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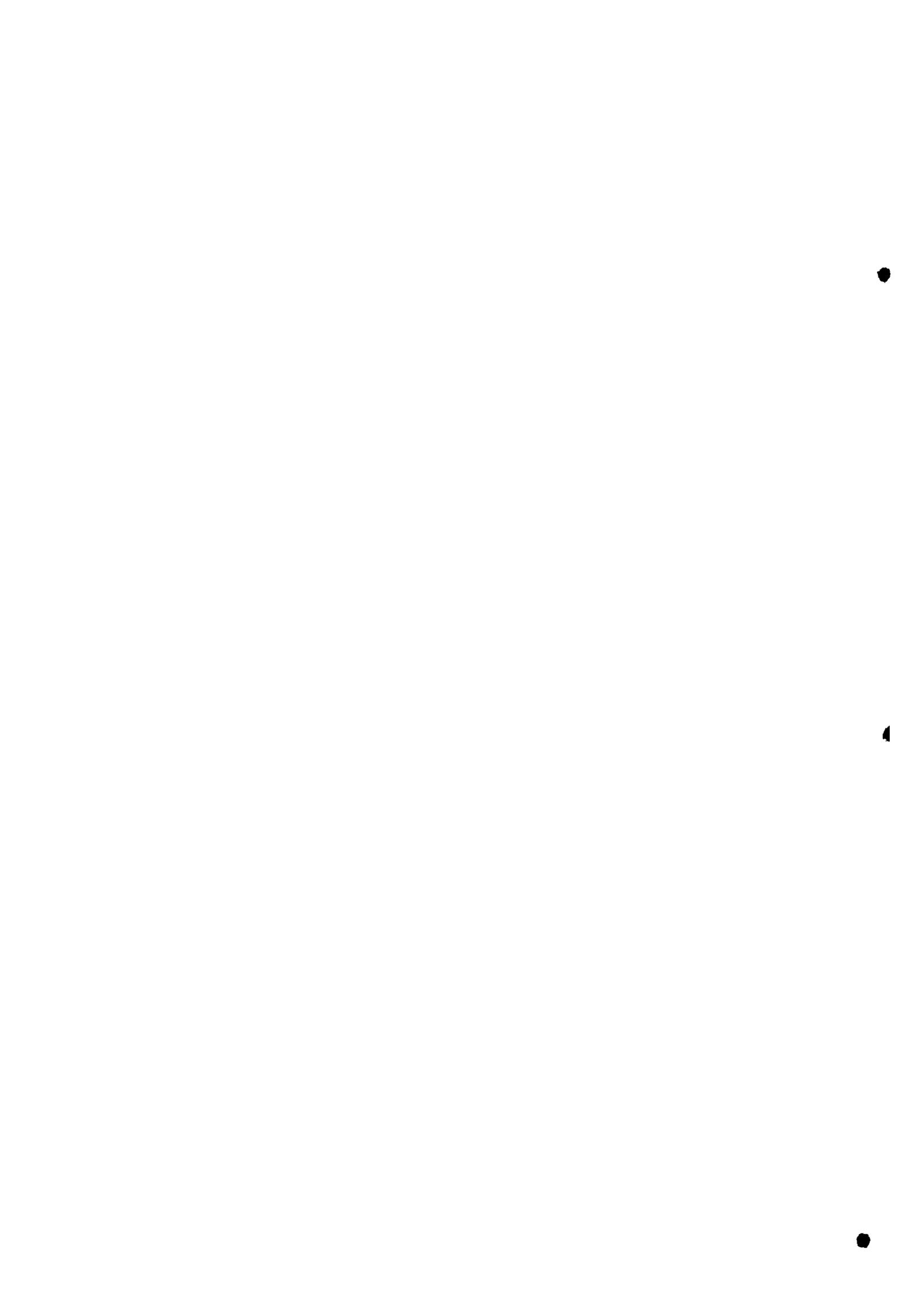
drawn up on behalf of the Committee on Economic and
Monetary Affairs and Industrial Policy

on consolidating the internal market

PART B: EXPLANATORY STATEMENT

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B
EXPLANATORY STATEMENT

INTRODUCTION

1. With courage and clarity, the Commission has set Europe the target of "a fully unified internal market by 1992".

What will this mean?

In its report "Assessment of the Function of the Internal Market" (COM (83) 80 final), the Commission listed 56 examples, "based on cases reported", of "obstacles encountered by firms or individuals wishing to trade beyond their national markets or to take advantage of a Community market". Together, they add up to a formidable catalogue of bureaucratic excess, maladministration and plain cheating.

2. Getting rid of them will, first, mean the elimination of barriers between the Community's Member States: the "obstacles to freedom of movement for persons, services and capital", as well as for goods, mentioned in Article 3 of the EEC Treaty.
3. Secondly, it will mean developing common standards; either through the "approximation of the laws of the Member States", or through the mutual recognition of differing national standards, tests, qualifications, techniques and legal rights.
4. And thirdly, it will involve the further development of common policies: the common commercial policy: a common transport policy: the European Monetary System: and those actions in the social and regional fields, envisaged in the Treaties, designed to obviate the frictional problems caused by the opening up of markets to greater competition.

In sum, it is an ambitious target.

5. But, once it has been achieved, the enlarged Community will be a barrier-free economic and legal area of 320 million people. It should be no more difficult for any one of them to move, for example, between France and Germany, or Denmark and Greece; buy a house and live there; work there; set up a company there; move products to any part of the Community; borrow capital, invest savings, take out insurance or a mortgage in any currency and in any country; receive benefit if unemployed, raise a family, retire - as it is today between Scotland and England, Bayern and Baden-Wurttemberg, Toscana and Emilia-Romagna or Normandy and the Isle-de-France.

THE CASE FOR A BARRIER-FREE MARKET

6. Parliament as a whole has repeatedly stressed the need to complete the Community's internal market - most recently and comprehensively in the Resolution of 9 April 1984.

Nevertheless, it is worth going through the arguments for doing so. Obvious though they may seem, the Commission has pointed out in "Consolidating the Internal Market" (COM (84) 3305 fin) that, after the "first surge" in the 1960's, the momentum to complete the job was lost. In so far as there is now a "new momentum", it is because the case for a "barrier-free economic area" has had to be relearned.

(a) The economic case

7. A basic characteristic of the European Community is that it is a trading area: and trade, according to classical economic theory, produces gains in welfare for two reasons :

- (i) specialisation according to comparative advantage, and
- (ii) economies of scale.

It follows that barriers which limit the exploitation of these possibilities also limit welfare: i.e. people are poorer and more likely to be unemployed.

8. Of course, the pure theory of free trade has its faults. It tends to concentrate on the issue of tariffs - possibly because this lends itself to mathematical analysis. In the modern world tariff and quota restrictions are probably not as important in restricting trade as non-tariff barriers of various kinds.

This shortcoming, however, means that the gains from creating a barrier-free market are probably underestimated by classical theory.

9. More serious is the usual assumption of full employment in the theory of free trade. Where an economy has substantial unused resources, the potential gains from protection can outweigh any gains from trade - at least, in the short term. It is with this argument - or rather, the argument that the freeing of trade might create unemployment - that national governments have resisted the completion of the internal market.

Hence the importance, foreseen by the authors of the EEC Treaty, of certain common policies (for example, aid for retraining through the Social Fund) to meet local and frictional problems.

10. Nevertheless, that long-term economic welfare increases when trade barriers are removed is virtually self-evident. If it were not so, one would be forced to the conclusion that there might be benefits in setting up customs controls between the German Lander, or the Italian regions, or in recreating in the U.K. autarkic Kingdoms in Mercia, Wessex and Kent.

Historical experience and common sense indicate the opposite.

(b) The industrial case

11. Quite apart from theoretical arguments, there are also numerous studies estimating the practical costs to the European Community economy of failing to eliminate trade barriers.

12. The analysis by Professor R.J. Ball and M. Michel Albert ("Towards European economic Recovery in the 1980's, EP Working Document 1983), for example, estimated the effects of "non-Europe" as being equivalent to a surcharge of "approximately one week's work per year on average for every family in Europe."

The Commission estimated in 1983 that formalities at frontiers were adding between 5 and 10% to the costs of goods traded. In addition, according to Albert and Ball, the lack of a European public sector market was adding 10% to the cost of public purchases: 40 billion ECUs a year.

The Moreau/von Wogau report of 1984 concluded that "the cost of 'non-Europe' amounts to 52,000 million ECUs, which accounts for 2% of GNP or ... twice the Community budget."

Other estimates have been more modest (for example, "The Times" of 9 March 1985 stated that "delays at internal frontiers cost £480 million a year while the total annual cost of barriers to free trade within the EEC is an estimated £660,000 million" - about a billion ECUs a year).

13. These figures are attempts to estimate the loss to the European Community in terms of economic welfare. Whatever their precise level, however, one other aspect of "non-Europe" has been perhaps more serious: the effect on the competitiveness of European industry and commerce compared to that of the United States or Japan.
14. The Commission's own sectoral analyses (summarised in "The Competitiveness of the Community Industry" in 1982) showed how the difficulties faced by companies in operating across internal Community frontiers reduced their ability to compete in the world at large.

For example, obstacles to the free movement of their products reduced the ability of the pharmaceutical and the electrical and mechanical engineering sectors to exploit possible economies of scale. By contrast, "the internationalisation of production for EC companies seems to be accompanied by higher returns on sales".

15. The inability of the Community to operate on a "continental" scale has been seen as particularly damaging in the "new technology" sectors. From Servan-Schreiber's "Le defi americain" (1967) onwards there have been constant appeals for Europe to force its way out of decline through a massive effort of business cooperation.

