	166	525	78	457	102	967	213
ETSI	0	0	/	38	0	0	0	0	100	5	5	0	342	21	45	2	0	0	480	38	657	4	151	13

	MT		UK		AT		SI		PT		LU		LT		FR		ES		PL		LV		EL		CY	
	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS	EN	HS
CEN	26	3	531	195	110	11	0	0	30	21	475	189	0	0	189	79	312	132	0	0	0	0	712	138	0	0
CENELEC	241	46	1456	271	452	165	436	96	1729	462	775	260	835	263	1259	350	404	140	759	267	903	183	1416	269	3636	995
ETSI	1542	51	1	0	1856	109	2753	148	1614	157	2384	162	2851	31	2316	152	3059	144	3314	67	3554	204	3174	195	3265	204

Breakdown of non-communicated standards, by Member State

## 4. PRACTICAL EFFECTS OF THE INTERNAL MARKET

### A. TRACKING THE PROGRESS OF THE INTERNAL MARKET: THE INTERNAL MARKET INDEX

20

21

In a fully functioning single market, there are certain things that one would expect to happen. Prices, for example, should converge over time due to competitive pressures. Goods, services, workers and capital should circulate freely. And where once-protected utility sectors are liberalised, prices should converge and hopefully even decrease over time due to the resulting increase in competition.

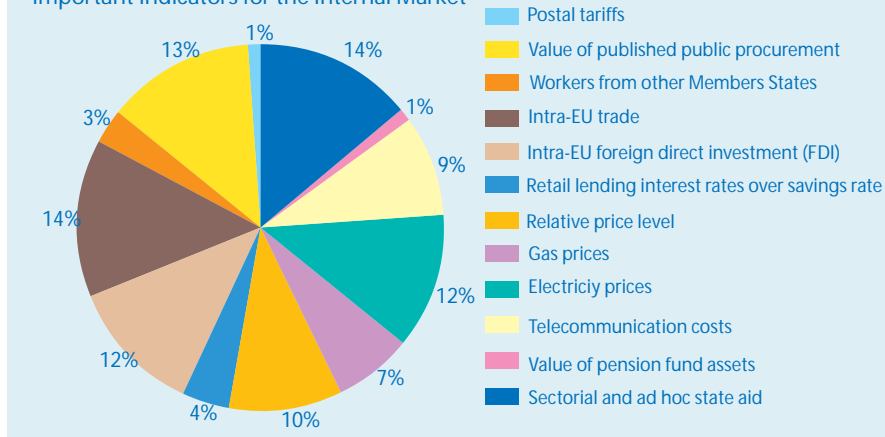
The Internal Market Index<sup>11</sup> is intended to track the progress of the EU Internal Market towards becoming a fully functioning market. The Index is what is known as a 'composite indicator', that is, an aggregate of a number of individual indicators. These individual indicators, which are all considered relevant to the Internal Market's development, are set out below, together with an indication of the relative importance given to each indicator in the Index<sup>12</sup>.

The Index does not purport to be a scientific measurement of how well the Internal Market is functioning, as the size and complexity of the market make such a measurement impossible. However, the Index does serve as a useful indication of progress in the Internal Market as a whole and helps to identify the factors which are speeding up or slowing down such progress.

11) Credit must go to the Commission's Joint Research Centre for the very significant investment it made in calculating the index and improving its methodology. An in-depth report on the methodology and calculation of the index is available at: [http://europa.eu.int/comm/internal\\_market/en/update/score/index.htm](http://europa.eu.int/comm/internal_market/en/update/score/index.htm).

12) The relative weighting given to each individual indicator was decided by canvassing the members of the Internal Market Advisory Committee, the group of Member State officials who advise the Commission on Internal Market matters.

Figure 16: Member States chose intra-EU trade, opening-up of public procurement, foreign direct investment, the cost of utilities and a reduction in state aid as the most important indicators for the Internal Market



Since 1994, the Internal Market has progressed steadily towards becoming a fully functioning single market, with the overall Index for the EU<sup>13</sup> having improved by 60%. Two key reasons for this improvement are the significant decrease in state aid given by Member States, resulting in less distortion of the market, and the liberalisation of the telecoms sector which has delivered significant price reductions to business and consumers.

This year's Index shows, however, that progress has slowed since 2000. This is principally due to the fact that intra-EU trade in goods and intra-EU foreign direct investment have stalled<sup>14</sup>. Prices across the EU have also stopped converging in the last five years. As the Commission's Spring 2004 Report "Delivering Lisbon: Reforms for the Enlarged Union"<sup>15</sup> highlighted, this slowdown is a warning sign that more needs to be done to ensure that the Internal Market reaches its full potential.

