



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

Sofia, 21.02.2011

RESOLUTION

of

**THE ECONOMIC AND SOCIAL COUNCIL
OF THE REPUBLIC OF BULGARIA**

on

**COMMUNICATION FROM THE EUROPEAN COMMISSION
COM (2010) 608 final**

**To the European Parliament, the Council,
the Economic and Social Committee and
the Committee of Regions:**

"Towards a Single Market Act -

**For a highly competitive social market economy -
50 proposals for improving our work, business and exchanges with
one another"**

By means of his letter of 20.01.2011 Mr. Staffan Nilsson, President of the European Economic and Social Committee, invited the Economic and Social Council of the Republic of Bulgaria to present its opinion on the Single Market Act - COMMUNICATION FROM THE EUROPEAN COMMISSION COM (2010) 608 final to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions "Towards a Single Market Act - For a highly competitive social market economy - 50 proposals for improving our work, business and exchanges with one another.

The President Board of the Economic and Social Council decided to prepare a Resolution on the document and appointed rapporteur Milena Angelova, PhD, Member of the Economic and Social Council, Chief Secretary of the Bulgarian Industrial Capital Association.

At its Plenary Session held on 21.02.2011 the Economic and Social Council adopted this Resolution

1. CONCLUSIONS AND RECOMMENDATIONS

- 1.1. The Economic and Social Council expresses its support for the Single Market Act as one of the quintessential political acts of the European Commission aiming to reconsider the concept of the Single Market in the new light of expanding global markets and fundamental political changes in the European Union - such as the ratification of the Treaty of Lisbon and the adoption of the European reform package - Europe 2020.
- 1.2. As a general principle in addressing these challenges the Economic and Social Council fully supports the need for unified Europe to defend internationally its interests and values with greater confidence in a spirit of reciprocity / symmetry and mutual benefit.
- 1.3. Achieving such ambitious goals is completely impossible without the active participation of all stakeholders. Their inclusion in the process as early as the stage of setting goals and planning actions for their implementation should guarantee their active commitment to achieving these goals. Therefore, the Economic and Social Council welcomes the initiative of the European Commission to realise its intentions by means of an active public debate involving all representatives of European society and appeals that this principle be always used with respect to future legislative and political initiatives at the European level and in individual Member States.
- 1.4. The Economic and Social Council subscribes to the aim of the big European market for achieving a common social and economic space which is shared with respect to individual differences and along this line calls for immediate, effective and complete integration of all Member States in this process, including by means of accelerating Bulgaria and Romania's accession to the Schengen Space.
- 1.5. The Economic and Social Council supports the aim stated in the Act to create a suitable framework for European supply of goods and services and its development. The Economic and Social Council calls for greater attention to industrial policy as well as a more concrete definition of the measures for the encouragement of European industry, including the achievement of a stable financial system which works to the benefit of the real economy.
- 1.6. In addition to the intention of the European Commission to create a framework for the advance planning of industrial restructuring the Economic and Social Council thinks that issue of their proactive management should be addressed as a response to the challenges of globalising markets so that the role of the

European Union as a leader in the area of industrial production is confirmed and in order to encourage the creation and preservation of new jobs¹.

- 1.7. Besides the initiative to reform the system for the recognition of professional qualifications and with a view to facilitating the movement of workforce the European Commission should work for ensuring the free movement of workforce within the EU - an area where a number of obstacles and challenges still exist to impede the efficient functioning of the common market².

2. INTRODUCTION AND GENERAL BACKGROUND

- 2.1. The Single Market Act is a major political initiative of the European Commission aimed at developing and enriching the concept of the single market by guaranteeing the "four fundamental freedoms" underlying the Treaty on European Union - "the movement of people, goods, services and capital."
- 2.2. At the same time, the document is also a response to the need for the formulation and implementation of adequate policies aimed at "strengthening economic integration, creating a single currency and the development of the cohesion policy.
- 2.3. Recognising the warning of the European Parliament on the challenges facing integration of the domestic market, which is not irreversible, and its preservation could not be taken for granted. The European Commission published the Single Market Act as a proactive initiative to adequately manage the process.
- 2.4. The Economic and Social Council completely supports the opinion of the European Commission that the commitment to reconsider the concept of the Single Market so that it could offer more opportunities to Europeans may only be achieved by means of an active and profound debate with the participation of all stakeholders. By means of this Resolution the Economic and Social Council declares its willingness and readiness to participate in the consultation process as well as in the subsequent processes of monitoring and assessment of the implementation of the measures provided by the Act.