(c) The small business case

16. It would be a mistake, however, to conclude that the costs of "non-Europe" are caused solely by a failure to exploit economies of scale. Were this so, there might be the legitimate criticism that "big is not necessarily beautiful". The case for the barrier-free economic area is not the case for a "Europe of the multinationals".

17. Indeed, the opposite is true. As Moreau and von Wogau pointed out: "The lack of a European home market is a particular disadvantage for small and medium-sized undertakings. For large firms, which have subsidiaries in all Member States, the existing technical barriers to trade are a cost factor and an inconvenience. For small and medium-sized undertakings, however, they are often an insuperable obstacle."

Moreau and von Wogau concluded that the Community was "thereby losing a substantial potential for innovation".

18. Perhaps even more important in the current economic situation, the Community is also thereby losing a substantial potential for employment. Studies in both the United States and Europe show that it is precisely the small and medium-sized firms which are the greatest source of new jobs.

(d) The case for personal freedom

19. The argument for removing the internal barriers of the European Community, however, is not a matter merely of economics or good business. It is also a matter of human rights and personal freedom.

20. Substantial evidence is available of the abuses to which individuals are subjected through the bureaucratic barriers which divide Member States. The mounting number of petitions received by the Parliament is one source. Another is the correspondence received by MEPs from constituents: "How is this possible in what is supposed to be a Common Market?" they ask.
21. Coach parties are charged a cash "supplement" on their fares when they cross borders; handbags are searched for currency; students are fined for using "easy" border crossings because they need a document in addition to passport and identity card; double taxation is levied; entry is refused because of "lack of resources"; fines are imposed and goods confiscated because one set of customs officials has removed the document required by another lot; huge charges are made for changing currency; Community citizens are still "deported" from one Member State to another; a Danish Christmas cake sent to Strasbourg is confiscated for not "conforming to regulations"...
22. In some cases the cause is just maladministration or malice. In most cases it is the incompatibility of differing national laws - especially true in the fields of tax and social security. In a number of cases the fault lies with the Community itself. Hence the importance of ensuring, in the Commission's own words (COM (84) 305), that "Community legislation does not mean yet more red tape for the individual".
23. Many of the issues have been discussed by the "People's Europe" Committee established by the Fontainebleau summit. Indeed, the removal of the "petty" barriers which affect the daily lives of citizens is probably of as great importance for the political future of the Community as is the removal of trade barriers for its economic future.

THE PROGRAMME TO 1992

24. The case for the internal market, then, is a powerful one. Indeed, as the Commission noted in its second "consolidation" document (COM (84) 350 final), "we do not need new ideas, new policies or new Community funds.."

All that is needed (in the words of the 1985 programme) is "considerable political will on the part of governments... the Community must adopt a timetable.. and give the Commission the legal means to ensure that it is adhered to".

25. In its resolution of 9 April 1984, Parliament also called for a timetable. It asked the Commission to submit "for adoption within the very near future a programme to consolidate the development of the internal market" (para 11a). this programme should "list the legislative measures which should enter into force before the accession of further Member States" (para 11b).
26. In response, the Commission published two documents: "Consolidating the Internal Market" (COM (84) 305 final) on 13th June 1984; and a follow-up communication to the Fontainebleau summit, with the same title (COM (84) 350 final), on 9th July.

These "consolidation" documents called for "a political commitment by the governments to make substantial progress by the end of 1985".

27. Annex I to the main document listed 48 proposals, plus "some twenty" measures on technical barriers, "to be adopted by the Council in 1984".

Annex II listed another 54 proposals, plus a further package of measures on technical barriers and pharmaceuticals, "to be adopted by the Council in 1985".

28. What has happened to this programme? The details are listed in the Commission's response to the rapporteur's Question for Written answer no. 1343/84. **The Commission's answer is set out in Table 1.**
29. Short of a miracle, then, only tiny proportion of the 18-month "consolidation" programme will have been achieved by the end of this year. Indeed it is difficult to believe that the target was a serious one. It was perhaps naive to believe that the model cited - the General Programme adopted in 1969 - could be repeated in today's political climate.

30. Meanwhile, the **Dooge Committee** has produced its report to the European Council, making "a homogenous internal economic area" and a "fully integrated internal market" is first Priority Objective. It envisages "a genuine internal market by the end of the decade on the basis of a precise timetable"; and lists 9 areas for action.

A critical-path analysis

31. As Dr. Dekker of Philips has pointed out in "An Agenda for Action" (January 1985), it is not enough to list the measures necessary to integrate the internal market.

There must be a "specific plan" showing the timing of each measure, potential "bottlenecks" and the interrelation between measures in different fields - in short, a "critical-path analysis" (of the kind in the Philips document) of the programme to 1992.

The programme should indicate the priorities in each field.

It should also show the scope for linking packages of measures, to be adopted by Council as a whole.

"Packaging"

32. The consolidation document notes that one effect of creating a special Internal Market Council has been the presentation "of positive, well-balanced 'packages' of decisions". One success for this method has been the adoption in September 1984 of 15 Directives eliminating technical barriers, and which had been on the Council's table for a very long time.

Speaking on behalf of the Benelux governments at the October 1984 Council, Mr de Keesmaeker specifically called upon the Commission to use the same method in the field of cross-border traffic.

33. On the other hand, both Commissioner Narjes - who then held responsibility for the internal market - and Commissioner Lord Cockfield - who has it now - have expressed doubts about the "package" solution. There was a risk, Narjes told

the Council, that if packages were "made up of proposals relating to unduly disparate fields" there would have to be "difficult interdepartmental trade-offs in the Member States that would freeze positions".

34. Subsequently Lord Cockfield warned Parliament's Committee on Economic and Monetary Affairs and Industrial Policy that linking different measures might, instead of ensuring the adoption of all, result in the blocking of some that would otherwise have gone through.

Successful packages, he concluded, would consist of connected proposals, where reciprocal concessions were possible, and which had a practical appeal to public opinion. The key would lie in the "horizontal pressure" which the Internal Market Council could apply to different government departments.

Enlargement

35. Parliament's hopes in its 9th April resolution that a substantial part of the consolidation programme would have been adopted before the accession of Spain and Portugal to the Community were over-sanguine.

Instead, the programme for a fully unified internal market will be running in parallel with the transitional arrangements for integrating the new Member States.

This may well create difficulties.

It will be essential, therefore, for the Commission to make clear in its "critical path" how Spain and Portugal are to fit in.

Institutional considerations

36. Enlargement also raises major institutional questions that have already been successively studied by the "Three Wise Men", Spierenberg, Tindemans and, most recently, by the Dooge Committee.

The critical questions is: can a fully unified internal market possible be created by 1992 without a substantial improvement in the Community's decision-taking processes?

37. Given the limitations of the "package" formula, much will depend upon how far :
- the Commission proposes legislative instruments that area easily adopted and implemented (for example, the "reference to standards" approach); and
 - the Council can reform its own decision-taking.
38. As far as the Council is concerned, several suggestions for improvement have been made by the Dooge Committee. Though Article 100 of the EEC Treaty - the legal base for a large proportion of proposals in this field - requires unanimity, the extent to which Member States are willing to accept qualified or simple majority voting may prove significant.

The majority of the Dooge Committee (France, Germany, Italy and the Benelux countries) agreed on voting "if the Commission or three Member States so request".

The minority (U.K., Denmark and Greece), though accepting "more use" of majority voting, believed "discussion should continue until unanimous agreement is reached" when a Member State considered "its very important interests" were at stake.

39. In the context of decisions concerning the Internal Market, it will be critical that Member States only block the vote for genuinely national, as opposed to sectional interests. Indeed it would be preferable for all Member States to agree that decisions concerned with the creation of the internal market should always be taken by majority vote.

BORDER CROSSINGS

40. "Formalities and controls at intra-Community frontiers remain the most visible and glaring sign of the internal market's incompleteness", the Commission notes in the consolidation document. "Their final abolition - and not merely their simplification - is the Commission's ultimate objective."

The Commission is right. There can be no open frontiers until all border checks disappear. In this field only 100% success can be counted success.

41. The programme to 1992 is therefore likely to have three phases (which may, of course, overlap):
- a) A period of simplification, during which controls are eased (for example, through the introduction of simpler documentation and the substitution of spot for systematic checks).
 - b) The removal of controls from the border (for example, the 14th VAT Directive will not abolish fiscal frontiers, but will remove VAT collection from the frontiers; the C.D. project will not obviate the need for record-keeping, but will get it "out of the driver's cab").
 - c) Action to make checks unnecessary (for example, the approximation of VAT and excise duties; unrestricted right of movement and residence).
42. In carrying out the programme, two opposite dangers must be avoided:
- i) that the "best will be the enemy of the good": that efforts will be so concentrated on more ambitious objectives that more attainable intermediate steps are overlooked; and
 - ii) that the "good will be the enemy of the best": that the attainment of improved procedures will actually make it more difficult to eliminate them altogether.

The Free Movement of Persons

43. A notorious example of this latter danger is the computerisation of passport controls at internal frontiers. As all who use Brussels airport will know, what appears to be "progress" can turn out a strengthening of the most retrograde practices.
44. The introduction of the European Passport should therefore give rise to no illusions. This is now:

- available in France, Italy, Ireland, Denmark, Luxembourg,
 - coming soon in Belgium, the Netherlands, Greece,
 - 1986: available in Germany (computer readable)
 - 1987: available in the UK (computer readable)
45. Though it is true that the passport should help create a sense of European identity, a common format does not in itself ease border controls. Indeed, those countries which have delayed introducing the passport in order to make it "machine readable" must at all costs resist the temptation to retain "efficient" frontier controls.
46. Phase 1, then, should see the adoption of the draft **Directive on the easing of controls and formalities applicable to nationals of the Member States when crossing intra-Community borders (COM (84) 749 final)** - but on condition that it is the first step to the complete abolition of such controls. The Committee's opinion was adopted on 27 March 1985.
47. Parliament's 9 april 1984 resolution drew attention to the position of those living in frontier regions. Experience on, for example, the German/Netherlands border (see Petition) indicates that there is some way to go before frontier workers have real free passage.
48. For individuals crossing borders by coach, there is still no agreement on the **abolition of transit advice notes.**
49. The principal objections to the easing of internal border controls on individuals - for example, from the U.K. Government - is that to abandon checks "would increase the risk of illegal immigrants, criminals and terrorists entering ... undetected" . The same arguments apply, in the case of goods , to drugs and diseases. In addition, even if controls on Community citizens have been eased or abolished at internal borders, the facilities for border checks will have to remain as long as checks take place on third-country nationals.

