

INFORMATION

INTERNAL MARKET

Progress towards an internal common market

108/75

The following is the text of a speech made by Mr. GUNDELACH, a member of the EEC Commission, to the European Parliament in July 1975 on the problems of simplifying customs formalities and of creating a truly common internal market.

"A customs union is more than the mere abolition of internal tariffs and the establishment of a common external tariff. This has already been obtained between the six original Member States in two years. A customs union, however, will not be a reality until border controls and formalities have been abolished to such an extent that it is as easy to send goods from London to Paris as it is from London to Manchester.

That goal has not been obtained. The reasons are many. Some of them are very fundamental, such as the controls necessitated because of differences in taxation, in health legislation and in other types of legislation. Others are of a more administrative and legislative nature, but no less important. Let me mention some of them.

First, the tariff itself is very complicated due among other things to the many and varied trade arrangements into which the Community has entered with a great number of countries. In order to meet requests for differentiated treatment, tariff positions are split up in sub-positions and sub-sub-positions which makes use difficult for the customs administrations as well as for the customers. In future trade negotiations we must focus attention on this problem. We must weigh whether it is worth the administrative burdens and the economic costs involved to lower, in tariff negotiations, by just one percentage point. Our calculations so far have indicated that the answer is negative.

As mentioned, the rules of origin are not as easy to apply as we would like them to be. We are therefore sincerely attempting to find formulas for improvement.

The same as you know, applies to rules of transit. The complications of the common agricultural policy, due among other things to constantly changing exchange rates, cause a great deal of extra administrative work. The Commission is trying to deal with this problem, which you will admit is a fundamental one, at its root and not solely with symptoms.

The customs legislation of Member States varies a great deal. Approximation of this legislation is therefore one of our priorities. That has proved difficult to obtain. Member States have been reluctant to go along. They do not in my view in effect accept the existence of a customs union. They consider customs union as an addition to the existing national customs administrations. As long as this is the case, I have difficulty in taking those statements about the European Union as being terribly serious.

The benefits of progress in the broad field of trade, facilitation and simplifications, are, however, considerable. Administrative cost for traders have been estimated to be of the same order as the average tariff protection given by our present tariff. In terms of money, the annual costs amount to 13 000 m u.a. * A reduction of 1 per cent accordingly means savings for consumers of about 130 m u.a. Even taking into account the possibly lower cost of the intra-Community trade, which is of the same order as external trade, we are still talking in terms of very considerable potential savings to everybody.

I warmly welcome the support of the European Parliament for the Commission's simplification programme. The Commission in its efforts to persuade Member States and customs administrations of the importance of simplification and facilitation of trade needs this support not only, important as it is, in a resolution of Parliament using their influence to persuade their home countries to move rapidly in the direction of a real customs union.

I now turn to the problems of the internal market which naturally are linked with the problems of the customs union. As with the customs union, the construction is far from perfect. But it is important to note that it has nevertheless stood up remarkably well even under the great pressures of present economic and social conditions. Indeed, we are making some solid progress with our industrial programme, passing important directives to eliminate technical barriers to trade.

I have here in this Parliament said time and again - and I repeat it today - that we are not harmonizing for the mere sake of harmonization. To eliminate technical barriers to trade is to the benefit not only of business but of every citizen by

* A European unit of account (u.a.) is worth rather more than a U.S. dollar

giving the consumer the maximum choice of goods. But it does more than that. A strong internal market with fewer technical barriers is of growing importance to the Community's external trade relations.

During my recent talks in the United States with the representatives of the United States administration Congress and industry on the ongoing multilateral trade negotiations, it became very clear that the Community's achievement in this area is regarded not, as it is often regarded in Europe, as a tedious and boring exercise, but as something which is strengthening the Community's position very considerably and therefore is of very real political and economic importance.

The report calls for a simplification of the procedures for the adoption of our directives in this sphere. I agree that this is very desirable. The directives as we all know, are often of a highly technical nature, containing provisions which are very hard to grasp for someone who is not an expert.

However, the economic significance of seemingly petty details is, as various speakers have underlined, often far-reaching. Member States and their experts are well aware of this. Therefore there seems to be an increasing tendency on the part of Member States to insist on stringent procedures on adoption and adaptation. This tendency runs counter to the wishes of both the Commission and the Parliament for simplification of these procedures - for example, by introducing framework directives based on Article 100 of the Treaty, leaving it to the Commission, on the basis of Article 155, to adopt implementation measures.

At this time such a solution is not politically acceptable to the Member States, but I renew my pledge not to stop trying to find a more satisfactory solution to this very real problem. I note with satisfaction the appeal of the rapporteur to Parliament to influence the Council to adopt a more positive attitude towards a more effective decision-making mechanism. Whatever responsibilities the Commission has or will have in this area in the future will, I assure you, be met in a way which secures the fullest and most open public debate, including dialogue with trade, industrial, consumer and other interested organizations.

In its report, the Commission has dealt with the problem of the European Union. While the debate on this subject goes on, it is essential to carry on, however cumbersomely, with concrete, down-to-earth work if we are not to lose the significant economic and social benefits which the common internal market has brought to the European citizens - one of the few European achievements so far.

