
THE INTERNAL MARKET: IoD MEMBER QUESTIONNAIRE

Institute of Directors Business Comment

The March 2003 edition of *IoD Policy* included a questionnaire on the Internal Market.

118 members completed and returned the forms. Although this was a modest response rate, it may simply reflect the fact that many IoD members trade solely within the UK and do not see the Internal Market as a major influence on their own business environment.

Although the sample size is relatively small, the replies give a clear picture of dissatisfaction with implementation of the Internal Market.

- Most IoD members feel that trading in the EU is now just as expensive as it used to be before the introduction of the Internal Market in 1992. Many believe that costs have actually risen.
- Many members complained that the Internal Market does not work well for their businesses. On a scale from 1 (works very well) to 5 (works very poorly), 79 per cent ticked options 3,4 or 5, with nearly 35 per cent selecting option 5.
- As with so many EU initiatives, the Internal Market brings with it 'cons' and well as 'pros'. In this case, the 'con' is paperwork, with 48 per cent of respondents reporting more admin and only 12 per cent reporting less.
- There is no doubt about the country singled out most often by IoD members for its poor record in implementing the rules of the Internal Market. 57 per cent selected France as the worst offender, with Germany second on just 9 per cent.

The detailed responses to each question are summarised below.

Question 1

What are your main sources of information about the Internal Market? (Respondents could select more than one option.)

Answer	% of respondents
DTI	33.1
EU institutions	22.9
Regional government agencies	14.4
Local business agencies (e.g. Business Link)	22.0
Business representative organisation (e.g. IoD, CBI, Chamber of Commerce)	50.0
Elected politicians (MPs, MEPs)	13.6
Other	33.9

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From the IoD's own point of view, it was encouraging to see that half of all respondents cited business representative organisations such as the IoD, CBI and Chambers of Commerce as their key sources of information about the Internal Market.

It is perhaps surprising that the network of regional and local business support agencies in which the Government is investing so much funding (Regional Development Agencies, Business Links etc.) is relatively little-used as a source of information about trading in the EU.

33 per cent of respondents also cited 'other' information sources. Most of these referred to the general news press and specialist trade publications.

Question 2

On a scale of 1-5, how easy is it for your organisation to access information about the Internal Market?

(1= very easy, 5= very difficult)

Answer	% of respondents
1 (very easy)	4.2
2	13.6
3	29.7
4	32.2
5 (very difficult)	16.9
No reply	3.4

The clear verdict here is that IoD members find it difficult to access the information they need about the Internal Market. 79 per cent of respondents selected the worst three options.

It appears that reform of the ways in which the EU delivers information about the Internal Market is almost as essential as reform of the Internal Market itself.

Question 3

On a scale of 1-5, how well does the Internal Market work for your organisation?

(1= very well, 5= very poorly)

Answer	% of respondents
1 (very well)	7.6
2	10.2
3	23.7
4	21.2
5 (very poorly)	34.7
No reply	2.5

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Again, the verdict of IoD members is overwhelmingly critical. More than half of all respondents ticked the worst two options (4 and 5) and only 17 per cent selected Options 1 or 2.

IoD Members want to see much more done to establish a level playing field for businesses looking to trade across the EU's 377 million-strong consumer base.

Question 4

How has the Internal Market affected the costs to your organisation of doing business in the EU?

Answer	% of respondents
Much cheaper	5.1
A little cheaper	17.8
No change	33.9
A little more expensive	23.7
Much more expensive	17.8
No reply	1.7

IoD members presented a more mixed picture here, although the balance of opinion was still rather negative. The most popular view was that the Internal Market has made 'no change' to the cost of doing business in the EU, although 41 per cent of respondents felt that costs were now a little or much more expensive.

Question 5

How has the Internal Market affected the amount of paperwork that your organisation has to handle?

Answer	% of respondents
Decreased	11.9
No change	39.0
Increased	48.3
No reply	0.8

These answers may give a clue to one of the sources of the extra costs identified by a significant number of members in Question 4.

Almost half of all respondents identify a clear increase in paperwork and administration as a result of Internal Market requirements. Only 11 per cent feel that the Internal Market has actually helped to streamline their admin.

Given that the prime objective of the Internal Market is to make it easier to trade within the EU, these responses represent a serious failure of either policy or implementation – or both.

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Question 6

The Internal Market is based on four 'freedoms'. On which of the four freedoms is there the greatest need for further action?

(Members to tick one box only)

Answer	% of respondents
Free movement of persons	14.4
Free movement of goods	28.8
Free movement of services	35.6
Free movement of capital	16.1
No reply	5.1

IoD members singled out the Internal Market in services as the area in need of greatest attention, closely followed by the Internal Market in goods.

This reflects opinion across the EU, which recognises that a maze of rules and regulations still blocks genuine free movement of services.

A report from the European Parliament's Internal Market Committee, published in January 2003, also highlighted the urgent need for action in improving the Internal Market for services.

On the positive side, relatively few members called for priority action to improve free movement of capital or people. These freedoms seem reasonably well established.

Question 7

What is the greatest practical obstacle to a genuine Internal Market?

