

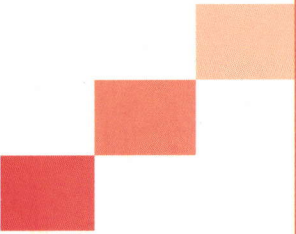
# THE CITIZENS AND THE SINGLE MARKET



Europe  
on the move



Sylvie Deleu



**E**uropean integration moves forward in stages. Rapid progress is sometimes followed by periods of stagnation and doubt. Since the mid-1980s, however, the European Community (now known as the European Union or EU) has chalked up major achievements. In barely a decade it has adopted some 300 measures for completing the single market, laid down the conditions for the introduction of a common currency and set the course for closer cooperation in foreign and security policy. The dismantling of the principal economic barriers between Member States is not only the realization of a long-standing dream for industry, business and the banking sector — consumers in the EU also benefit. But not everyone can experience the benefits of the single economic area in his daily life. A number of decisions remain to be made, and some regulations will only enter into force after a transitional period lasting several years. It is important, too, to make the best possible use of the new framework legislation. This is the only way of improving the EU's position in international competition and creating new jobs.

## A COMMON MARKET FOR EVERYONE

### Three freedoms protected

Although the single market is working well, there is still room for improvement according to an interim European Commission report. Goods, services and capital can now all move freely within the Union. Annoying hold-ups at internal Union frontiers are a thing of the past.

Only the free movement of persons now remains to be implemented in full. In any case, citizens of the Union have the right to travel freely to other Member States, and checks on people are only carried out sporadically at most crossings. The sole purpose of these checks is to detain people who are wanted by the police and bar entry to immigrants from non-member countries who are not entitled to enter a Member State.

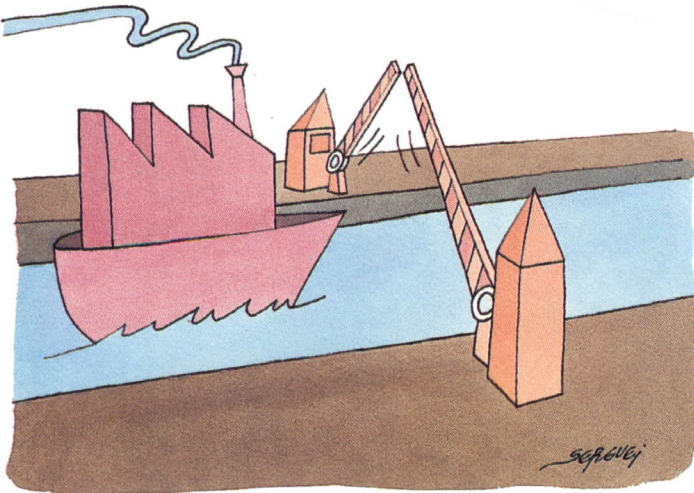
With the Schengen Agreement the continental Member States undertook to step up cooperation in combating crime to pave the way for the total abolition of checks on persons. Entry into force of 'Schengen' was delayed, however, because of difficulties in reaching agreement on arrangements

for drawing up joint 'wanted' lists. So far, Germany, France, Italy, Spain, the three Benelux countries and Portugal have signed the Agreement. Greece has announced its intention of joining this year (1994).

### Cheap purchases abroad

The most obvious change brought about by the single market is that the new rules allow people to buy and take home goods sold more cheaply in other countries. Travellers who have made purchases abroad can now look custom officials straight in the eye! It is no longer necessary to declare goods you are carrying with you, even if excise duty or VAT is significantly higher in your own country.

Since there would have been no way of enforcing the old tax-free limits on goods brought in by travellers other than by having customs patrols carrying out spot checks in border areas, the finance ministers finally decided to lift restrictions on the amount of goods that could be taken across internal borders by private individuals. The drawback of this, however, is a significant fall in tax revenues, which is why the new rules apply only to goods for personal use and consumption.



## Free movement of goods

On 1 January 1993 all border controls inside the Union, i.e. at borders between the Member States, were abolished.