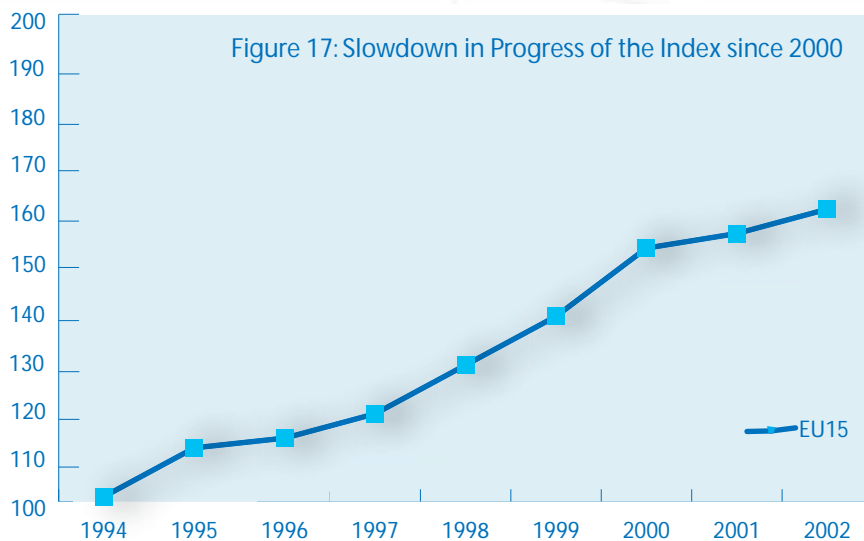


Figure 17: Slowdown in Progress of the Index since 2000

The Index helps us to see the 'big picture' and is easier to interpret than trying to find a trend in many separate individual indicators. However, as Member States had different starting points in 1994 in respect of each individual indicator, comparisons between them are difficult. Rapid growth in the Index for a Member State may simply indicate that it started from a low level. Likewise, slow growth in a Member State's Index may simply mean that it started from a level where there was little room for improvement. But it is possible to see how much the Index has increased for each Member State, and to identify the factors within the Index responsible for the change.

13) The Index does not include EU-10 Member States, due to the lack of statistics for these countries.

14) Both intra-EU trade and intra-EU foreign direct investment, which account for 26% of the Index, are of course also influenced by the business cycle.

15) COM(2004)29 final of 20 February 2004.

	Has driven index up*	Has slowed index down*
AUSTRIA	Public procurement, telecommunication costs	FDI, electricity prices
BELGIUM	Telecommunication costs, public procurement	Interest rates
DENMARK	Telecommunication costs	Electricity prices
FINLAND	Public procurement, state aid	/
FRANCE	Public procurement, telecommunication costs	FDI, interest rates
GERMANY	State aid, telecommunication costs	Interest rates
GREECE	State aid, telecommunication costs	Trade, FDI
IRELAND	Telecommunication costs, public procurement	Electricity prices
ITALY	Telecommunication costs, state aid	FDI
LUXEMBOURG	Telecommunication costs, public procurement	Electricity prices
NETHERLANDS	Telecommunication costs, interest rates	Electricity prices, state aid
PORTUGAL	Telecommunication costs, interest rates	/
SPAIN	Telecommunication costs, public procurement	FDI
SWEDEN	Telecommunication costs, public procurement	State aid, FDI
UNITED KINGDOM	State aid	Interest rates

\* This has to be understood in relative terms compared to the evolution of the other variables. A variable might drive the index down even if this variable increases in absolute terms – in such a case the increase would simply be below the average increase. The importance of a variable as a positive or negative 'driver' results both from the weight of this variable and its actual values.

## B. TRACKING PROGRESS ON PRICE CONVERGENCE IN THE INTERNAL MARKET

Price differences are good indicators of economic integration and market performance. In a competitive and efficient Internal Market, the free circulation of goods and services should ensure that prices paid by consumers do not vary greatly from country to country.

To assess to what extent prices are indeed converging in the Internal Market, the Commission recently conducted an exercise to monitor the price<sup>16</sup> convergence of a wide range of branded and non-branded products<sup>17</sup> consumed by households across 14 of the EU-15 Member States<sup>18</sup> for the period September 2000 to August 2003. First results from this study are presented below.

16) Prices are available as averages for each given time period, weighted by volume of sales. This means that they are representative of what consumers pay on average for the product under consideration in each Member State. These prices are usually not identical with off-the-shelf prices, as averages also take into consideration special promotional offers like "buy two, get one free".