50. In Phase 2, therefore:

- a) Member States must develop tight cooperation in matters of public security, the elimination of drug trafficking, etc. This will mean substituting "defence in depth" for "defence at the border". (Drugs are usually seized, in any case, not as the result of fortuitous border checks, but because of a tip-off).
- b) Control of third-country nationals must be moved from the internal to the external Community borders. This will mean the harmonisation of legislation concerning foreigners, visas, migrants and immigrants.

51. The report of the U.K. House of Lords on the easing of border formalities was revealing when it argued that, if the present system of controls were abolished, it might be necessary to introduce more stringent after-entry controls of EC nationals: for example, the re-introduction of police registration requirements.

What purpose would these serve? Clearly, to enforce distinctions in rights between UK nationals and nationals of other Member States.

52. In Phase 3, therefore, these distinctions must be abolished, and the concept of "Community citizenship" established. Among the legal rights which a Community citizen would enjoy in every Member State would be:

- to enter, to work and to reside;
- to all social security benefits;
- to be taxed on the same basis as a national;
- to have judgements in any Community court enforced in any other court;

The Free Movement of Goods

53. The wealth of case histories about delays to goods at internal border crossings indicates the scope for improvement.

The whole matter was brought to a head by the French lorry drivers who paralysed the French road system during February 1984 in protest at frontier delays. At the Italian town of Aosta, for example, lorries were having to wait up to three days for clearance - and that was before the customs officers went on a go-slow!

54. Certain improvements came into force at the beginning of 1985 as a result of the **Frontier Facilitation Directive**. Now

- all countries man their customs posts for an agreed ten hours per day;
- specialist inspectors are on regular duty to vet consignments of meat and to check for pests and diseases; and
- lorry safety certificates are mutually honoured.

55. Also in Phase 1, the agreement of the 18th December 1984 on a **Single Administrative Document** was an important step forward. This is intended to replace up to 70 different forms currently in use for intra-Community trade. The model form (specimen attached) covers 48 items of data. Many of these, however, will be optional. Its format is based on the United Nations layout key. It will be a 7-folio document, which can be used either as a set or as component parts (export, transit, import, etc.).

The document will now be tested in practice, thus allowing for any modifications before its introduction in 1988. There is clearly scope for reducing the number of questions further - the comparable Benelux document has only 17 (see Written Question 1392/84). In addition, agreement has to be reached on a two-item form and on the codes to be used.

56. The progress which is made within the **international convention on the simplification and harmonisation of customs procedures**, to which the community as a whole is a party, will also be significant. On March 7th, 1985 the Community accepted three new Annexes on entry for home use, outright exportation and the repayment of import duties and taxes.
57. Those who trade goods across the Community's internal frontiers make frequent complaints about the interpretation of regulations by customs officers. The interpretations vary widely; and it is often difficult to obtain redress when misinterpretations take place. Accordingly:
- (a) the Commission might draw up a 'common customs code' in order to facilitate uniform interpretations;
 - (b) Community officials might be located at major crossing points to ensure that Community rules are observed; and
 - (c) a complaints procedure might be established at Community level.
58. As the Commission states in its 1985 programme, "tax controls are one of the main obstacles to the crossing of borders between Member States". Fiscal harmonisation will be covered fully in the next section. Meanwhile, the easing of tax controls would be greatly furthered by the **enlargement of duty-paid allowances** for travellers. The current levels are shown in Table 3. All will have to be enlarged to infinity by 1992. Yet there is still no agreement in council even on increasing the general goods allowance from 280 ECUs to the proposed 400 ECUs. Meanwhile, the **Adonnino Committee** has recommended an immediate increase in all allowances by 25%.

A timetable for the steady expansion of the allowances is required.

59. It will also have to be accepted that the **duty-free allowances** for intra-Community travellers will eventually be abolished.
60. In Phase 2, controls of goods will be removed altogether from the internal borders.

This will mean harmonised control of **third-country imports** at the Community's external frontier. A major step forward in this respect was agreement in 1984 on the **New Community Instrument**.

This effectively means that the Community as a whole can react speedily to unfair trading practices by third countries without a plethora of national measures.

61. A further key step in removing tax controls from the internal borders will be the adoption of the 14th VAT Directive. This was a priority for 1984 in the consolidation document. It is a priority for 1985 in the Commission's 1985 programme.

Regrettably, the chances of the Council adopting it have, if anything, receded. In a situation where some countries operate deferred payment of VAT (I.e. away from the border), while others collect at the frontier, there is a distortion of trade. Importers enjoy a cash-flow advantage over domestic suppliers. For this reason the U.K. changed system in 1984.

Other factors include :

- the loss of revenue to national Exchequers when a change is made from collection at the border to deferred payment;
- the changes needed to VAT collection systems.

The Commission urgently needs to spell out the arguments it will use to meet these objections.

62. As far as documentation is concerned, the **Coordinated Development of Computerised Administrative Procedures (the C.D. Project)** will be vital. Its effect should be to replace documentation checked at frontiers by the direct exchange of data between computers based in the different Member States. The C.D. Project is discussed in more detail later.

63. In its 1984 resolution, Parliament has already noted the importance of transferring from the frontiers to the interior **vetinary and health checks**. In a resolution of the 10 May 1984¹ the Council established a working programme in the field of harmonisation of veterinary, plant health and animal field legislation at a Council meeting of the 18 December, Commissioner NARJES made a statement on the activities in that field. The Committee should be informed about the content of that statement. However, the working programme mentioned that it does not contain any provisions for the reciprocal recognition of national everinary, plant health and animal feed controls, which is essential for the transfer of these controls away from the borders.

64. Clearly the most important step for the free movement of goods in **Phase 3** will be the completion of **fiscal harmonisation**.

¹ OJ C 134 of 22.5.1984

65. It should also be appropriate at this stage to replace national customs services by a **Community customs service** which would exercise dispassionate responsibility for the movement of goods across the Community's external frontiers.

Free movement of services

66. In the context of border crossings, the service requiring the most immediate attention is **transport**.

A package of measures was adopted at the end of 1984 which should ease the control of lorries. This included agreement on the enlargement, over a period of five years, of Community quotas; and on weights and dimensions. It is deplorable and unbelievable that only after more than 10 years of discussion agreement could be reached at the Council level, and does not even ensure real harmonisation as it still contains exemptions in the form of temporary provisions. Indeed according to Article 8 of the Directive Ireland and the United Kingdom are temporary exempted of the application of certain provisions. In Article 7 it is foreseen that for five and six axel lorries standards will be fixed by the Council before 31 December 1985. Consequently the approved directive is only a first step towards the necessary harmonisation in the field.

67. There was no agreement, either, on the proposal to grant exemption from duty on the contents of commercial vehicle fuel tanks. The exemption, admittedly, has recently been raised to 200 litres. Yet the dip-sticking of fuel tanks at borders is one of the most notably absurd practices resulting from fiscal frontiers, and should go in **Phase 1**.
68. Also in the transport field, the operation of bus and coach services is subject to a maze of regulation (see Written Questions by Horst Seefeld, 809/84 and my the rapporteur, no. 2310/84). The Commission promised Mr Seefeld action "at the appropriate time".
69. Parliament's 1984 resolution called for the extension of the **Temporary export of goods directive** to commercial samples and art objects. It should also be extended to travelling exhibitions.

70. In Phases 2 and 3 all border controls on services should be ended, notably by the implementation of the Common Transport Policy.

The Free Movement of Capital

71. As the result of the continued existence of exchange controls, there continue to be restrictions on the movement of currency across internal borders.

The ruling of the Court in the Carboni case of 31 January 1984 established the right of a tourist to take across a frontier enough currency to pay for all normal services. In Phase 1 the Commission must ensure that the legislation of Member States - notably of France, Italy, Greece and Ireland - conforms to this ruling, and that all systematic currency checks at internal frontiers cease.

This should be rapidly followed by the end of all restrictions on the movement of currency, including capital sums.

REMOVING FISCAL BARRIERS

72. If a barrier-free internal market is really to come about by 1992, there will have to be significant changes to national tax systems and tax rates.

"Tax checks now constitute the major impediment at frontiers between Member States", the consolidation document noted. to eliminate them, the Commission's 1985 programme states, "it will be necessary not only to harmonize VAT bases and the structure of excise duties, but also to make significant progress to aligning the rates at which VAT and excise duties are charged."

73. The Commission has, in fact, promised a programme to harmonise VAT and excise rates. It is to be "an exercise similar to that provided in the Treaty of Rome for dismantling tariff barriers."

A programme for "achieving comprehensive harmonisation of taxation" was also demanded by Parliament in its resolution of 17.11.1983, following the ROGALLA report on the subject of 23rd October 1983 (Doc. 1-903/83). It was to take place "by successive stages over a period of 20 years.

Value Added Tax

74. The adoption of VAT as the single form of general indirect taxation throughout the Community has been a significant achievement. Nevertheless, it remains the single most important cause of fiscal barriers.