However, certain goods are still subject to restrictions to prevent people abusing this new freedom by evading VAT in the country where they consume these goods.

The list below gives the quantities of restricted goods which European citizens may buy in a Member State and take across internal borders for their own personal consumption:

800 cigarettes, 400 cigarillos, 200 cigars, 1 kg tobacco, 10 litres spirits, 20 litres aperitifs, 90 litres wine, of which no more than 60 litres sparkling wine, 110 litres beer.

These limits may be exceeded if proof is provided that the goods are for personal consumption.

The following limits will continue to apply to travellers to Denmark until 31 December 1996: 300 cigarettes, 150 cigarillos, 400 grams of tobacco and 1.5 litres of spirits. Danish residents who have been out of



the country for less than 36 hours may import 100 cigarettes but no spirits.

## Increased allowances for travellers from non-member countries

In mid-February the tax-free allowance for goods in the personal luggage of travellers entering the EU from non-member countries was increased. The total value of these goods may not now exceed ECU 175 (formerly ECU 45). In the case of people under the age of 15 the Member States may reduce this to ECU 90 (formerly ECU 23). Special rules also apply to journeys from the Canary Islands to the Spanish mainland and (temporarily) from Eastern Europe to Germany.

## Special arrangements for tobacco and spirits

There are no restrictions on the amount of goods which travellers can bring back for themselves and their families from other EU countries. The taxes on such goods are paid in the country in which they are bought. Travellers stand to gain most when they buy fuel, tobacco and alcohol. For certain categories, therefore, travellers must provide proof that the goods are for their own personal consumption (for a wedding reception, for example) if they wish to bring back more than a certain amount, e.g. 800 cigarettes, 90 litres of wine, 110 litres of beer or 10 litres of spirits.

Because of the particularly high levels of excise duty charged in Denmark, travellers to that country will be subject to lower limits until 31 December 1996: 300 cigarettes, 150 cigars, 400 grams of tobacco and 1.5 litres of spirits. Danish residents who are out of the country for less than 36 hours may bring back no

more than 100 cigarettes and no spirits at all.

The VAT on brand new cars must be paid at the place of registration, as before. The customer can only benefit, then, if the lower prices are not merely the result of different rates of tax. It may still be worthwhile buying a car abroad, however, because there are sometimes large differences in the retail price. A



Stefano

*All Community citizens, including pensioners, have the right to live in any Member State, provided they have the means to support themselves.*

roadworthiness test is no longer necessary when you import a car: once type approval has been obtained in one of the Member States of the Union, it is valid in all of them.

### Cross-border payments in the single market

Within the single market, it ought to be possible to transfer funds from one country to another and from one currency to another as quickly and efficiently as within an individual Member State and at no greater cost. This is not yet happening, however: transfers often take days or even weeks' longer and banks charge significantly higher fees than for domestic transfers. The Commission is accordingly exerting pressure on the commercial banks. In 1992 the financial institutions agreed to guidelines on customer information about cross-border payments. Customers were to be sent a written description of services, explaining exactly how they are carried out, how long a transfer should take, what charges are made, and how much money will arrive in the account, as well as how to obtain further information, how to complain and in some cases special warnings about using certain cross-border payment systems.

As cross-border payments are increasing within the single market (e.g. where goods are ordered from another country), citizens must be given this information by their financial institution so that they can choose the most appropriate form of payment and compare the services provided by different banks.

In a 1993 study, the Commission discovered that the situation had not significantly improved and warned the banks that they must adopt a more consumer-oriented stance on cross-border payments. It now wants to examine the success of this self-regulation in a second study and if necessary make a proposal to the Council for legislation to solve the problem of cross-border payments.

### Pressure on taxes

Experts predict that pressures acting to reduce the gap between indirect tax rates will increase in the single market. Some of the higher rates of tax had already been reduced by 1 January 1993. Setting minimum rates at Union level prevents disruption to trade flows and lost tax revenues. For the time being taxes on commercial imports will continue to be paid in the country of destination. But companies must provide proof that goods have indeed been exported if the authorities ask them to.