17) The prices cover 82 different products covering a wide range of groceries, items of personal care and cleaning products. For each product, prices for up to four different brands have been collected. Within these four brands, wherever possible the data set includes information on both Pan-European brands and generic brands. Pan-European brands are defined as brands which can be found in at least four of the big five countries (Germany, United Kingdom, Spain, France and Italy) plus in five other countries; generic brands are brands which do not fulfil this criterion. The prices are collected mainly by means of bar code scanners, complemented by data from shop audits and consumer panels. In all instances, the prices used are the price in Euros across the various countries, before the addition of VAT..

Figure 18: Prices of branded products still vary considerably across the EU

	Lowest		Highest	
Coca Cola	Spain	79	Finland	145
Red Bull	Austria	79	Finland	134
Fanta	Spain	70	Finland	148
Evian	France	62	Finland	204
Twix	Belgium	74	Denmark	131
Haagen Dazs	Italy	60	Greece	117
Nescafe Instant Coffee	Greece	64	Austria	137
Kellogg's Cornflakes	United Kingdom	75	France	144
Uncle Ben's Rice	Finland	81	United Kingdom	161
Barilla Dry Pasta	Italy	55	Ireland	114
Ajax Cleaner	Italy	76	Sweden	174
Nivea Face Care Cream	Spain	75	Portugal	174
Gillette Disposable Razors	Belgium	79	Finland	131
Pampers	United Kingdom	63	Ireland	164

Highest and lowest supermarket prices (excluding VAT) of 14 branded products across Europe for September 2002 – October 2003. Source: DG Internal Market, based on AC Nielsen.

Branded goods such as those in Figure 18 have a large degree of consumer recognition throughout the EU. One would therefore expect that, because the brand name ensures a certain product homogeneity, prices of these products in the different Member States should be very similar. Figure 18 shows that this is not the case and that prices vary considerably between Member States. While there may be intuitive reasons why some products are cheapest in a given Member State (Barilla pasta in Italy, Evian water in France), there is no obvious systematic pattern to differences in prices between Member States.

Differences in prices are greater for non-branded products. Here again, there is no obvious pattern to differences in prices between Member States.

Figure 19: Prices of non-branded goods vary even more than those for branded goods

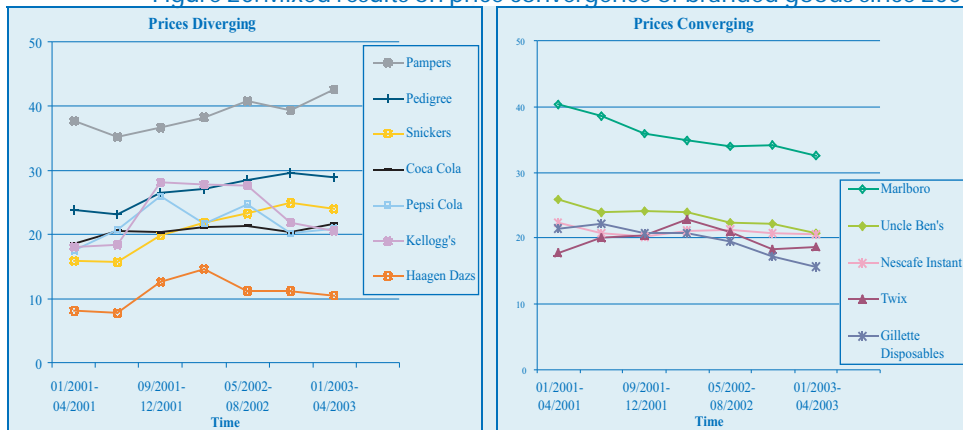
	Lowest		Highest	
Rice	Portugal	45	Sweden	182
Flour	Portugal	45	Sweden	182
Kitchen Rolls	Portugal	55	Ireland	189
Washing Up Detergents	Netherlands	59	Finland	152
Ground Coffee	Finland	71	Ireland	298
Instant Coffee	Belgium	40	Ireland	127
UHT Half Fat	Germany	71	Finland	140
Dry Soups	Spain	43	Belgium	256
Frozen Fish	Finland	65	France	118
Ice Cream	Finland	40	United Kingdom	214
Sparkling Mineral Water	Italy	47	Finland	168
Hair Spray	Sweden	47	Ireland	142
Baby Foods	Spain	66	Italy	173
Tinned Pineapple	Netherlands	53	Finland	181
Sugar	Portugal	93	Sweden	286

Highest and lowest supermarket prices (excluding VAT) of 15 non-branded products across Europe for September 2002 - October 2003. Source: DG Internal Market, based on AC Nielsen.

