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The way ahead in the Internal Market

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Legal Affairs Committee of the European Parliament

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Mr Chairman, Dear Committee Members,

It is a pleasure for me to be here today before the Legal Affairs Committee. This is my first time. And I hope that I will be invited back – not once, but many times. Your committee is at the heart of my work as Commissioner responsible for the internal market and services.

It has been some two months since I started as Internal Market Commissioner. It is a fascinating job and I am learning every day. Without pretending that I know it all, let me offer you some initial views as to how I see the future of the Internal Market over the next few years, in particular in the areas you are responsible for, company law and intellectual property.

Today, as you will have heard, the Commission adopted its contribution to the Spring European Council on the Mid Term Review of the Lisbon Strategy. I think it is a rather bold document which seeks to identify a limited number of priorities. It should come as no surprise that one of the key messages in the Commission's document is that we need to make much more of the Internal Market and so maximise its contribution to growth and employment.

What does this mean in practice? What should be done?

I should like to highlight three issues.

First, we must place greater emphasis on correct implementation and effective application of Internal Market rules. Legislating is not just about making laws – it is about making laws work.

We cannot have a situation where our main focus is on new legislation whilst we neglect our past achievements. One of the things we need to do more of is evaluate whether the measures in question have actually delivered on their promise – and if not ask ourselves whether we should modify the measure - or even repeal it and start afresh.

We also need a new governance model for the Internal Market in EU 25. The Internal Market belongs to the Member States. They must take full ownership of the Internal Market and work in partnership with each other and with the Commission to provide mutual assistance and resolve any problems pragmatically.

I think the culture is changing. For example, I am encouraged by the success of SOLVIT – where Member States themselves tackle Internal Market problems of their own making pragmatically. Everybody wins.

A few days ago, I was pleased to announce to the press that Member States have made some good progress in getting Internal Market rules on the books on time and correctly. It is particularly encouraging to see that the new Member States are doing well – some even better than the founding fathers. Lithuania is top of the class. Hungary is third behind Spain. France and Germany are improving. This is all good news.

Secondly, we must ensure that our rules are effective and cause the minimum burden for business.

We must not be dogmatic about rules. Every society needs rules. It is the foundation of our economic and social success. The Internal Market has made life of citizens and business a lot easier. It is much better to have to comply with only one set of rules than having to come to grips with 25 different, and often conflicting, rules. But there is no doubt scope for improvement and instances where we may have gone over the top.

The Barroso Commission wants to lead by example. No proposal leaves the house without having been subject to thorough impact assessment. There is wide consultation. A major simplification and codification exercise is under way. Ex-post evaluation is becoming the norm.

But the Commission cannot improve the quality of the regulatory framework on its own. Council and Parliament must also play their part in improving the quality of regulation, and as the bulk of rule-making is still national, Member States also need to put their own house in order.

The third priority is to fill in some important holes in the Internal Market fabric.

One of the most critical gaps is the fragmentation in Europe's services markets. We will need to find ways to integrate our services markets and remove obstacles to cross-border provision and establishment. I know there are concerns about the Commission's proposal and we will need to deal with them. But I would hope that the debate is not going to be only about concerns and problems, but also about opportunities and the chance to shift the European economy in higher gear.

Part of plugging the gaps in the Internal Market is about making progress in the area of **company law and corporate governance**. Let me briefly mention the main initiatives.

The 10th Company Law Directive on **cross-border mergers** represents a major step forward for EU businesses and for our long-term economic performance. It facilitates establishment and makes it easier for companies to organise themselves to take advantage of the Single Market. After 20 years, a compromise has been reached in the Council last November on the complex issue of worker participation. This compromise may also pave the way for a 14th Company Law Directive on **cross-border transfer of the registered office**.

In addition, the Commission has made a proposal to modernise, and above all, simplify the second company law directive on **capital maintenance**. The objective is to reduce cost and procedures for public limited liabilities companies that want to increase their capital or distribute profits.

Financial information must be of stainless quality. Urgent action has been undertaken to restore the credibility of external audits through the adoption of the proposal for a **new Directive on Statutory Audit**.

If we want **shareholders** to be more active in listed companies and committed to exercising control over companies' boards, they may well need to be given more and clearer **rights**. Shareholders should also have the possibility to exercise their rights to vote at a general meeting, regardless of where they reside in Europe. A public consultation has been launched on possible ways forward in these areas, which may lead to a proposal for a Directive next October.

Mr Chairman, most of these proposals are before your committee and I am looking forward to seeing them adopted by Parliament and Council as swiftly as possible.

I have a clear focus on objectives and results. From my discussions with a number of you to date, I understand that we all share the same objective. Where there are practical issues or differences on specific issue, I am open to work with you to find a satisfactory solution.

Moving now to the field of intellectual property.

The protection of intellectual and industrial property is at the heart of any knowledge-based economy and central to the Lisbon agenda. No appropriate protection of copyrights, patents, trademarks or designs for instance, means no incentive for authors to create and for companies to innovate. The EU legal framework on this area is already well developed but enforcement needs to be improved.

I appreciate that the directive on the **patentability of computer-implemented inventions** is a very delicate issue and I would not like to underestimate the hard work which will be needed to ensure an agreement between Council and Parliament. I understand that the Luxembourg Presidency has now received written assurances concerning the re-instatement of this issue as an A point at a forthcoming Council. Needless to say, a constructive dialogue between the Council and Parliament will be vital for an agreement. Any agreement will need to strike a fair balance between different interests. Having no directive means continuing to rely on case law, which leads to considerable legal uncertainty which is why we must strive to find a balanced solution.

The **Community Patent** is a key initiative to reach the Lisbon target. Here again, no Community Patent means higher costs, legal uncertainty, and fewer incentives to research and innovation. We continue to hope that the Council will come to an agreement on the Community Patent, although important sticking points remain.

Protection of industrial property is necessary to stimulate innovation but over-protection does nothing to boost our competitiveness. The Commission proposal to liberalise the after-market for **spare parts** (an amendment of the designs directive) attempts to strike the right balance in this respect. The Parliament has generally taken a favourable stance on the envisaged approach in the past. I hope that you will continue to view the proposal favourably.

Chairman, these are my initial views and this is our common agenda. I am looking forward to working closely with you.

My main objective for today is to hear your views and questions. It is still early days in my mandate and I may not yet have answers to all of your questions or comments. But they are essential for me in order to form my opinion on where to go next. That is what I mean when I say I want to have an open and co-operative working relationship with you.

Thank you very much.