From 1997 on it is possible that imports will no longer be subject to tax at the rate in force in the country of import but at the rate applying in the country of export. This would meet the conditions of a proper internal market and eliminate the need for red tape. Before this can happen, however, the governments will have to agree on an international clearing system to ensure that no revenue is lost, and so far there has been little sign of that happening.

### Retiring and studying abroad

Every Union citizen has the right, subject to certain conditions, to live and, if he or she wishes, work in another Member State. Pensioners must be able to prove, however, that they can support themselves financially and have adequate insurance cover if they fall ill. Their income — disability, early retirement or ordinary retirement pension —

### VAT rates in the 12 Member States of the European Union (%)

Belgium	20.5
Denmark	25
France	18.6
Germany	15
Greece	18
Ireland	21
Italy	19
Luxembourg	15
Netherlands	17.5
Portugal	16
Spain	15
United Kingdom	17.5

must be large enough to ensure that they will not be a burden on the social security system of the host country. Similar rules apply to students who are registered with a recognized educational establishment. Their right to stay in the country is limited to the duration of their studies.

### Recognition of degrees and other qualifications

For a long time, governments refused to recognize vocational qualifications awarded in other Member States, which severely restricted freedom of movement within the Union. Instead of trying to eliminate the differences between national training structures, for which there are often historical reasons, the authorities' approach is now based on the assumption that national degrees and qualifications are all of equal worth. Additional courses and exams may now only be made compulsory if

there are sufficient grounds. Lawyers have accordingly been free to practise their profession wherever they wished since 1993, and doctors, nurses, midwives and pharmacists even longer.

## COMPETITION IS GOOD NEWS FOR THE CUSTOMER

### Greater choice, downward pressure on prices

Dispensing with border formalities within the Community and removing technical and tax-related trade barriers opens up markets and increases competition, which benefits the consumer, usually in terms of a more varied range of products and lower prices, provided that the Union's competition rules are strictly applied and that consumers actually take advantage of the extended market.

*Mutual recognition of degrees and other qualifications will give young people the freedom to venture abroad to try their luck in another Member State of the Union.*



Massef

## Free trade is the rule

All the progress made so far in dismantling trade barriers has only been possible because the Member States have either agreed to recognize each others' product safety and environmental and consumer protection standards or have managed to each agreement on uniform minimum standards to apply throughout the European Union. The basic rule is that goods which are lawfully produced and sold in one Member State may be sold throughout the Community.

## High levels of consumer protection

Under the Treaty of Rome, a national government may ban imports only if there is no other way of safeguarding vital non-economic interests, such as the health of its citizens or the environment. Thus it was not so much a frenzy of regulation in Brussels as a desire to open up borders that lay behind the harmonization of food legislation, for example. The Commission must provide for a high level of protection in its proposals for harmonization of legislation. It usually lays down only the most important quality and safety requirements, leaving it as far as possible to European or national standards bodies to fill in the details.

## Keener competition

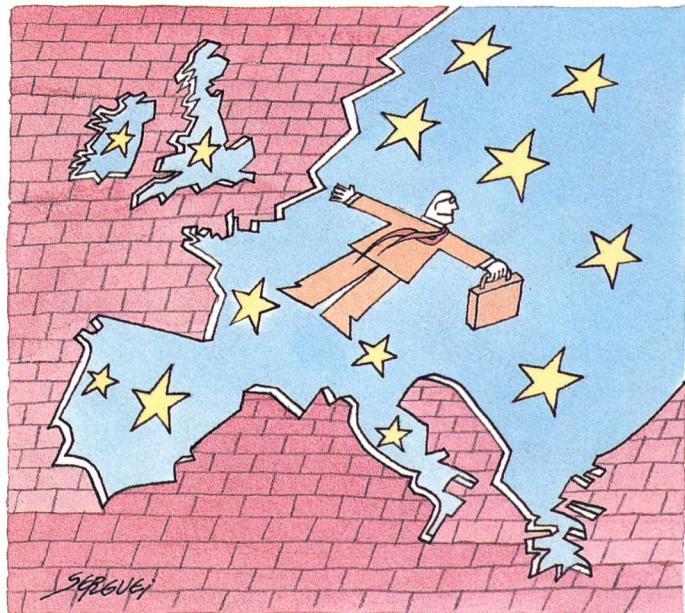
The chill wind of competition is not only affecting private companies. Beyond