I draw the attention of Parliament to another problem related to technical barriers. It is becoming increasingly evident that at a European level we are lacking the possibility of obtaining expert advice from an independent institution or institutions. We rely heavily on advice from national experts. This is particularly unfortunate where Member States, under the heading of "Protection of the Environment and Health", introduced standards which at the same time constitute, willingly or unwillingly, new technical barriers to trade. We must, even in present economic conditions, avoid new European trade protectionism. Both Parliament and the Commission need balanced and objective advice in this area which will allow us to pursue simultaneously our efforts to include the environment at a European level and to remove technical barriers to trade. I feel convinced that we will soon have to give more substantive attention to this problem.

With its industrial policy programme, the Commission has already met the wishes expressed in the report for the establishment of a comprehensive programme for tendering or for public works contracts and we are carefully following the implementation of our directive. I welcome Parliament's support for the rapid adoption of our directive on public procurement which is being discussed in the Council.

I thank Mr. Mitterdorfer and the Committee on Economic and Monetary Affairs for this important report which clearly demonstrates the consensus that exists between the Commission and Parliament on the necessity to strengthen the customs union and the internal market which, after all, are both absolutely fundamental to the cohesion of the Community and its future development. But I would add that it has become clear in the present economic situation that this internal market, which, for all its imperfections, has served the people of Europe and European industry well for more than a decade, cannot be upheld unless we are willing to go forward in other fields of European construction - for example, in general economic cooperation, in monetary policy, in regional policy, and so on ; in other words, in the direction of building a European society which is based on the concept of solidarity.

If we remain a mere trading association we will crumble under the weight of the structural problems with which the world economy is faced. Let us preserve and perfect what we have, but we must move forward in other areas in order to do so. "

7/7/75

ANNEX

RESOLUTION

on the customs union and the achievement of the internal market with opinion on the programme of the Commission of the European Communities for the simplification of customs procedures

The European Parliament,

- having regard to its resolutions of 6 July 1971 on the removal of controls on travel within the Community¹ and of 9 October 1972 on controls on traffic within the Community².
 - having regard to the programme submitted by the Commission on the simplification of customs formalities (COM(75) 67 final),
 - having been consulted by the Council (Doc. 22/75);
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets and the Committee on External Economic Relations (Doc. 135/75),
1. Notes with concern that the implementation of the customs union, which has been in existence since 1968, is being hindered by the still incomplete harmonization of customs law;
 2. Stresses the political and economic significance of the customs union for the process of European integration;
 3. Expresses its concern at the continued existence of many controls on the movement of goods and persons within the Community, which are due to failure to harmonize national economic and fiscal legislation;
 4. Regards the abolition of obstacles to the free movement of goods, services and capital as an urgent task for the Community institutions in the near future;
 5. Regards as indispensable the introduction of improved and simplified customs formalities and the increased abolition of technical and administrative obstacles to trade, as essential preconditions for the speedy development of European integration;
- with regard to the improvement and simplification of customs formalities
 - movement of persons
6. Takes the view that the present customs duty exemptions for goods carried in travellers' personal luggage make travel and movement across frontiers within the Community easier, and urges that these exemptions should basically be kept at a generous level and continually adapted to the increased cost of living;

¹OJ No. C 78, 2.8.1971, p.48

²OJ No. C 112, 27.10.1972, p.10

- movement of goods

7. Approves the measures contained in the programme submitted by the Commission on the simplification of Community provisions applied by customs administrations;
8. Stresses particularly in this connection the economic, political and psychological significance of the Commission proposals relating to
 - simplification of the nomenclature of the common customs tariff with a view to establishing a nomenclature valid throughout the Community, which can be operated with the help of data-processing techniques;
 - simplification of the rules on origin of products in trade with the EFTA countries and other trading partners by means of a single certificate attesting country of origin;
 - improvement of Community transit procedure (abolition of transit documentation for goods in free circulation after end of transitional period; greater flexibility in the guarantee system; abolition of transit advice note; replacement of customs controls by examination of companies' accounts);
9. Requests the Council to adopt as soon as possible the Commission's simplification programme and the proposals already submitted to it for regulations and directives in this matter;
 - with regard to the abolition of administrative and technical obstacles to trade
 - administrative obstacles
10. Expresses the wish that the procedure for mutual recognition of controls be extended to controls on health, animals and plant life;
11. Points out that so little progress has been made in the matter of harmonization of legal and administrative provisions on public contracts that a large part of the European economy does not enjoy the benefits of the customs unions;
12. Takes the view that competition at Community level in the matter of public contracts could help to lighten the burden on the taxpayer, favour the most energetic undertakings and lead to a better distribution of economic activity within the EEC;
13. Deplores the Council's delay in dealing with this matter and urges that the Council should immediately adopt the Commission's proposals of March 1973 on the coordination of procedures for opening the market for public supply contracts since there are no major technical or legal obstacles to such a decision, and requests the Commission to

submit to the Council without delay a programme designed to increasingly open the market for public supply and services contracts (railway, post, electricity supply, telecommunication etc.) taking account of the latest research;

- technical obstacles to trade

14. Points out once again that technical obstacles to trade delay the implementation of free movement of goods, which is an essential element in the internal market;
15. Refers to its resolutions of 14 December 1974 and 10 March 1975 and strongly reiterates its conviction that the abolition of technical obstacles to trade could be accelerated by means of action programmes in legally binding form with framework directives for the various sectors and also by means of implementing provisions to be enacted by the Commission, pursuant to Article 155 of the Treaty;
16. Requests the Committee on Economic and Monetary Affairs to keep itself continuously informed on the development of the customs union and the further achievement of the internal market and to submit a new report in due course;
17. Instructs its President to forward this resolution and the committee's report to the Council and Commission of the European Communities and to the governments and parliaments of the Member States.