



The Directive on Services in the internal market-

Utilise the positive power of the market Retain standards of safety and quality

A few review criteria from the EUCDW

Brussels, 08-12-2004

On the one hand the Directive on services in the internal market is pursuing an appropriate objective: To remove the obstacles and hindrances in the way of cross-border trade and thus to use to the positive power of competition to stimulate growth and employment. Why then, should, for example, the services of tradesmen and women or of other small and medium sized businesses also be factored out of this basic European concept?

On the other hand, these so-called 'obstacles' are often also consciously set up to safeguard specific standards of safety and quality.

- *Is there, for example, anything ensuring that foreign companies have to keep up to the same standards in terms of safety (at technical plants) as domestic companies?*
- *Or that when applied such safety provisions are always up to date?*
- *Or that consumer protection – also safeguarded by national regulations – will stay at the same level?*
- *Or that through such an EU Directive, EU member states will not be de facto losing their authority to set their own standards in this area?*
- *Or that the corresponding specialists have the same level of qualifications?*
- *Or that after comparable training they obtain a professional qualification that is recognised in other countries?*
- *Or that companies are subject to the same potential claims in terms of liability and warranties?*
- *Or that enforcing these in cross-border disputes will not become de facto impossible for individual consumers?*
- *And that differences in terms of health and safety at work do not lead to companies from countries with low standards crowding out all other companies in the market place?*

How, therefore, will it be achieved that removing obstacles to cross-border services does not result in unfair competition **and that (small and medium-sized) companies will not end up competing with each on totally different conditions and with totally different cost structures?**

The ‘Country of origin’ principle, in particular, could in essence prove to be a legal incentive to companies to set up subsidiaries in countries with the lowest social, tax and ecological standards. This would ultimately de facto siphon away other EU states’ sovereignty on important issues such as safety standards and consumer protection.

- *How should countries of destination be able to control standards being kept in the case of dispatching companies when these neither have to register their activities nor do they have to have neither someone responsible nor documents available on the spot?*
- *How can the export of illegal employees of one country be prevented through dispatching companies to another country if the country of destination may no longer even demand the presentation of permission papers from the country of origin?*

The Directive in its current form therefore endangers not only the principle of subsidiarity but also the principle of sovereignty.

In connection with this, it must also be noted that in several EU countries (e.g. Sweden) many of the provisions of the labour market are laid down through negotiation between employers and workers’ representatives. What safeguards will there be that foreign suppliers will adapt to these structures?

The question of sovereignty and subsidiarity is especially applicable in sensitive areas such as the employment market and the market for health services. The EU constitution has imposed strict limitations on the EU in both of these areas, stressing the responsibility of the individual member states. It would therefore be nothing short of unconstitutional if this responsibility and authority of the members states were to be cut away by the back-door means of a competition directive.

This relates in its practical impact, for example, to:

- *price standards for pharmaceuticals*
- *minimum standards (of qualification) for staff in hospitals and care homes*
- *quality standards in terms of levels of care*

In this area in particular, it is possible to draw the fundamental conclusion that the consequences of this directive in terms of cross-border trade will have a massive impact over the medium term on the special systems of funding health care in the individual EU member states. This intervention clearly contradicts the division of responsibilities provided for in previous treaties and in the constitution.

To finish off, it should also be noted that in terms of so-called '**services of general interest**', which each member state is supposed to define themselves, the principle is that these that should be available for every citizen at an affordable price and of such quality that a normal life is possible as part of the society in each of our countries. How is it intended that this attachment to price and quality be maintained in the face of unbridled cross-border competition?

Conclusion

The present draft is going in the right direction but needs to be amended. From the EUCDW's point of view, this relates in particular to the following points:

There must be safeguards to ensure:

- that the removal of obstacles to cross-border services does not create new areas of unfair competition (especially looking at small and medium-sized businesses)
- that standards are maintained in terms of (technical) safety, of health and safety at work, of environmental protection and of consumer protection
- that liability claims and warranties remain enforceable even for individual consumers
- that, due to their special structures, specific areas (such as the employment market [employment agencies] and the market for health services) remain the responsibility of the individual member states

In particular, EU member states must not be allowed to de facto lose their sovereignty in these areas through the 'country of origin' principle. In the end, wherever the protection of people is concerned often nothing else will be left than to hold firm to the 'location of work' principle.

Were one to do otherwise, EU citizens would come to know the EU as no more than a region of unbridled competition. The result would be a massive turn away from the idea of European union.

The European Union of Christian Democratic Workers (EUCDW) consists of 23 workers' organisations from 15 countries and is an association of the European People's Party (EPP). Elmar Brok MEP, President ; Christoph Weisskirchen, Secretary General. Tel 0032 2 285 4164, Fax 0032 2 285 4141, e-mail: euCDW@evppe.be, homepage: www.euCDW.org