While these price variations in branded and non-branded goods give us a snapshot of the situation today, it is also useful to determine whether prices for these goods are converging over time, as one would expect in a fully functioning Internal Market.

18) The EU-15 Member States, with the exception of Luxembourg

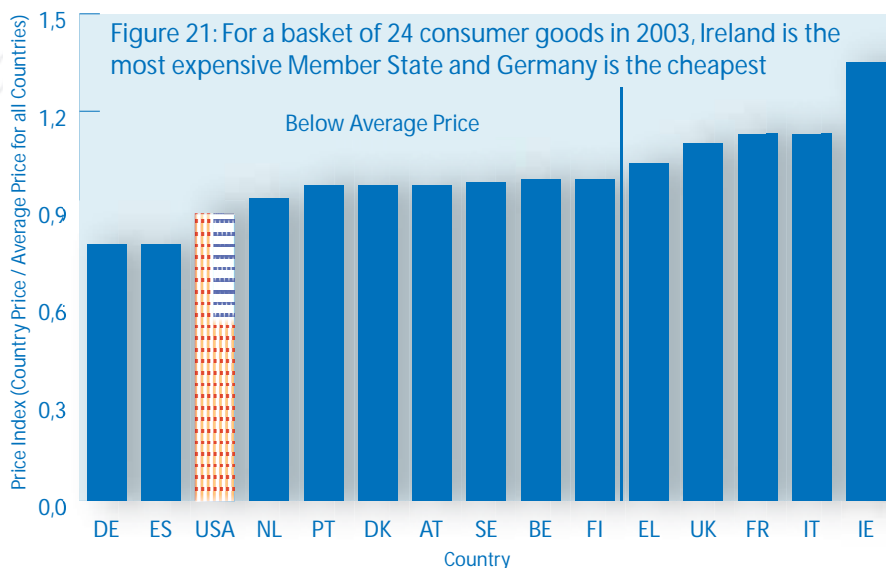
Figure 20: Mixed results on price convergence of branded goods since 2001



Changes in Coefficient of Variation over Time (Pan-European Brands). Source: DG Internal Market, based on AC Nielsen.

Amongst some well known brands, prices varied more in 2003 than in 2001 (Coca Cola and Snickers), while prices of other well-known brands (Twix, Uncle Ben's rice and Gillette disposable razors) converged. No discernible pattern in price convergence of non-branded goods was detected over this period.

Given the variations in relative prices for different products, even within one Member State, it is useful to examine how Member States compare when buying a "basket"<sup>19</sup> of goods available in all 14 EU countries surveyed. A comparison was also made with prices for this basket of goods in the US<sup>20</sup>.



Price (excluding VAT) for a basket of 24 goods across Europe and the US. Source: DG Internal Market, based on AC Nielsen.

Germany and Spain are the cheapest Member States in which to buy these household items. Their "basket" cost around 80% of the average for all 15 countries (EU-14 plus the US) while Ireland is the most expensive, costing nearly 40% more than the average. The US is third cheapest.

The positions of Denmark and Sweden in this table may seem surprising. Their positions can be explained by the fact that VAT was excluded and that the above analysis used national average product prices. These prices are influenced by the mix of all branded and non-branded goods on sale in a given country. In both Sweden and Denmark, there appear to be many non-branded cheaper goods with relatively high market share. This reduces their average national product prices. If the study had focused instead on branded goods, these two countries would be among the most expensive.

19) The 24 goods making up the basket were selected simply by checking which products prices were available in all 15 countries.

20) The national annual average prices for each product were used, meaning that the price in a country is influenced by various factors, including the mixture of distribution outlets available.

The positions of most countries, except for Portugal and France, in the table have changed little over time. Portugal was one of the three cheapest countries in 2000-2001, but is now more expensive. Prices in France were fairly average in 2000-2001, but it is now one of the most expensive Member States.

Price differences for the basket of goods in the 14 EU countries range between 0.8 and 1.4 times the average price of the basket in the 15 countries covered by the study (EU-14 plus the US). Differences in the price range of the basket in different regions of the US are not as great, where the price range is between 0.8 and 1.1 times the average. Taking the US as a model of a good single market, this shows that there is still room for convergence in the prices of these goods within Europe.







*European Commission*  
*Commission Staff Working Paper*  
***[http://europa.eu.int/comm/internal\\_market/](http://europa.eu.int/comm/internal_market/)***

---