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INFORMATION

CUSTOMS UNION

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C O N F E R E N C E

THE CUSTOMS UNION
ACHIEVEMENTS AND PROSPECTS

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A conference will be held in Brussels on 6, 7 and 8 December 1977 on "The customs union: achievements and prospects".

The customs union is, together with the common agricultural policy, one of the Community's achievements that means most to the public, or at least one that has been much talked about.

The symbolic abolition of customs barriers accompanying the creation of the European Coal and Steel Community was the first tangible expression of European unification to be exploited by the media which made an impact on public opinion. There was an air of romance about the abolition of the frontiers between the old countries of Europe that reflected the feelings and wishes of most Europeans at the time.

The creation of a large and perfectly fluid market in which persons, goods and capital could move just as freely as within the territory of each Member State was the first stage of European integration, so much so that the Community was christened the "Common Market", even though a common market was only one of the conditions - necessary but not sufficient - of European economic and political integration.

The problem was one of knowing where to begin the construction of this common market. The Treaty was clear that the starting point must be the establishment of a customs union, which was the framework essential to any subsequent activity by the Community.

WHAT IS A CUSTOMS UNION?

It is an agreement whereby two or more countries undertake to eliminate all customs barriers between them - that is, all customs duties - and to set up vis-à-vis the rest of the world a common customs tariff in respect of imported products, irrespective of the point of entry into the territory of the customs union. A customs union differs from a free-trade area in that although the latter has eliminated customs duties between its members, it leaves each country free to fix its own customs tariff vis-à-vis non-member countries.

Hence there are two sides to the customs union: internally, customs barriers between the partners have been removed and, externally, a customs cordon has been set up which gives the newly created unit an identity vis-à-vis the outside world. The setting-up of the customs union took place rapidly, since customs duties and import or export quotas were abolished on 1 July 1968, a year and a half ahead of the initial schedule.

The positive effects of the customs union

What have the effects of the customs union been? There is no need to hide the fact that it was not perfect right from the start and that perfecting it is an ongoing operation. It is also difficult to quantify accurately the results of such a complex operation whose effects on the economy vary widely, but it is now possible to draw certain conclusions.

Initially, the opening-up of the frontiers gave a shot in the arm to industrialists and businessmen in the countries concerned, who had long been attached to a long-standing tradition of protectionism and were showing a certain degree of timidity on external markets. They have been obliged to change their habits and behaviour, to modernize their management and marketing techniques, to expand their markets. The sudden encounter with foreign competition has often been beneficial to them in that it has inspired them with a new dynamism.

The opening-up of the frontiers has also been expressed in a practical way to the consumer through a greater choice of products offered at competitive prices.

Lastly, although, as we have said, it is difficult to gauge the direct effects of the customs union on trade flows it has been found that trade between the six founding members of the Community (the effects among the new members are still too "fresh" to be evaluated) has increased virtually ninefold between 1958 and 1972, while it increased only threefold with the rest of the world.

The customs union plays a fundamental role in the Community edifice. It is in the first place the bedrock of Community policies, the sine qua non for any kind of European integration. Without the customs union, there could not, for instance, be free movement of goods, nor a common agricultural policy - the latter, with its systems of import levies and export refunds, being basically nothing more than the customs union applied to the agricultural sector with all the amendments needed for a field which is more difficult to regulate than the industrial sector.

It also has an essential role to play in the integration process, since Community expenditure is financed mainly by the sum of customs duties collected at the external frontiers of the Community.

Lastly, the customs union has enabled the Community to leave its visiting card in international trade negotiations since the Kennedy Round. The existence of the common customs tariff and the fact that since it was introduced the customs duties applicable throughout the Community territory may no longer be amended by the Member States acting in isolation but only by the Community. This has meant that the latter has appeared in international trade negotiations as a single partner and that it is therefore regarded as such in non-member countries.

Imperfections

It was very soon realized that it was not enough to abolish customs duties or measures having equivalent effect in order to achieve complete freedom of movement for goods within the Community and that customs duties were only the visible tip of an iceberg, the much larger submerged portion of which was made up of the countless trade barriers of a technical nature or laid down by law or regulation.

These barriers, which are the new form of protectionism, generally have the pleasant aspect of measures taken to protect the consumer, the environment or public health, while in actual fact their real purpose is to repartition the markets and ban or limit imports of products which are often provided with the same guarantees as domestic products. Likewise the upshot of some administrative practices, particularly in the case of public contracts, is to neutralize the effects of opening up the frontiers, and this may of course have an effect on both the progress of certain technologies and the price of certain materials, the latter being shielded from international competition.

The Community - and other international forums such as GATT - have been attacking all these barriers to real freedom of movement for goods for some years now but the task is a considerable one, almost Sisyphean in its proportions.

The customs union has to some extent served to highlight all the difficulties resulting from the disparity between fiscal and monetary policies and the divergence in company law or export aid systems.

Why are there still customs officers at the internal frontiers of the Community?

This is a question often heard: -"What changes has your Common Market made? There are still customs officers at the frontier posts, lorry drivers still have to present piles of documents, and when you arrive at a station or an airport you are still asked if you have anything to declare!"

The answer to this question is that the customs officer is not concerned solely with customs duties; he is the representative of a large number of ministries, he collects the indirect charges on imported goods (VAT and excise for instance), he collects the statistics on the inflow and outflow of goods which are so useful to economists, he carries out health or veterinary checks, or exercises exchange or drug controls. And he does all this as a uniformed customs officer.

Why is the conference being held?

The customs union between the Six will soon be ten years old (it has been established between the Six and the three new member countries only since 1 July 1977) and it is quite obvious that it is not perfect. Depending on how you look at it, you can always consider a bottle as either half-full or half-empty and see in a human achievement only the things which do not work rather than those which do.

In the case of the customs union the achievement has been considerable. One need only think back to the trade situation existing in Europe 20 years ago, with high customs duties in some countries and import or export quotas. Some highly protected markets would accept only a trickle of certain imported products - such as motor vehicles - and the profits derived from the "rent" positions were in the long-term ultimately not really to anyone's advantage. The opening-up of the frontiers radically changed the situation, modified people's attitudes, made a lot of businessmen more open-minded.

The customs union has, together with the common agricultural policy, been one of the cornerstones of the European edifice. We have seen how it has served both to support and highlight the common policies but above all it was one of the Community's priority objectives and has turned out to be one of its key achievements. Furthermore, implementation of this customs union has provided one of the first opportunities to get the national experts to work together on a common task, the first example of true organic cooperation between national administrations.

Lastly, this achievement has been accomplished in a relatively short period of time, since it was completed - between the Six - one and a half years ahead of schedule. Think, for instance, of how the Zollverein, which was developed in the homogeneous Germanic region in the 19th century - at a time when trade relations and industrial activity were less complex than today - came into being in 1834 and was not theoretically completed until 1888 - and then there were still gaps.

Nevertheless, the Commission, like national administrations and firms, are aware that the customs union does have imperfections, that certain procedures or formalities are capable of being simplified, that the rules can and must be perfected so that the customs union is truly homogeneous and can be fully effective.

This Conference will enable users and those responsible in the national or Community public services to take stock of the present situation and the conclusions to be drawn in practical terms.

The subjects chosen: "Free circulation of goods: reality or illusion?"
"The European citizen and the Customs Union"
"Community customs rules: the need for their completion"
"The Customs Union and external trade"
are sufficient proof of this.

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