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**"The Single market and external trade policies, mutually
supportive"**

Stockholm conference

"A new external agenda for trade and growth"

12 June 2008

Ladies and Gentlemen,

Thank you very much for inviting me to this conference. It's nice to be back in Stockholm among friends. The subject of our discussions today lies close to my heart. I wish to take this opportunity to express how much we in the European Commission appreciate the strong support of the Swedish Government for a well functioning Internal Market contributing to competitiveness, growth and jobs in Europe.

My colleague from DG Trade has set out how trade policy can contribute to the objectives of the Lisbon Strategy. Before sharing with you some ideas of the role that the external dimension of Internal Market can play in this respect, I would like to say some words on the review of the Internal Market that the Commission presented at the end of last year.

The review of the Internal Market

The Single market is a pillar of the European Union. It has turned the free movement of people, goods, services and capital into a tangible reality, delivering benefits to all. It is essential for the functioning of the Economic and Monetary Union and has served as a basis for the launching of the Euro. The single market has made Europe more open, more diverse and more competitive.

Despite these achievements, the single market has still large untapped potential and needs to adapt to new realities in the 21st century. This is the background for having undertaken the review. The Communication we presented last year sets out a new approach to the single market. It is the result of comprehensive analysis and broad consultations with all stakeholders over a long period.

What new insights did we gain? The single market must deliver more results for citizens and consumers and foster the right

conditions for business, particularly for small and medium-sized companies. The single market also needs to better support knowledge- and technology-intensive goods and services sectors as engines for future growth.

The single market must adopt a more impact driven approach. The EU should focus on the areas where it matters most, taking action where markets do not deliver and where it will have the maximum impact. We will try to use a "smarter" mix of instruments adapted to the particular problem at hand. We will finally, in partnership with Member States, strive to make sure that existing rules of the internal market are really applied and applied in the right way.

To empower consumers and small businesses, we need to give them better information on their single market opportunities. We will set up a one-stop-shop web site to do that. The Commission will also present later this year a Small Business Act for Europe with a number of concrete actions promoting SMEs' competitiveness and growth.

We will also focus more attention on retail financial services. I want consumers to be able to shop around for the best deal in financial services - in the same way that they do when buying a TV or a car. In a world of ever more complex financial products we will promote education of consumers regarding financial services they come across.

Perhaps the most important finding of the Single Market review is that we should even more try to ensure that the internal market is well placed within the context of globalisation.

The internal market in the context of globalisation.

The Single market cannot be seen in isolation but as part of a bigger, global economy. EU rules need to be attractive and function effectively - not only at home but also in the global context. The rationale for the single market has changed. It is no longer just about the benefits to be expected from European integration but also about the leverage it provides to meet the challenges and opportunities of globalisation.

It is worth repeating: the single market is Europe's best asset in reaping the benefits of globalisation.

It enables European citizens to benefit from global market opening through reduced prices and increased choice. It prompts firms to improve efficiency and innovate and strengthen their competitiveness on world markets. It makes Europe more attractive for international investors and companies.

A well developed internal market enables Europe to take the lead in setting benchmarks and bringing about convergence of rules worldwide. It also facilitates European exports and ensures that imports meet necessary standards. Thereby also protecting consumers.

This has contributed to a situation where Europe's manufacturing industry has broadly maintained its share of world trade, whilst the US and Japan have lost ground. The EU has also become the world's greatest exporter of services. In

addition, Europe is attracting more foreign direct investment than any other market in the world.

So, how do we go about influencing international rule making and promote our regulatory systems and how could this be improved? You have just heard about our new deep Free Trade Agreements which will include an important regulatory component. But there are a lot of other instruments at hand.

The EU can be a model for international rulemaking.

Through the enlargement process and the European Neighbourhood Policy, the Community rulebook is gradually being adopted across large parts of the European continent. Beyond this, the EU is emerging as a global rule maker, with the single market framework and the wider EU economic and social model increasingly serving as a reference point in third countries as well as in global and regional fora. This is driven by a unique combination of factors intrinsically linked to the setting up of the single market.

Creating a borderless European market for goods, services, capital and labour has required a very ambitious programme of regulatory and legislative alignment among national regimes. This has resulted in the creation of a modern and innovative regulatory and supervisory framework in many areas, such as financial markets, e-commerce, industrial product standards, environmental policy, data protection and telecommunications and food safety.

These new internal market rules are often more ambitious than those of other jurisdictions, especially where product safety, consumer protection and environmental and health requirements are concerned.

Most EU regulations in technical areas are also based on solid scientific ground.

The EU has gathered much experience on how to best cope with different national regulations and draw on the best features of different regulatory traditions: this gives European regulators an edge when dealing with international standards. At a time

when more and more countries face the same challenges and when we need global and coordinated responses, the attractiveness of a regulatory model that is both effective in achieving these aims and trade-friendly is a unique asset.

There is a window of opportunity to push global solutions forward. The EU is in a good position to take a lead, promoting its modern regulatory framework internationally. The single market has laid the groundwork in several areas. Emerging markets are developing their own regulatory framework. Many partners look closely at EU integration, in order to benefit from our expertise in their own reform processes. They also want easier access to our market and we need to build on this.