EKA

*The stated aim of the single market is the preservation of high levels of health protection and, on a general level, consumer protection. Quality control should ensure that food products are of a high standard.*

a certain threshold, public corporations and government bodies must also open up to European competition in their construction and procurement contracts. In the past, public sector contracts were the almost exclusive preserve of national companies. The scope for 'nepotism' has been considerably reduced, particularly in the telecommunications, energy and water industries.





### Freedom for services

The single market is not just for producers and businessmen. Just as much importance is attached to removal of the remaining obstacles to the free movement of services. In the past, banks and insurance companies could not operate in other Member States unless they had a registered office there, subject to local law. Now, registration in the home

country acts as a kind of 'passport to Europe'. Restrictions on the movement of money and capital will be lifted. Air traffic and access to road haulage has also been liberalized.

### New job opportunities

The single market increases productivity and leads to the dismantling of antiquated structures, thus stimulating private investment and helping to create jobs — some nine million of them between 1986 and 1990. Every year the rate of economic growth rose by half a percentage point and company mergers

### The single market is for everyone

- Elimination of border controls on goods within the Union: no more long waits
- Dismantling of border controls on travellers within the Union — free movement of people across borders
- Common security arrangements throughout the Union thanks to close cooperation between governments and other authorities in all Member States
- No import taxes on goods bought in other Member States for personal use
- The right for everyone to live in another Member State for as long as they choose
- Recognition of vocational qualifications in other Member States
- Wider consumer choice and lower prices as a result of increased competition
- New job opportunities created by open competition



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### The four fundamental freedoms in the internal market

- Free movement of persons
- Free movement of goods
- Free movement of capital
- Free movement of services

increased threefold. Although in recent years this positive trend has been somewhat masked by the recession, the opening-up of markets has played a significant part in enabling the necessary structural adjustments to be made.

### Consolidating the single market

The single economic area, which will be further boosted by the planned enlargement of the European Union to include the Scandinavian countries and Austria, needs the best possible structure. At the end of 1993 the Commission drew up a strategic programme in which it set out its ideas about the future management of the internal market and the completion of the basic legal framework. One of its most important ideas is the creation of cross-border transport, energy and communications networks. This would not only serve the further integration of the European Union but also increase the attraction of Europe as a centre.



*In the single market citizens of the Union can shop wherever goods are cheapest.*

### The strategic programme for the internal market

The Commission has presented its multiannual strategic programme to improve the practical operation of the internal market. Instead of new directives or regulations the programme offers suggestions for exploiting the internal market to the full.

The Commission did not dream up this programme in its ivory tower — it is the result of hundreds of discussions with companies, consumer groups, Members of Parliament, trade unions, etc. These interest groups were also instrumental in helping to draft the individual measures described below, since the new measures are not intended as a strait-jacket but should be able to develop their full effect within the market context.

The legislative 'road-plan' for the internal market, which has been in preparation since 1985, should be completed: the Member States have not yet put their house in order in the fields of company law, taxes, intellectual and industrial property, data protection and the abolition of border controls.


For the single market to run smoothly, the quality of public services must be improved, coordination between national administrations must be stepped up and access to Community law made easier. The existing rules must be tested to see how efficient they are in daily operation. This is an area in which the Commission is particularly interested to hear the views of businessmen and ordinary people.

The Commission is planning to consult the other institutions, the Member States and associations to reach agreement on an information strategy for its single market policy and to see for itself if its legislation is appropriate. The Commission monitors compliance with the rules on competition to guarantee a level playing-field. More help should be forthcoming for small and medium-sized companies, common standards must be developed and improved, and transport and infrastructure projects must be coordinated at European level; last but not least, the interests of the consumer must be protected.

These tasks must be carried out above all by the Member States and economic operators, since the Commission sees itself primarily as the driving force and custodian of legal provisions in the internal market.



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