Answer	% of respondents
Local rules on testing and certification	16.9
Rules on free movement of persons	5.9
Failure to implement cross-border recognition of professional qualifications	8.5
Rules on establishment of enterprises	10.2
Failure to implement the Mutual Recognition Principle (when a product is approved for sale in one EU country, it automatically qualifies for sale across all member states)	28.0
Other	28.0
No reply	2.5

The clear source of greatest concern relates to failures to implement the Mutual Recognition Principle in full. This is a basic tenet of the Internal Market, ensuring that products approved for sale in one member state can automatically be sold elsewhere in the EU without further checks.

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The comments made under the 'Other' heading were rather a mixed bag, although several identified the preference for dealing locally and nationally as a barrier (perhaps an understandable one) to a genuine Internal Market.

Question 8

In your experience, which EU member state has the poorest record in implementing the Internal Market?

Answer	% of respondents
Austria	-
Belgium	0.8
Denmark	0.8
Finland	-
France	57.6
Germany	9.3
Greece	5.1
Ireland	-
Italy	5.9
Luxembourg	1.7
Netherlands	0.8
Portugal	0.8
Spain	-
Sweden	0.8
UK	5.9
No reply	10.2

This question elicited a startling set of results, with France singled out by more than half of respondents as the 'guilty man of Europe' in terms of Internal Market compliance. 57 per cent selected France as the worst offender, with Germany second on just 9 per cent.

Although this may partly reflect the fact that many IoD members have more experience of trading with France than with other EU states, this would not account for the fact that other major trading partners, such as the Netherlands and the Republic of Ireland, recorded so few complaints. The facts above can only be interpreted in one way – France is the worst offender when it comes to the EU Internal Market.

It is interesting to note that the European Commission's official 'Scoreboard' on Internal Market implementation comes to the same conclusion, with France having the worst official record on implementation of Directives that should have been in place more than two years ago.

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Question 9

What would be your priority for improving the Internal Market?

(Members were invited to write their comments on the reply form. Tick-box options were not provided for this question.)

The key topics highlighted in members' responses to this question were as follows.

- *Regulation.* Several members submitted pleas for less red tape from Brussels – and for action to tackle the existing stock of regulations
- *CAP.* Members wanted to see the Common Agricultural Policy abolished.
- *Compliance.* IoD members remain concerned about poor implementation of Internal Market rules by some Member States – especially France.
- *Establishing businesses.* Other Member States need to make it easier to establish a business – or to close one down.

Question 10

Strengthening the Internal Market is only one of a number of challenges facing EU policy-makers. Which of the following should be the top priority?

Answer	% of respondents
Reforming the Internal Market	17.8
Tackling Regulation	50.0
British entry to single currency (the Euro)	19.5
Other (please state)	11.0
No reply	1.7

Although this questionnaire specifically sought directors' views on the Internal Market, Question 10 attempted to gauge whether this is their top priority in terms of EU reform.

The answers above show that IoD members are, in fact, even more concerned about tackling EU regulation, an issue on which the IoD Policy Unit frequently lobbies policy-makers at both UK and EU levels.

As previous surveys have shown, some IoD members favour British entry to the Euro, but a far larger number prefer to retain sterling and keep control of our own macroeconomic policy.

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Question 11

In which sector do you think the Internal Market has delivered the greatest benefits and in which do you think it has delivered the fewest benefits? Please also indicate the sector or sectors in which you are involved.

Answer	Greatest (%)	Least (%)	Involved in (%)
Agriculture / forestry / fishing	10.2	44.9	8.5
Energy / water	11.0	10.2	8.5
Manufacturing	20.3	12.7	33.9
Construction / mining / quarrying	1.7	5.9	9.3
Distribution / hotel / restaurant	13.6	4.2	11.9
Transport / communication	13.6	4.2	14.4
Business & professional services	5.9	7.6	38.1
Financial services	2.5	12.7	8.5
Industrial services	-	4.2	5.1
Public administration / education / health / defence / social work	0.8	14.4	7.6
Other	3.4	1.7	10.2

Although these results are bound to be influenced to some extent by the particular sectors in which IoD members work, some trends can nevertheless be identified.

For example, there is a strong perception that the agricultural and fisheries sector has suffered the greatest damage from EU policies, even though only 8 per cent of respondents actually work in these areas. No doubt IoD members have in mind the disastrous effects of the Common Agricultural Policy and Common Fisheries Policy. The IoD Policy Unit has called for urgent reform of both policies.

It is interesting to note that there is a 'positive balance' on issues such as manufacturing (20.3% for greatest benefit against 12.7% for least). By contrast, there is a negative balance for business, professional and financial services. This is consistent with the widespread perception, reflected in answers to question 6 above, that the Internal Market in services still has a long way to go.

Conclusion

Although based on a modest sample, these questionnaire answers provide a useful snapshot of business opinion on the Internal Market.

The IoD Policy Unit will incorporate these findings into a larger study of the Internal Market's impact on British business, currently under preparation.

If the EU is to achieve the 'Lisbon objective' of making the EU the most competitive and dynamic knowledge-based economy in the world by 2010, urgent action is needed to ensure that the Internal Market helps to reduce business costs and makes it easier to trade.

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Key priorities for Internal Market reform include:

- easier access to information about the Internal Market;
- action to reduce the paperwork associated with the Internal Market;
- action to strengthen two of the four Internal Market ‘freedoms’: free movement of goods and free movement of services;
- wider application of the Mutual Recognition principle; and
- improved implementation of Internal Market rules in France.

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