This is because:

- there is still a considerable way to go before there is a uniform VAT base throughout the Community (despite the 6th Directive of 1977);
- there are still disparities in the number of different rates existing in different Member States, despite the improvements since 1980 noted by Rogalla;
- by contrast, Rogalla noted, the spread of rates has been increasing;
- the rates of tax themselves are at different levels in different Member States, creating the possibility that eliminating border checks will create distortions of trade.

75. The programme for VAT should therefore contain the following elements :

- a) The "prior information and consultation procedure" proposed by the Commission in 1981, so that Member States will no longer make tax changes without taking into account the Community dimension.
- b) The "political agreement on a 'stand-still'" regarded as essential in the Commission's 1985 programme to "avoid any further widening of the tax gap between Member States".

- c) Sustained progress in harmonising the VAT base. A large number of proposals in this field have already been made by the Commission (see Table 3).
- d) A reduction to two of the number of VAT rates in all Member States.
- e) Harmonisation of the scope of each rate.
- f) An approximation of the rates within this dual system, to fall within two brackets:
 - 15% to 17% for the standard rate
 - 3% to 5% for the reduced rate
 - plus the zero rate

76. Such a programme will raise several issues.

- (a) What degree of harmonisation is really necessary before tax frontiers can come down?

The Community might, for example, save itself a great deal of trouble by adopting the "Irish solution". Rates of duty in the Republic have been considerably higher than in Northern Ireland; but, as far as customs controls are concerned, the border is one of the most open. The result has been that citizens of the Republic have been crossing to the North to purchase a wide range of products.

In the case of spirits, the loss of revenue to the Irish Government was such that in 1984 the duties there were reduced in order to make them more "competitive" with the North.

Thus fiscal harmonisation can be the consequence of an end to frontier tax controls (and, of course, at the lower rate!).

- 77. Nor is it necessary that rates should be identical throughout the Community if frontier controls are to be abolished. In its answer to Written Question 96/84 from Mr WELSH the Commission noted that the variation in sales tax between neighbouring States in the U.S. was up to 6.5% (Washington/Oregon).

It is only necessary that rates are sufficiently close to make the widespread crossing of frontiers to make purchases unprofitable. Hence the proposal that each rate of VAT should fall within a 2% - 3% band, giving national Exchequers some discretion as to revenue.

(b) Should there be a single or multiple rate?

78. A single-rate system of VAT, as the Commission has pointed out (COM (80) 139 final), has the advantage of neutrality. It also has the advantage of simplicity (why not a 10% rate on 100% base?).

On the other hand, a multiple-rate system is less regressive. The proposal for a dual-rate system, which had the backing of the ROGALLA Report, is a reasonable compromise.

(c) How should VAT be collected on goods which cross internal frontiers?

79. At present, goods crossing the Community's internal frontiers have either :
- paid VAT in the country of origin, which is the case with most goods carried by individual travellers, second-hand goods, equipment used by services, etc.;
 - been "exported" free of VAT from the country of origin.
80. A large number of unnecessary problems arise in the case of VAT-paid goods, which are discussed in detail in the report actually discussed in Parliament on the 16th VAT Directive (Doc. 2-1135/84). The Commission has accepted the principle that private individuals, having paid VAT on goods, should be "free to take them from one Member State to another without having to pay any further tax on them or indeed even to declare them". However, the Commission wishes to limit the principle to goods over 2 years old and under 2800 ECUs in value.

81. Parliament is inclined to the view :

- that, given a degree of harmonisation, the time limit could be progressively reduced, and the value limit raised; and
- that, in so far as "equalisation" is needed, the judgement of the Court in the Schul case - which obliges the country of import to take into account tax already paid - should be the model (although this does not, it is true, provide for tax refunds where the rate in the country of import is lower than in the country of origin).

In the case of goods on which VAT has not been paid the importance of the 14th VAT Directive has already been noted.

82. The computerisation of trade documentation, however, should make alternatives possible. For example, on purchase in the country of origin, all goods could be made subject to VAT. Following export, a transfer could be made to the Exchequer of the country of destination. This would at the same time remove collection from the borders and prevent any cash-flow advantage for importers.

83. There is also the need at an early stage for **fiscal entity between parent companies and subsidiaries**, as proposed in the Dekker plan.

(d) What will be the costs and benefits for Member States?

84. If there is to be any chance at all of Member States' governments exercising the "considerable political will" the Commission believes necessary, there will need to be detailed estimates of the revenue effects in different countries of the proposed changes (see Table 5).

85. Nor can it be ignored that Member States will be surrendering considerable fiscal sovereignty. National Finance Ministers will no longer be able to alter the VAT base, nor the classification of goods for different rates. They will only exercise limited discretion as to the rates themselves. Hence for example, the proportion of revenue derived from indirect as opposed to direct taxation will in large part be determined at Community level.

It will therefore be vital that such fiscal power at Community level be exercised in an efficient and democratic manner.

Excise duties: alcohol, tobacco, petrol, etc.

86. Given the disparities both in the structure and rates of excise duties in the different Member States, the problems of harmonisation are likely to be, if anything, greater than in the case of VAT.

It is not surprising that there is virtual deadlock even between Parliament and Commission on tobacco, and little agreement between anyone on alcoholic beverages.

87. There are a number of reasons for these difficulties:

- excise duties are a primitive form of taxation being generally regressive and anything but neutral;
- on the other hand, they are excellent revenue-raisers, since they are charged on products for which the price elasticity of demand is (or used to be) low;
- in certain cases (tobacco, spirits) considerations of public health are concerned, and duties are intended to discourage consumption;
- in others (wine), agricultural policy is involved, and there is a policy of encouraging consumption;
- differing traditional patterns of consumption also play a large part (beer/wine, spirits);
- and in some cases (oil fuel taxes, possibly tobacco and spirits) there is an element of hypothecation of revenue - i.e. the tax is seen as a "charge" for the use of the road network, or public health facilities.

1. Mineral Oils

88. In theory, it should be relatively easy to reach agreement on the approximation of excise duty on fuel oils, in particular petrol.

In terms of duty in ECUs per 1000 litres of petrol :

- there are some relatively high tax countries : Italy (481)
Ireland (332)
France (319)
- and some relatively low tax countries : Germany (228)
Luxembourg (199)

Otherwise, however, rates fall within a 250-280 ECU band.

89. There are certain problems with exemptions and reduced rates on fuel oil. Moreover, the position with regard to diesel is very different, with a large gap between the highest rates (UK: 237 ECU per 1000 litres) and the lowest (Italy: 12 ECU).

However, the delay by the Council in taking a decision on the Commission's proposals in this area - which were made as long ago as 1973 - seems quite unwarranted.

2. Tobacco

90. The price of a packet of 20 cigarettes varies quite widely throughout the Community: between .42 ECU in Greece, or .62 ECU in France and 2.02 ECU in the UK, or 2.82 ECU in Denmark.

In percentage terms, however, the total tax take does not vary as much.

- In Denmark it is relatively high : 87.5% (incl. high VAT);
- In Luxembourg (66.9%) and Greece (61.8%), relatively low.

Broadly, however, total tax falls into a 70% - 75% band.

91. The problem lies in the way in which this total tax is made up. As far as excise duty is concerned, there is a flat-rate element, which is relatively high in the Netherlands, Germany, the United Kingdom and Ireland; and an 'ad valorem' element, which is relatively high in Belgium, Luxembourg, Italy and Greece.
92. The Commission's most recent proposals in this field are intended to harmonise the relation between these two elements. parliament, on the other hand, (resolution of 14th December 1982) believes in harmonising the 'ad valorem' element as a proportion of final price. The Commission has so far refused to change its proposal. Clearly, a new compromise proposal is required.

3. Alcoholic Beverages

93. In the case of excise duty on beer, wine, spirits and other alcoholic drinks, the principal problem is not so much the general level of duties as the relationship between duties on different products.
94. Broadly, there are two problems :
- a) The differences in rates of duty on drinks with broadly the same alcoholic content - for example, beer on the one hand and wine on the other; or whisky on the one hand and brandy on the other.
 - b) The differentials in rates of duty on drinks with different alcoholic content - for example, wine and beer on the one hand, and spirits on the other.
95. A number of principles can perhaps be established :
- all alcoholic drinks are to some extent - and whatever the excuses of national governments wishing to protect domestic producers - in competition with each other;

- consumer choice is inevitably influenced by the structure of excise duty in each Member State ;
- duties should broadly be based on alcohol content;
- an element of "progressivity" is, however, acceptable - that is, drinks with very low alcohol content may be exempted, and those with a high content (spirits) charged at higher rates;
- within the same range of alcohol content competition should not be distorted by large differences in rates between different drinks;
- nor should competition be distorted by too great a differential between drinks of differing alcohol content (e.g. between the fermented and the distilled ranges).

96. The Commission's first comprehensive proposals for the taxation of alcoholic drinks were made in 1972. In 1980 the then Council presidency put forward a compromise solution to the distortion of competition between beer and wine; but negotiations ended in failure in 1982.

Meanwhile, however, judgements of the Court have begun to establish the principle of similar rates on drinks of similar alcohol content.

Parliament most recently examined the matter before the last European elections. Support was then given to the "banding" of drinks in different ranges of alcohol content for the purpose of determining rates of duty.

97. There are, however, several contentious issues; for example :

- what should be the "thresholds" between the bands (for example, where should cider come)?
- what should be the ratios of tax between the bands? For example, should they be expressed as a percentage or as a money differential?

In illustration of this second problem, let us assume that the alcoholic content of a bottle of spirits is equal to that of three and a half bottles of wine. If there is a fixed ratio of 1:10 between the tax on spirits and the tax on wine, this could produce tax of 1 ECU on the bottle of spirits and .10 ECU on the wine. It could also, however, produce a tax of 10 ECU on the spirits and only 1 ECU on the wine.