3. THE SINGLE MARKET ACT

- 3.1. While firmly supporting the concept of the Single Market and the need for its further development within the European Union, the Economic and Social Council shares the view that essentially it is a general idea, a concept, while

¹ "Member States should identify and eliminate unjustified restrictions on professional services such as quotas and prohibited areas ..." COM (2010) 11, 12.01.2010

² In the light of one of the five goals of the Strategy Europe 2020: increasing employment to 75% by 2020

- the reality may vary just as the forms of economic behaviour may vary and therefore they can hardly be completely controlled by this general concept.
- 3.2. The Economic and Social Council welcomes the initiative for enlargement of the European "expertise in sectors with high added value and implement a policy to facilitate access of businesses and particularly SMEs," to their growth opportunities. With respect to the successful realisation of this initiative, however, the Economic and Social Council reminds that it is of crucial importance to provide businesses with the relevant instruments - such as flexible financing schemes, reduction of administrative and regulatory barriers, and encouragement of the creation of new jobs.
 - 3.3. The Single Market Act would also benefit from complementing its concept for sustainable consumption with the idea of combining the roles of all participants in the Single Market, ensuring their day-to-day implementation of the prescriptions of the Act, and defining the place European consumers occupy in the Single Market.
 - 3.4. The Economic and Social Council subscribes completely to the view that the success of the European Model depends on its ability to "mobilise all economic operators and social partners to combine economic performance with social justice." From this point of view, the equality of social partners and the effective balanced social dialogue are the basis for successful future implementation of the Single Market Act in Member States and no distortions and deviations from this principle should be permitted.
 - 3.5. According to its title, the document is aimed at "improving our work, business and exchanges with one another." The Economic and Social Council is of the opinion that the absence of the word "production" in the title of the document raises concerns. The de-industrialisation of Europe is a process³ which should be given serious attention and that is completely outside the scope of the Single Market Act.⁴ Entrepreneurship is an important factor for the development of the Single Market but the Economic and Social Council is of the opinion that it is production and in particular the production with high added value is the engine of economic growth and should therefore be given special attention in the Single Market Act together with encouragement of policies in the area of research and development.
 - 3.6. The Economic and Social Council fully supports the idea of the creation of a European Patent and thinks that this will protect adequately intellectual property while at the same time significantly reducing administrative barriers and costs.

³ Manifesto: The De-industrialization of Europe – There's no More Time to Loose, Academy Royale de Belgique, July 2010, ISBN 978-2-8031-0272-3.

⁴ More attention should be paid here to integrating into the document of the flagship initiative in the Europe 2020 Strategy concerning the industrial policy - COM (2010) 614, 28. 10. 2010

- 3.7. Despite the attention to improving the public procurement process, however, the Single Market Act still lacks concrete proposals for simplifying the selection procedures which were expected with great intentness by all stakeholders.
- 3.8. The Economic and Social Council expresses its doubt as to the need for specific legislative initiative on services concessions since the Commission has not yet completed the impact assessment in this area. Many stakeholders have also expressed doubts about such an initiative in the end of last year raising concerns about the added value of such concessions. Granting service concessions is fundamentally different in nature from ordinary public contracts. The provision of quality services of general interest may be jeopardised by too restrictive legislation. In this respect, the current legal framework in the European Union can be described as flexible and effective and its further regulation threatens to lead to undue strictness of regulations, thereby jeopardizing the quality of provided services.
- 3.9. With respect to services of general interest existing achievements should be developed further focusing on workable solutions, funding mechanisms and the clarification of the role of authorities responsible for the provision of services of general interest.
- 3.10. The Economic and Social Council supports the appeal in the Single Market Act for further expanding and deepening of the partnerships with local and regional authorities, as well as the transition from pure cohesion policy towards single market policies.