Although the European regulatory model cannot be exported directly, there is considerable scope to promote the key principles of our regulatory approach. It is also part of our growing responsibilities as a mature global player.

At the same time, the EU is the world's biggest import market. For many companies around the world, complying with EU rules

is therefore a necessity but they often apply the same standards for other markets as well, knowing that this will help to get their products accepted.

More directly the EU, normally through the Commission, is playing an active role in a number of different fora on the international regulatory scene. Let me just mention the UN Economic Commission for Europe working party on automotives which elaborates rules adopted by an increasing number of countries around the world, including major car producers such as Japan and South Korea.

EU food safety rules and the "precautionary principle" have been adopted in the work of "Codex alimentarius". In services much work is done in the WTO and in OECD. There are also many regulatory bodies in the field of financial services where the EU plays a very important role.

All this together helps to shape globalisation and make it a "convergence to the top" rather than a "race to the bottom".

The EU is active in Regulatory dialogues.

We should continue to build on the experience from our internal market integration and Europe's commitment to open markets and high-quality rules and standards.

The financial markets area is a good example of one where a modern single, principle-based rulebook has nearly been completed. This has not gone unnoticed by our US partners who are now concerned about the competitiveness of their own capital markets.

The EU has for many years been active in constructive regulatory cooperation, in global standard setting and in dialogues with our partners.

A good example of successful work is the EU-US Financial Markets Regulatory Dialogue established in 2002. Thanks to the excellent and informal cooperation between the EU and US regulators on capital markets, we are making big strides towards an integrated capital market. This task is crucial as the

EU and the US capital markets represent almost 80% of the world's capital markets.

Another important element of the framework for cooperation with the US is the Transatlantic Economic Council established last year, which monitors progress on enhanced cooperation and more convergence on regulatory issues in all areas, in close consultation with legislators and other stakeholders.

Let me give you another concrete example. The EU took the lead and switched to International Financial Reporting Standards (IFRS) in financial reporting in 2005. Since then more than 100 jurisdictions around the world have decided to require or allow IFRS standards.

In November 2007, the US Securities and Exchange Commission took the positive decision to remove the requirement for reconciliation to US GAAP for foreign companies using IFRS which was much welcomed on our side. It ended a burdensome task for EU companies listed in the US, and this earlier than expected. Today, the US is even

considering allowing IFRS also being used by US domestic firms.

All this will bring more openness to capital markets, decrease costs and contribute to a more coherent global regulatory structure. The same is true for the EU's early implementation of the Basel II agreement on capital requirements for banks and investment firms. I do not need to remind you of the importance of this work in the context of our global financial crises.

A more recent but increasingly important dialogue is the Commission's regulatory cooperation with the Chinese authorities in financial matters and the **EU-China** Roundtable on Financial Services and Regulation with the financial services industry. Both events deal with issues of banking, insurance, securities and accounting/auditing as well as with corporate governance and anti-money laundering issues. A key result is China's convergence to International Financial Reporting Standards. Furthermore, an EU-China Public Procurement Dialogue and an EU-China Dialogue on Intellectual Property have been set up to promote mutual understanding.

With **Japan**, regulatory co-operation takes place in several fora. The Regulatory Reform Dialogue (RRD) and the High Level Meeting on Financial Issues cover a large range of issues such as financial services, company law, IPR, public procurement and accounting/auditing. The Regulatory Reform Dialogue is a two way process in which Japan and the EU present proposals for regulatory reform to each other.

We have also established regulatory dialogues with **Russia** and are now working on **India**. The Russian capital markets are, as you know, developing very fast. Capital and insurance markets are booming while retail banking and asset management are still underdeveloped. The financial sectors need a modern regulatory framework where the EU experience can serve as a model. This is now being discussed on a regular basis.

India is the biggest democracy in the world and will no doubt become a key player on the international scene. I visited the country recently and met with great interest among government officials and regulators to launch a dialogue in financial services.

Taking the global context into account in new internal market rules.

But we should not only try to export our regulatory solutions abroad. It is of fundamental importance that we take the global context into account already when we develop new internal market rules. This is probably the biggest challenge for the internal market in the coming years. Negative effects for our companies of new rules on the global market could potentially outweigh any anticipated benefits on the EU internal market.

At the same time, we should be more open to existing good solutions and best practice by our partners. We should therefore better reflect international best practices in the impact assessments we make on all new legislative proposals. The current impact assessment rules already require the Commission to assess the potential impact of proposed new policies on "third countries and international relations" (e.g. possible effects on EU trade policy, our international obligations, etc.).

In general, I think we need to be more open to how the problems we meet in the internal market have been addressed by other countries. Such a comparison should not limit our capacity of choice but help to ensure that the Single Market is always built around the best rules. The Commission will examine the possibility of introducing such elements in the forthcoming review of its impact assessment system.

In conclusion: the internal market is one of EU's most concrete successes and it can greatly help Europe to meet the challenges of the 21st century. An open, integrated and competitive single market will stimulate growth and greatly support economic relations at a global level. The Internal market can no longer be seen in isolation. The global perspective must be present in all our future work. Europe has a unique experience which we should use in shaping the rules for globalisation.

Thank you!

(2369 words, including the headings)

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