It is for this reason that an informal group of distillers meeting in Dublin recently proposed that the differential be expressed, not as a ratio, but in money terms - say, 5 ECU. This could mean that wine might be untaxed, provided that the tax on a bottle of spirits was no more than the 5 ECU.

98. **The Commission adopted, on 2nd April, two proposals for a Directive on the taxation of alcohol.**

(i) the structure of excise duties on fortified wines. This replaces earlier proposals, which covered fortified wines together with spirits. It proposes that the rate of duty should be the same for all fortified wines with the same alcohol content. The rate should be no less than 20%, and no more than 65%, of the rate applied to spirits with the same alcohol content.

99. (ii) On the structure of VAT rates applied to alcoholic beverages. The same rate of VAT would be charged on all drinks within each category of alcoholic beverages. There would be three categories :

- wine and beer;
- intermediate strengths; and
- spirits

These two Directives have been proposed as interim solutions, since the Commission does not believe that progress on the full harmonisation of excise duties is possible at present.

Other taxes

100. Though not as important as VAT or excise duties, there are a number of other taxes which hinder the completion of the internal market.

Perhaps the most notable are those which affect the market in motor vehicles: the registration taxes outlined in the ROGALLA report; and special car taxes levied on purchases in some Member States.

In combination with price controls, and the activities of motor manufacturers, these have produced a situation in which there is no true Common Market in cars. Recent judgements by the Court and the Commission's new Regulation giving block exemption to dealer networks - which comes into effect in July 1985 - will not eliminate the distortions.

101. The Adonnino Committee has drawn especial attention to **fiscal duties on books and periodicals** moving across internal Community frontiers. It recommends that they be abolished.
102. There are also taxes which distort the capital market, which will be discussed under Free Movement of Capital: and the taxation of companies, which is covered in detail in the ROGALLA report.

Special attention might be paid to the following issues, which were discussed at the February ECOFIN Council.

- a) Common tax arrangements applicable to mergers, scissions and assets brought in. Proposal since 1969. A solution seems to be found to the problem "Mitbestimmungsrecht".
- b) Common tax arrangements applicable to parent companies and subsidiaries of different Member States. Directive aims to stop deductions at source from profits distributed to parents from a subsidiary. A reported compromise would allow Germany to deduct 15%, others to deduct 15% from funds to go to Germany.

- c) Abolition of double tax arrangements of profits of associated companies.
The question remains should it be a convention, as the Member States wish, or a directive, as the Commission proposes.

THE HARMONISATION OF STANDARDS

103. The abolition of frontiers whether physical or fiscal is only one element in attaining a barrier-free internal market.

Of equal importance is the creation of a "single industrial area" for manufacturers and traders. This, in turn, means the removal of all those technical barriers which, in the Commission's phrase, "compartmentalise" the Community, and prevent enterprises from operating on a truly continental scale.

104. Again, it is worth repeating the arguments for the removal of these barriers. In theory there is widespread support for an open internal market: it is remarkable how, in each Member State a particular sectional interest can also rally support for its own pet barrier (for example, against imports of milk into the United Kingdom, or beer into Germany).

105. It is obvious, for example, that if there are different technical specifications for a particular product in different Member States, manufacturers are obliged:

- either to produce different versions of the same product to meet the differing specifications in each Member State - which will increase production costs; or
- to confine operations to a single national market - which reduces competition and consumer choice, and gives rise to market-sharing agreements and other restraints on trade.

106. This compartmentalisation of the market also has serious consequences for the overall competitiveness of European enterprises. A firm based in the United States can rely on a large, unified home market - roughly comparable in size to the Community - to provide the basic turnover. This is then the

"springboard" for operations outside the U.S. Moreover, U.S. standards acquire such importance that other countries, including those in the Community, are often forced to conform (for example, in the field of computers).

Why are there technical barriers?

107. Most non-tariff barriers within the Community have their origin in national policies on product safety and public health. With the advance of technology and product-differentiation, governments and local authorities have found themselves elaborating ever-more-detailed regulations for the protection of consumers or of workers engaged in particular processes.
108. The prime purpose of these policies has been to enforce the particular standards which each separate country has set itself. Even if the aims have not differed greatly, the means in terms of technical specifications, testing procedures, etc. have often differed widely.

This situation has unfortunately been enshrined in the EEC Treaty. Though Articles 30 to 35 in principle remove restrictions on trade, and are directly applicable, there is a key derogation of Article 36 which shows restrictions "justified on grounds of public ability, public policy or public security; the protection of health, life of humans, animal or plants; the protection of national treasures possessing artistic, historic or archeological value; or the protection of industrial and commercial property."

109. It is true, of course, that the Article goes on to say that any consequent restrictions "shall not ... a means of arbitrary discrimination or a disguised restriction on trade.."

But, as the record of cases before the Court bear witness, no Member State has been entirely guiltless of using health or safety rules as a cloak for protection.

Action so far

110. Community measures to remove these non-tariff barriers has hitherto taken two main forms :

(a) Legal action in the Court

As the guardian of the Treaties, the Commission has the task both of ensuring the direct applicability of Article 30, and of preventing abuse of Article 36. It is therefore empowered to take national governments before the Court. In addition, cases involving disputes about non-tariff barriers are referred to the Court under Article 177.

111. Two rulings of the Court (the "Dassonville" decision (8/74) and the "Cassis de Dijon" decision (20/78) have been of particular importance. They have established clearly that Articles 30-34 are directly applicable - that, in principle, all products lawfully produced and marketed in one Member State can be lawfully marketed in another. They have also established that it is up to a Member State to provide that a derogation under Article 36 applies.

The "Cassis de Dijon" principle is obviously of enormous importance, and (as Moreau and von Wogau point out) will in many cases "be sufficient to open up the internal market".

112. As they also point out, however, the procedure for individual firms to bring cases before the Court is "time-consuming and expensive". Moreover, as the Commission notes (COM (85) 19 final), there are problems in deciding matters on a case by case basis. "The absence of Community legislation thus leaves to the judiciary the responsibility of the legislator. The ensuing uncertainty is highly detrimental to economic operators."

(b) "Harmonisation"

113. There are, therefore, two circumstances under which it is necessary for the Community to "harmonise" legislation in areas falling under the Article 36 derogations.

- (i) where there is uncertainty as to whether the derogations apply; and
- (ii) where it is clear that the derogations do apply, thus compartmentalising the market.

Over the years, a total of 177 harmonisation Directives have been passed by Council, amended by 56 Commission Directives. Each of the last 15 took an average of ten years to be adopted; and the texts have often contained up to 100 pages of complex technical annexes.

114. (i) Meanwhile technology has moved on. As a result, according to the Commission, "in certain industrial sectors results remain almost negligible.." As soon as adopted, the Directives have been out of date. Indeed, a recent draft dealing with electronic components for measuring instruments was overtaken by technological advance even before it had been tabled for consideration: to quote a Commission official, "the Community's capacity for harmonisation seems smaller than the Member States' for making regulations."
- (ii) The concept of "harmonisation" itself has become increasingly unpopular. What should have been a process of replacing ten different sets of national regulation with a single Community system is now widely seen as Community interference and red tape.

A new approach: the first step

115. This situation convinced Parliament and Commission alike that a new approach was needed.

The first step came with the adoption of Directive 83/198. This lays down a procedure for the prior notification of standards and a standstill clause.

116. How has this worked so far?

Commissioner Narjes reported to the Council on 18th December 1984 on the first nine months' operation of the Directive. On the positive side, the technical procedures were working, judged by the several dozen regulations notified.

But, on the negative side, there was "widespread failure to observe the notification obligation." "Far more technical regulations are adopted and published in the official gazettes of the Member States than are notified in accordance with the procedure laid down in Directive 83/189". Indeed, the Commission's control system has revealed more cases of non compliance than of notifications.

117. The Commission has already addressed a letter to Member States on the matter, and is preparing to take infringement proceedings under Article 169 of the Treaty.

Clearly a rapid and radical improvement in implementation of the Directive is needed. The Commission must report on action taken, and the latest position.

A new approach: the next step

118. Though most harmonisation Directives have been of the kind described above, in one field - that of low voltage electrical appliances - the approach has been different. The Low Voltage Directive of 1973 consists of only a few paragraphs. It has been in force for over a decade without causing any major problems.

The secret of the "low voltage formula" was to confine the legislative text itself to the establishment of general safety rules to which products would have to conform. The job of defining the detailed technical characteristics of products was left to a specialist standards body, CENELEC.

119. A list annexed to the Directive provides that:

- the method of using the product safely must be stated;
- the manufacturer should be identifiable;
- safe assembly and connection is ensured;
- warnings are given of possible hazards.

120. This "reference to standards" approach has a number of advantages. The Commission has pointed out, for example, that had the usual approach been applied to electrical products, "it would probably have needed about one hundred Directives under Article 100!"

Accordingly, the Commission began to envisage basing further legislation on the Low Voltage formula. "Safety provisions would be established to which products would have to conform, while the task of defining technical characteristics of products would be left to European, and if necessary, national standards". It was helped on July 16th, 1984 when the Council adopted general principles for a European standardisation policy.

This accepted that the objectives being pursued by Member States in the health and safety field were "equally valid in principle even if different techniques are used to achieve them".

121. The result has been the Communication from the Commission to Council and Parliament: "Technical harmonisation and standards: a new approach". It follows the "guidelines laid down by the European Parliament in its resolution of 16th October 1980 and conforms to those drawn up by the Council during its session on 16th July 1984".

The Communication

122. The Commission document takes the form of "an outline for a directive", based on "four fundamental principles":

- (a) Directives adopted under Article 100 would lay down essential safety (or other) requirements. Any conforming product would enjoy free circulation.
- (b) the task of drawing up technical specifications would be left to "organisations competent in the standardisation area".
- (c) these specifications would "maintain their status of voluntary standards".