4. STRONG, SUSTAINABLE AND EQUITABLE GROWTH DRIVEN BY BUSINESS

- 4.1. "The single market is a key factor to the competitiveness" of the 20 million enterprises in the European Union. A particularly effective instrument for this is the continuation of the ambitious programme of the European Commission to reduce administrative barriers both at the EU level and as strong recommendations to Member States to do the same.
- 4.2. The Economic and Social Council supports all European policies aimed at preserving the single market and the elimination and prevention of unjustified obstacles to movement within its borders and calls on all Member States to implement these policies consistently. A negative example in this context is the ongoing practice the private problems of different groups in some Member States to be resolved by blocking the borders of neighbouring Member States.
- 4.3. The support of long-term investment projects should be done only with a view to the realisation of the common goal of achieving ever closer cohesion and

avoiding regional disparities on the basis of asymmetric distribution of such projects within the European Union.

- 4.4. With respect to encouraging and protecting the production of benefits the Economic and Social Council fully supports the three proposed measures, drawing particular attention to the importance of introducing rapidly a EU Patent which would reduce significantly the costs of businesses - material, administrative and organisational - by replacing the complex and unfamiliar procedures providing fragmented protection of copyright with clear, unified and easy to use rules.
- 4.5. The Economic and Social Council notes that there are still many obstacles to achieving a single market of services and finds very timely the proposal of the European Commission to "test the effectiveness of the internal market" and identify specific measures for the removal of such obstacles, especially with respect to services provided to businesses. If effectively implemented, such measures can lead simultaneously to improving conditions and reducing the overall costs of doing business in the European Union.
- 4.6. Electronic commerce is one of the most readily accessible instruments for the achievement of a single market. Concerning the development of electronic commerce the initiative of the European Commission to combat discrimination against recipients of services because of their nationality or place of residence is very positive. In its implementation, however, it is important to focus on the security of electronic content, the prevention of possible fraud and abuse, and balancing and protecting the rights of retailers and consumers.
- 4.7. The Economic and Social Council considers very timely the initiative for regulating the EU transport policy and to remove the remaining discrepancies between national systems of transport within the European Union. The adoption of concrete measures this year will allow Member States to plan optimally the instruments by which they will finance prospective changes in their transport systems including the adequate planning of their priorities in utilizing EU funding schemes for the following financial period.
- 4.8. With respect to the proposal to revise the framework for the taxation of energy products and increasing efficient energy use, the Economic and Social Council would like to remark that it is inadmissible to place the cost of the production of green energy and increasing energy efficiency to be borne solely by consumers as well as to threaten the competitiveness of European energy producers on the world market. The funding for these objectives should be made on a priority basis by the application of the best available techniques and trading in emission allowances. National targets for reducing greenhouse gas emissions and allocation of emissions should reflect more equitably the

- differences in the industrial systems of new Member States and the challenges they face - a process that unfortunately suffers from many shortcomings.
- 4.9. With respect to the initiative to improve services to businesses, the European Commission should also consider financial and accountancy services as well as auditing services. The harmonisation of standards in this area can also add value to the Single Market Act. The accounting standards for SMEs could be significantly simplified.
 - 4.10. The plan for improving the access of SMEs to capital markets should be complemented with concrete measures for relieving the accounting system for them as well as with measures for guaranteeing financial and administrative accessibility, i.e. reasonable fees for offering and administering emissions and clear and simplified rules of disclosure of information.
 - 4.11. There are still many challenges facing the implementation of the principle widely taught within the European Union "think small first" and in this respect the principles contained in the Single Market Act proposals are very adequate.
 - 4.12. The proposed initiative for the promotion of bond loans as an instrument for financing European projects is positive but when implemented the risks of over-rating certain emissions should be carefully weighed and guarantees should be provided for the effective and efficient utilisation of EU funds.
 - 4.13. The Economic and Social Council sees as exceptionally positive that the Single Market Act lays a strong emphasis on the provision of diverse and alternative financing instruments and calls for consideration of the immediate specificity of SMEs' needs of relatively small portions of capital, simplified procedures, and affordable securities. In this context the promotion the free use of cross-border venture capital is very timely.
 - 4.14. The Economic and Social Council supports the proposal of the European Commission for a Directive geared towards the creation of a single integrated mortgage market with a high level of consumer protection as well as for increasing the transparency and comparability of bank fees. A challenge that should be addressed is the termination of the practice in some Member States for commercial banks to determine secretly and change unilaterally the conditions and interest rates of loans.
 - 4.15. The simplification and update of Community rules governing public procurement should be geared to overcoming the difficulties and delays arising from the numerous procedures on their appeal.
 - 4.16. The Economic and Social Council fully supports the initiative to "reduce the administrative and regulatory burden" by linking of company registers and the mutual recognition of e-identification and e-authentication in the European Union. It appeals to the European Commission to pay special attention to the development of a common standard for this in all Member States. The lack of