(d) but national authorities would be obliged to recognise them. A manufacturer not using them would, of course, be obliged to prove in another way that products conformed to the Directive.

123. Where possible, there would be European standards. Where these did not exist, national standards (e.g. DIN, AFNOR, BSI, etc.) would be recognised.

A "Standing Committee composed of officials from national administrations" would verify the quality of the different standards available.

124. A Directive based on the model would :

- recognise CEN and CENELEC as the "competent bodies to adopt European harmonised standards";
- define the range of products covered, and the hazards legislation was designed to avert;
- would "provide for total harmonization as a general rule";
- would outline "essential safety requirements" which would be "worded precisely enough in order to create... legally binding obligations which can be enforced";
- compel the notification by governments of those national standards which enjoyed "presumption of conformity" with the essential requirements;
- provide a procedure for vetting and annulling standards; and
- a procedure for removing from the market non-conforming products; and
- a system for recognising conformity (marks, declarations, etc.);

125. The Communication also states the priority sectors for the application of the "new approach".

- (a) Since it will "be appropriate only where it is genuinely possible to distinguish between 'essential requirements' and 'manufacturing specifications' areas involving safety protection certainly appear to have priority over those involving health protection".
- (b) since the intention is "to settle at one stroke, with the adoption of a single directive, all the problems concerning regulations for a very large number of products...in the selected areas there should be a wide range of products sufficiently homogeneous to allow common 'essential requirements' to be defined."

There must be evidence that the lack of harmonisation does "genuinely impede the free movement of goods".

Accordingly the three priority areas selected are :

- mechanical engineering,
- building materials, and
- electrical appliances (e.g. in information technology and electromedical equipment).

Questions for discussion

- (i) How wide is the scope for the "new approach?"

126. In a memorandum (18th October 1984) which foreshadowed the Commission communication, UNICE noted that the success of the Low Voltage Directive was in part due to a number of special factors:

- there was a "long tradition of international standardisation" in the field;
- when the Directive was issued, national standards were therefore quite similar, and
- implementation was made easier because reference was possible to IEC (International Electro-technical Committee) provisions.

127. This is, perhaps, one reason for the Commission's own modesty about the scope for action under the new approach. The Commission also states in Part III of the communication that the "general reference to standards" solution "would have little sense" where "the essential requirements of the public interest are such that a large number of manufacturing specifications have to be included".

On the other hand, in a reply to questions put by the rapporteur at the Committee's meeting on 28th February 1985, the Commission is more optimistic. "Future directives should take on board as many as possible, if not all, essential requirements of collective interest".

Does this mean that all Article 36 derogations will be handled through the new approach? The position must be clarified.

(ii) Optional or total harmonisation?

128. The 15 Directives on technical standards adopted in September 1984 were all based, for a transitional period of five years, on the principle of optional, as opposed to total harmonisation.

This means, for example, that during the optional period all gas cylinders complying with the Community standards must be accepted into a particular national market; but that cylinders complying with different national standards may also be sold in that market. Under total harmonisation, only cylinders conforming to the Community standards may be sold.

129. The Commission communication is rather scathing about optional harmonisation. It "had the advantage of facilitating the seeking of compromises in the Council". But it "proved too often inadequate for the realisation of a true internal market". The outline Directive therefore goes for total harmonisation.

Under optional harmonisation, there is indeed the possibility that a Member State will allow domestic suppliers to adopt lower standards than the Community standards applied to imports, thus distorting competition. Optional harmonisation as a transitional phase, however, should perhaps not be dismissed too easily.

(iii) National or Community standards?

130. Under the outline Directive, the standards to which reference would be made would, in principle, be common European standards.

UNICE makes the point in its memorandum, however, that the number of such European standards is currently very limited; and concludes that there is a need to "push ahead with the working out of harmonised European standards".

131. The Commission has, in fact, already taken action to strengthen CEN and CENELEC. Commissioner Narjes report to the Council in December 1984 that "collaboration between the Commission and CEN and CENELEC is proceeding very satisfactorily insofar as the creation of a centralised, and effective means of management of the system is concerned". Data-processing equipment had been installed, "Community finance covering 80% of the costs".

But will CEN/CENELEC be able to produce the harmonised standards at sufficient speed?

132. The outline directive also envisages :

- that other standards may be adopted as "European", subject to approval by CEN/CENELEC; and
- that, as an interim measure, national standards may be recognised, subject to vetting by the standing committee and the Commission.

It is made clear, however, that when the "European" standards have been adopted, they will replace all national standards.

133. This approach has positive and negative aspects.

On the positive side, the procedure means that Community standards can be adopted by majority voting, thus circumventing the unanimity provisions of Article 100, which have hitherto applied to the technical annexes.

On the negative side, fears have been expressed that smaller countries may be forced, at short notice, to adopt manufacturing standards based on the dominant standards like DIN, BSI, etc.

An alternative approach would be to place much more reliance on the mutual recognition of national standards.

(iv) How much democratic control?

134. The system of vetting standards and controlling their application envisaged in the outline directive makes no mention of the European Parliament. thus, once a Directive had been passed under the Article 100 provisions, effective power would lie with the Commission, the standing committee of national government representatives and, of course, the standards bodies.

This may be the price democracy has to pay for efficiency.

On the other hand, similar objections can be made as to the system of framework Directives, passed under Article 100, but implemented under Article 155: namely, that this in practice puts power into the hands of non-accountable management committees.

Included in the "new approach", therefore, there must be a procedure whereby Parliament is kept informed and has the opportunity to comment on the creation of European standards.

(v) What happens where the "new approach" does not apply?

135. It is possible that the Commission will be able to handle all the Article 36 derogations under the "new approach". But, if not, either the old procedure of detailed directives must be used - in which case the Commission must

explain how the internal market would be completed by 1992; or there must be a greater reliance on the principle of mutual recognition, of tests, certificates, etc.

(vi) How can common standards be created rapidly in the information technology field?

136. It is generally recognised that the development of a strong European industry in the field of information technology has been hampered by the almost complete lack of agreed standards. The situation has even been fostered by some suppliers, in the hope of maintaining a marketing advantage.

Various Community programmes (e.g. ESPRIT) have been launched to encourage the development of common programmes and standards. Will this be enough?

INTELLECTUAL PROPERTY

137. Closely linked with the harmonisation of standards is the development of a Community policy on "intellectual property" - trade marks, patents and copyright.

The Commission states in its 1985 programme that "the rules on intellectual property are essential to the development and the launching of new products".

Here, too, European appears to lag behind the United States. It was recently stated at a conference (see Financial Times 19th October 1984) that a new invention could be put on the US market with final approval in a few weeks at a cost of \$2,000, but that to put the same invention on the market in Europe could take more than a year and would cost more than \$200,000 (Question No. H-525/84).

138. As far as trade marks are concerned, the issues have been discussed in the TURNER report ().

Substantial progress has already been made in the discussion of technical problems in the field of trade mark law. Nevertheless, much has still to be done before the Community trade mark system can be adopted by the Council.

Submitted to the Council in November 1980, the proposal for a regulation on the Community trade mark and the proposal for a first Directive to approximate the laws of the Member States relating to trade marks has received general support from other institutions.

In their Opinions, the Economic and Social Committee (September 1981) and the European Parliament (October 1983) welcomed the two proposals.

139. The Council also marked its general support for the Commission's initiative by unusually setting up a working group to examine technical aspects of the proposals even prior to the receipt of Parliament's Opinion. This examination began in 1982 and the first reading of the regulation was completed in June 1984. In September 1984, the Council working group started the second reading on the basis of an amended proposal taking into account almost all of the amendments proposed by the Economic and Social Committee and the Parliament. The Irish presidency presented a progress report to the Internal Market Council at its session of the 9 October 1984. As a result of this session, the Irish and the future Italian presidencies both decided to accelerate the examination of the amended proposal by increasing the number of meetings of the Council working groups. In the first half of 1985 eight meetings are planned in order to complete if possible the second reading. In the course of this reading numerous problems, most of a technical character, will probably be resolved.

140. Before the Community trade mark system can be adopted by the Council, several ancillary legislative measures have still to be proposed by the Commission and then examined in the Council :

- the rules implementing the regulation for which a proposal is being prepared. Submission of the proposal to the Council is envisaged for the first half of 1985;
- the rules of procedure of the Boards of Appeal;

- the fees regulations;

- the siting of the Office and its working language.

141. A Commission proposal on these last two subjects (site and language) has to be prepared in the course of 1985 and should be submitted to the Council after the end of the second reading provided that the main technical problems seem to be on their way to a solution at that time. It does not seem appropriate to complicate the current more technical discussion by bringing in these political problems at this stage. As to the siting of the Office, nine Member States (not Denmark) have made applications for the following sites : Brussels, Dublin, London, Luxembourg, Munich, Paris, the Hague, Thessalonika, Vencie. The European Parliament will have to give its Opinion on these two questions.
142. The proposal for a first directive to approximate the laws of the Member States relating to trade marks has not yet been studied by the working group of the Council. The amended proposal is being prepared and will be transmitted to the Council in the very near future. This amended text will probably not be studied in the Council until an agreement of principle is reached on the proposed regulation.
143. In the case of copyright, the Commission has promised a Green Paper in the near future. It will cover, in particular, the issues created by the development of information technology: i.e. copyright as it affects computer software, micro-circuits and data banks.
144. In the resolution of Parliament of April 1984 on the need to implement the internal market the need for a European 'patent' as major instruments for achieving a European economic area is stressed. Attention was drawn to the agreement signed in Luxembourg on 15 December 1975 on a Community patent. However, this agreement has not been ratified by all Member States. The Commission should inform the Committee of the progress which has been made with the ratification of this agreement. In its resolution Parliament took the view that if ratification by all Member States proved impossible the agreement should come into force between those Member States which have concluded the ratification process. With respect to the legal protection of

the products of biotechnology the Commission indicates that work is underway to identify the particular difficulties of applying the rules on patents to these products.

FREE MOVEMENT OF SERVICES

145. The service industries account for nearly 60% of employment in the European Community - yet the Commission notes in its 1985 programme that "little progress has been made on the common market in services". This has been "despite the potential for growth and job creation they represent".

In fact the European service sector has been increasing its share of the employment market, but at a significantly lower rate than elsewhere in the world. Between 1982 and 1983, for example, the increase in employment in the services in the community was 0.5%. In the United States - where this sector already accounts for 70% of employment - it was 2%; and in Japan 2.7%.

This small relative increase in the Community is to some extent attributable to the lack of a true internal market for services.

146. There are two main aspects to the creation of a common market for services :

- i) the right of establishment; and
- ii) Freedom to provide cross-frontier services.

They do not necessarily have to apply together. Moreover, the right of establishment does not alone ensure a true internal market. Each is a necessary, but not a sufficient condition.

Transport

147. Despite the Treaty provision for a common transport policy, the Community transport market is still compartmentalised into national areas and intra-Community transport is regulated by bi-lateral agreements, such as quotas for lorry operations, and sea-cargo reservations for national shippers. The implications of such restrictions go beyond the providers of services to the importers and exporters of goods in Community countries.

148. Commercial vehicles. The issues of lorry quotas and the tax on fuel in tanks have already been covered in the section on BORDER CROSSINGS.

149. Shipping. Recent economic conditions have produced a worldwide increase of protectionism in the shipping sector.

- in the case of coastal shipping, 'cabotage' has been enforced: that is, the reservation of a country's coastal trade to ships of the same nationality.

- in offshore trade, the trading practice of insisting that cargoes are "reserved" to ships of a particular nationality is growing. (This was once the preserve of developing countries, but is spreading to other flags.)

The entire shipping sector, of course, has also been under pressure from subsidised competition, notably from the state-trading countries.

150. Air services Virtually all European air services are run as cartels or monopolies, and most are state-subsidised. This situation is rooted in the principle that each nation controls the use of its own airspace. Nations are free to negotiate terms and conditions of access to each other's air space, and can be as restrictive or liberal as they wish. This system, founded on the Chicago Conference of 1944 on International Civil Aviation, has resulted in a web of intricate bi-lateral agreements between states in Europe, each defending its national carriers. North America has effectively one national airspace within which companies can operate freely. Unfavourable price comparisons have been made between the costs of an internal European flight from for example, London to Brussels, or Paris to Rome and the cost of flying an equivalent distance within the USA.

151. The Commission's memorandum on a general framework for a common air transport policy of February 1984 (COM (84) 72 final) therefore seeks to propose objectives to further a European air transport system in the interests of airlines and consumers alike. To benefit users the commission proposed greater cooperation between airlines and more freedom to provide services, while reserving 'safety net' of at least 25% of the market to each party to a

bilateral agreement. The freedom for airlines to set their own fares within reference and bracket tariffs laid down and without seeking government approval is also proposed.

Meanwhile the first moves towards cheaper fares have been taken by the UK and Dutch governments on the London to Amsterdam route. Most recently, the UK and Luxembourg governments have agreed on a 'double veto' principle for objections to fares between their countries; this means that airlines from either country can set their own level of fares unless both governments object. This has immediately resulted in a reduced fare between London and Luxembourg.

In addition, the Regional Air Services Directive was adopted in July 1983. This reduces the amount of control over scheduled flights by aircraft with not more than 70 seats between regional airports.

State aids to national carriers also come under close scrutiny in the memorandum. But measures of direct benefit to airlines are also proposed aimed at reducing operating costs. These include the setting of airport taxes, often discriminatory against foreign carriers, the use and cost of airport facilities such as ground handling and the possibility of freer market access for small companies on secondary routes and the operation of non-scheduled services.

152. Despite the guidelines set out by the Council's high-level group appointed in May 1984 to examine the Memorandum, the Transport Council merely considered their report at the December meeting and reserved any position on access to the market until discussions on the review of the Directive on interregional air services (OJ L 237 of 26.8.1983) due before July 1986. The Council felt that particular attention would have to be paid to capacity, fares and competition.

Thus, progress towards some freeing of the air transport market has been blocked by the Council's delaying tactics.

Insurance

153. In 1982 the United States accounted for over 28% of the worldwide insurance business. The European Community accounted for only 8%. This position is a contributing factor to the failure to complete the internal market.

Progress has been made with freedom of establishment for insurance. But little has been made with freedom to provide services across frontiers, which is directly linked through Article 61 of the Treaty to the free movement of capital.

154. Right of establishment. Two Directives have facilitated this freedom by coordinating the laws and administrative procedures for setting up businesses in the non-life insurance field (73/239/EEC), and subsequently in direct life assurance (79/267/EEC). The former was modified by the December 1984.

Council, which adopted a Directive on the taking up and pursuit of business for tourist assistance.

155. "Community co-insurance". The May 1978 Directive (78/473/EEC) assures freedom to provide "Community co-insurance": the covering of certain risks jointly by co-insurers established in different Member States. It was a first step towards the freedom to provide services across frontiers. However, the majority of Member States implemented this Directive in a restrictive way and the Commission has therefore taken 4 Member States (France, Denmark, Ireland and Germany) to the European Court. The outcome of the Court's ruling on their interpretation of this Directive could, if positive, give added impetus to the debate on freedom to provide services.

156. Freedom to provide services across frontiers. The main proposal to liberalise this aspect of the insurance business was made by the Commission in 1975 (COM (75) 516, modified COM (78) 63) and has been under discussion in council for the past three years. The Economic and Finance Council of December 1984 expressed their aim of working towards an 'early decision' on this directive, and the Commission states in its programme for 1985 that adoption of this proposal will be 'crucial' for the liberalisation of the services sector.

Important insurance markets such as Germany, France and Italy have, however, been instrumental in blocking the adoption in order to maintain their systems where nationals can only insure with insurers physically established in their countries.

157. Current discussions are centering on the possibility of a two-tier liberalisation with freedom of services for large industrial and commercial risks being introduced as the first step, on the basis that large policy holders need less consumer protection than individuals insuring for 'mass' risks. Even this partial freeing of the market would be welcome.

The freedom to provide services in the insurance sector has, meanwhile, been recognised by the Court in its ruling on the van BINSBERGEN case, with the reservation that certain conditions on the exercise of this freedom between Member States need to be harmonised.

158. A further case now under consideration by the court - the Schleicher case - could have far-reaching consequences. The question is whether a German Law, which forbids brokers from placing business with insurance companies established outside Germany, is compatible with the Treaty.

A further proposal has been before the Council since 1979. It concerns Insurance Contract Law (COM (79) 355, modified COM (80) 859).

Mortgages

159. At the end of 1984 the Commission published its proposals for a common market in mortgage credit.

It is a proposal of great simplicity. Any credit institution which offers loans secured on "real property" in one Member State - using the "techniques" usual in that State - shall be able to offer the same service in any other Member State.

160. If this results in a distortion of competition (because the institutions in a particular country are prevented from offering a service which institutions from another country are offering), the "host" country shall authorise its own credit institutions to use the same techniques.

In other words, consumer choice and competition will be widened in all Member States.

161. A host country may require funding and lending to be in its own currency; the "home" country of an institution may require "matching" between assets and liabilities in each national currency.

But the institution involved may always use ECUs instead.

Freedom of Establishment for the Professions

162. The mutual recognition of qualifications is the sine qua non for ensuring freedom to engage in professional activities throughout the Community. Progress so far has been made in the field of medical and para-medical activities. A directive of 1977 (77/249/EEC) also allows lawyers in their capacity as self-employed persons to provide professional services. But a number of proposals for recognition of qualifications in other professions, notably for pharmacists and architects, are still on the Council's table.
63. The Commission amended two proposals on mutual recognition of diplomas and other qualifications in pharmacy in January 1984 and these are now under consideration in Council. While slow progress is being made towards a compromise in Council on the proposal for recognition of architects, which has been held up mainly because of German 'Hochausbildung' qualifications.

There could be a case here for a further Commission proposal on accepting qualifications from another Member State, similar to their global approach on technical standards. The recent proposal on the comparability of vocational training qualifications (COM (83) 482 modified COM (84) 406), when adopted by Council, should help recognition of qualifications as a result.

164. The freedom for professionals and tradesmen to provide services across Community frontiers is also hampered by formalities and controls on the equipment needed to carry out their services. The Council adopted a preliminary Regulation (3/84 19.12.1983) at the end of 1983 which allows freedom of movement for a limited list of goods and professional equipment between Member States for temporary use in other member countries. this list has been adopted for an experimental period of 3 years from its entry into force on 1st July 1985. But in view of the restrictions still applying to certain goods, the Commission should submit a proposal to extend the scope of this so-called "plumbers" Regulation as soon as possible.

International Aspects

165. International discussions within the framework of the GATT, have been directed towards an elimination of barriers in trans-frontier services over the past 3 or 4 years. The Ministerial Conference of GATT in November 1982 looked specifically at the possibility of including services under GATT agreements and requested national studies on existing problems of providing trans-frontier services. So far, Denmark, Germany, Italy, the Netherlands and the UK have submitted national evidence and the European Commission also made a submission. However, before the Community can exploit the advantages of a common external policy in services, as it has done successfully with international trade in goods, it must first develop a real internal market for EC companies. Furthermore, lessons learned from trade liberalisation within the EEC are noted and followed by OECD and GATT themselves.