such practices is an extraordinary disadvantage for businesses and citizens and the Economic and Social Council calls for rapid adoption and transposition of the envisioned legislation.

- 4.17. The establishment of a common consolidated corporate tax base is a serious step towards the effective functioning of the Single Market. The Economic and Social Council welcomes its implementation. In relation to its implementation it appeals for respecting the sovereignty of Member States in determining their national tax policy. Moreover, it points out that potential changes in tax rates will undermine the predictability and stability of the business environment.
- 4.18. The Economic and Social Council calls for broad debate with the participation of all stakeholders regarding the VAT system in order to find a modern solution that is adequate to the current economic situation and takes into account the costs and benefits of this tax. Such a solution should also restrict the abuses of VAT policies without causing a negative impact on taxpayers.
- 4.19. The Economic and Social Council will pay particular interest to the development of the legislative proposal for a Community instrument for improved symmetry in the access to public procurement because this process is currently the subject of intense debate in Member States.

5. THE RESTORATION OF CONFIDENCE: THE HEART OF THE SINGLE MARKET SHOULD BE THE EUROPEANS THEMSELVES

- 5.1. One of the main advantages of the Single Market Act is that it draws attention to the Europeans themselves who have been identified as the heart of the single market - without them it makes no sense. From this point of view a good social system, an effective system of education and training, quality jobs, and a strict policy on health and safety at work are all factors for efficient markets, the creation of wealth, and the achievement of growth. The Economic and Social Council calls for a greater stress on the effectiveness of these systems so that an optimal quality of services conveniently accessible to all is achieved at optimal costs.
- 5.2. The Economic and Social Council fully supports the proposal of the European Commission for conducting a thorough analysis of the social consequences of any new legislative initiatives concerning the European single market. Taking into consideration the need for balance between the expansion of economic freedoms and the protection of social rights within the European single market, the Economic and Social Council supports the initiative of the European Commission for creating conditions for the better implementation of fundamental rights specified in the Charter of Fundamental Rights of the European Union, including the right to collective action. In this context, the

Economic and Social Council holds that new problems related to the increased transnationalisation of labour and social rights should be taken into account when preparing to discuss proposed changes to directives concerning labour and social policy.

- 5.3. The Single Market Act correctly identifies the dialogue with the social partners as a key factor for achieving the objective of a highly competitive social market economy. The Economic and Social Council completely subscribes to the view that the achievement of the ambitious objectives set forth in the document is only possible through close partnership and dialogue between the social partners.
- 5.4. The development of the cohesion policy and its closer relation to effectiveness and the achievement of results, as well as its more exigent application in relation to allocation of EU funds for large projects, should take place in accordance with clear rules ensuring equal participation of all Member States without discriminatory high requirements.
- 5.5. Despite the commitment of the European Commission to adopt a Communication and a package of measures on the services of general interest, the Single Market Act does not contain a strategic vision concerning their complementarity and the new challenges before them. The document will benefit from a development in this direction because general interest services are a key factor for achieving a high quality of life for the citizens of the European Union. The understanding of Community legislation in this field is narrowed ostensibly and the practical dimensions of its implementation are not considered. There is no reference to the achievements of regional and local government in this respect which leads to confusion regarding the role the European Union in overall policy towards services of general interest.
 - 5.5.1. The role of the European Union regarding the regulation of services of general interest may be sought in developing a clear, flexible and easy to implement legal framework which could be used by the authorities at the national, regional and local level. Moreover, the Economic and Social Council notes that with its action the European Commission should not jeopardize evidently successful structures in this area.
 - 5.5.2. In the presence of an effective and balanced legal framework the responsibility of Member States and their agencies is to meet the expectations and demands of their citizens in relation to the services of general interest that are provided to them.
 - 5.5.3. The Economic and Social Council draws attention to the fact that the expansion of services of general interest to new areas should be made on the basis of an economically and socially balanced approach.

- 5.6. The creation of a new instrument for the security of European energy infrastructure is a step forward in formulating and implementing the policies in this direction in the European Union. The adequate transposition and implementation of the market principles in the sector of energy is definitely a challenge to the achievement of a functioning single market. In this process it is important that the European Commission finds a way to guarantee the provision of necessary funding so that the costs will not be transferred to end users through the prices of energy.
- 5.7. The initiative "Youth on the Move"⁵ is very timely and promising. Reforming the educational systems in the European Union should be defined as an additional goal of the initiative, including providing resources for educational exchanges and mobility, so that the European educational system could compete effectively with developing education systems like those in the USA and emerging economies in Asia and South America.
- 5.8. The Economic and Social Council shares and supports the view that social entrepreneurship is an important tool for adapting the economic realities in the European Union to current social challenges.
- 5.9. The Economic and Social Council supports the intention of the European Commission to propose measures for the development of the legal entities operating in the social economy (foundations, cooperative societies, mutual funds, etc.). Moreover, it points out that in any case the legal form can not be regarded as or provide competitive advantages and insists that this principle should be followed in the implementation of legislative initiatives of the European Commission in this direction.
- 5.10. The Economic and Social Council welcomes the attention paid by the European Commission to improving corporate management. It believes that the scope of this attention can be expanded and directed towards the possibilities offered by corporate social responsibility so that new concepts, ideas, good practices as well as motivators for their implementation may be discovered by means of encouraging voluntary performance. CSR is an effective tool for constructing the social aspects of the economy and due attention should be paid to this issue in the Single Market Act. Conversely, the Economic and Social Council emphasises that enriching the mechanisms of corporate governance should not lead to a situation in which additional requirements are imposed and threaten to unnecessarily encumber the activities of public companies and make the commitments arising from their public status too burdensome.
- 5.11. The requirements for implementing the principles of good corporate governance, disclosure of information, and using in practice the practices of

⁵ COM (2010) 477, 15. 09. 2010

corporate social responsibility should not be imposed only on companies operating on the capital market, but also on companies supplying services of general interest or possessing an advantageous position on the market (monopoly rights in certain areas, preferential conditions for their operation, etc.).

6. DIALOGUE, PARTNERSHIP, EVALUATION: TOOLS FOR GOOD GOVERNANCE OF THE SINGLE MARKET

- 6.1. With respect to the transposition of EU legislation into the national systems of Member States, the Economic and Social Council welcomes the initiative of the European Commission to reduce the transposition deficit of the single market directives and appeals that the process of transposition be significantly accelerated because at the moment a serious number of positive actions on part of the Commission have no effect due to delays in their transposition by Member States (an example of this is the long awaited Directive on combating late payments which should be transposed by Member States by the end of 2012).
- 6.2. The Single Market Act envisions an ambitious plan to restore the confidence of European citizens in their big market. In its implementation, however, particular attention should be paid not only to the principle of partnership and dialogue but most importantly to assessing the performance and undertaking corrective actions if necessary - in the spirit of the stated intention of the European Commission to move to a new phase of smart regulation⁶.

The Economic and Social Council calls for active involvement of all stakeholders in the discussion and formulation of indicators for measuring and evaluating the results.



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⁶ COM (2010) 543, 07. 10. 2010