A group of international experts set up in 1983 has just reported to GATT in March this year with 15 proposals to liberalise world trade. One of these priorities is that governments should now study ways of developing multi-lateral regulations for trade in services.

FREE MOVEMENT OF CAPITAL

166. Of all the "freedoms" provided for in the EEC Treaty, none is more important for the long-term development of the Community's economy than the free movement of capital.

"Mobility of capital and financial integration are of crucial importance to the development of European firms", the 1985 programme notes. "The Community is currently at a competitive disadvantage vis a vis industrial powers like the US and Japan. Particularly vital is the strengthening of the equity capital bases of European companies ..."

167. The whole matter has been examined in the HALLIGAN Report (Doc. 1-1232/83). This points out that the first and virtually only occasion on which real progress was made towards liberalizing capital movements came with the adoption early in the 1960s of two directives², which abolished restrictions on certain types of capital movement, such as credits tied to commercial transactions, direct investments and purchases of shares traded on a stock exchange. Other important transactions are still subject to restrictions: short-term capital movements, the granting and repayment of loans and credits not linked to commercial transactions - or linked to transactions in which there is no domestic participation - and of personal loans, and other special transactions.

The draft third directive was intended to complete the liberalization of capital transactions, was shelved by the Council for several years and was finally withdrawn by the Commission in January 1977.

168. The Commission's action programme on financial integration in the Community (COM (83) 207) of 1983 was an attempt to reactivate efforts in the field as a whole. A further small step was taken by the Council in June 1983 by adopting the Directive (83/350) on the supervision of credit institutions which allowed freedom of establishment and services of banks and other credit institutions in the Community.

The first series of problems arise from the failure to make progress on Monetary Union.

² Council Directives of 11 May 1960 (OJ No. 43 of 12.7.1960, p. 921) and 18 December 1962 (OJ No. 9 of 22.1.1963, p. 62)

169. 1. Bank Charges

For the individual citizen, the charges made by banks and similar bodies for changing currency are the most obvious costs of this failure. Charges at frontiers, in hotels, supermarkets and other shops can be anything from 5-25%.

It can cost eight times as much to transfer a sum of money abroad than to transfer the same sum within one Member State. (See PQ. No. 530/84 - Rogalla).

The Commission should take action to prevent agreements between Community banks which keep such charges excessively and artificially high. It should also consider whether a uniform scale of charges at Community level would help remove barriers to the provision of services, similar to the German banks voluntary agreement on a standardised tariff for large-scale German payments (see Von Wogau PQ 635/84).

2. Exchange Controls

170. The most serious barrier to the free movement of capital remains the maintenance by some Member States of exchange controls.

It is true that Member States in balance of payments difficulties have problems in liberalising capital movements. However, there are in existence Community funds designed to provide stand-by credits for member States in such a position.

171. A coordinated policy, combining:

- development of the EMS
- the mechanisms for balance of payments stand-by facilities; and
- the abolition of exchange controls

is required.

172. Meanwhile the Commission has announced it would hold bilateral discussion with Member State authorities on restrictions of capital movements applied under the safeguard clauses as regards :

- restrictions on operations related to securities on the stock exchange and issued by European companies;
- discrimination against foreign securities including fiscal incentives for domestic companies

with the objective of progressing towards greater liberalisation.

These talks were due to finish at the end of last year and the Commission should report on the outcome of its discussions.

3. Fiscal Barriers

173. The main objectives to remove fiscal barriers to the free movement of capital were set out in the Rogalla Report (paras. 16-24) on harmonisation of taxation in the Community (Doc. 1-903/84). The three main proposals in this field already proposed by the Commission are :-

- a proposal to harmonise the indirect taxes on the raising of capital (COM (84) 403), on which Parliament gave its Opinion on 17th January 1985; which amended the Council directive of July 1969;
- the abolition of stamp duty on transaction of securities, on which the Commission produced a proposal in 1976 (Doc. 62/76) and which was mentioned in the Directive of 17 July 1969;
- harmonisation of the rates of corporation tax (COM (80) 139 final) which proposes a range between 45% and 55%, to replace the current variations between 56% in Germany and 36.25% in Italy.

Institutional Reforms

174. The main practical measures to be taken are :-

- the continued integration of the banking sector, beyond the Credit Institutions directive of 1977 (77/780/EEC) and the supervision of credit institutions of 1983 (83/350/EEC);

- to strengthen links between national stock markets, as previously recommended by Parliament (Collomb report, Doc. 1-290/81);
- to develop financial instruments towards an effective interpenetration of financial circuits and circulation of capital within the Community (particularly to less developed regions), as foreseen in the Commission's communication on financial integration.

THE LEGAL ENVIRONMENT FOR BUSINESSES

175. In his speech to the Parliament of 14 January 1985, the President of the Commission, Jacques Delors, pointed out that 'Europe will not modernize its production structures just because a large market exists. The search for the larger scale will require the promotion of cooperation between European firms, the creation of a suitable framework, tax concessions to encourage business cooperation and financial incentives at Community level instead of the costly and ineffective escalation of national aids and incentives'.
176. It is not necessarily the case that company law must be uniform throughout the Community if a barrier-free economic area is to exist. On the other hand, there are legal and fiscal obstacles to cooperation between firms which, though generally not serious for large companies and multinationals, are so for small and medium-sized firms.
177. The programme for 1985 states that 'the proposal currently under discussion on the setting up of a European Economic Interest Grouping is high on the Commission's list of priorities'. This would be designed primarily to promote cooperation between small and medium-sized firms in different countries.
- The Commission also gives priority to the Tenth Company Law Directive on cross-border mergers (which closely follows the Third Directive on internal mergers) and to tax proposals to encourage cross-frontier cooperation (see para. 102).
178. The 1985 programme also states that the Commission has now decided to resume and extend examination of the draft statute for the European Company', which was first proposed in 1975. Rather than harmonizing company law throughout the Community - which is the objective of the proposed Fifth Company Law Directive and the coming Ninth - this statute would create a 'parallel' legal framework, enabling firms to be incorporated at Community rather than national level.

The customs barriers must not be replaced by computer barriers.

178. Computerisation can only lead to a further simplification of customs procedure if it is ensured that the developments in that field in the different member States are coordinated so that they remain compatible and that interconnection between the different national computer systems is possible. The resolution of the Council has resulted in a communication from the Commission to the Council concerning the coordinated development of computerised administrative procedures³. Contrary to the initial demand of the Council the CD project is not limited to the intra-community trade, but also incorporates the external trade and contains provisions for linking the systems of the Commission with those of the Member States.

178a. The Commission should ensure that distortions of competition do not jeopardize the unity of the common market. However, the development of new technologies is largely determined through close cooperation between undertakings; and the Treaty of Rome affords the Commission a fresh opportunity to promote cooperation between undertakings, provided this encourages European industry to be more competitive on the world market, by lifting the bans on cartels and on government subsidies, i.e. by granting aid to industry. It is important for both undertakings and national governments to obtain clarification as to what forms of cooperation between undertakings and what forms of state aid can be considered in order to meet this requirement. This is still a major necessity as regards research and development in particular. In this connection, the Commission should draw up a code indicating what forms of support are acceptable a priori.

179. The Commission states that the intra-Community trade cannot be separated from the external trade. The Commission should inform the parliament as to how far the extension of the project results in the slower introduction of the computerisation of intra-Community trade.

³ COM (84) 556 fin

180. The CD project is part of the CADDIA project about which Parliament gave its opinion on the 24 May 1984. In its resolution Parliament stressed the crucial importance of a rapid agreement being reached on the question of standards, in particular those relating to data and messages. Preference should be given to the utilisation of international standards if they meet European requirements; failing which, suitable European standards should be drawn up without delay. In the CD project the Commission refers to the activities of CENELEC to fix the necessary IT standards. Parliament should be regularly informed on the progress the European Standard Organisations achieve in that field.
181. It was already clear in the communication from the Commission concerning CADDIA that it is too late for the Community to develop a global development plan covering all member States, as most Member States have already developed customs computer systems. Some Member States started 15 years ago. The only possibility left is to ensure that the systems of the different Member States are made compatible. Action by the Community is therefore very urgent; otherwise the further development of national systems in the absence of the Community framework could result in incompatible systems. The communication about the CD project therefore raises the question of whether this urgency is sufficiently taken into account. It seems only to be starting point for further common action. It should be stressed that the concrete actions should be started rapidly. Not much time can be lost any more on the fixing of framework and timetable.
182. The CD project also contains the definition of codes for the data element which are used for trade data interchange within the Community. This work on codes will draw on and expand on the work already done in the context of the single administrative document.
183. In the communication of the Commission it is stressed several times that to pursue the project it is necessary to recruit experienced customs systems analyst. What is the actual situation with respect to the provision of the necessary temporary posts and with the recruitment of those analyst? With respect to the budget situation some clarifications are also needed: it seems that for CADDIA, about which the Council reached an agreement at its meeting of 26-27 March 1985, three and a half million ECU would be required this year. The budget 1985, before it was rejected by the Parliament, foresees only 4 million ECU for as well the INSIS and CADDIA project (budget item 7711). The Commission intends to divide the INSIS and CADDIA project in the budget 1986 into separate budget items. This will improve the transparency.

CONCLUSIONS - MONITORING

184. If there is really to be a barrier-free internal market by 1992, it will be vital that the timetable laid down by the Commission is followed year by year. Various elements of the programme will be interconnected - for example, the removal of border controls and fiscal harmonisation. A failure in one area will create a "bottleneck" which could jeopardise the whole programme.
185. For this reason, progress must be monitored closely. Where potential "bottlenecks" threaten, pressure must be exerted at the appropriate points.

Table 1, which monitors the progress - such as it has been - of the consolidation document programme, illustrates the information that is required. In particular, information is necessary on the situation within the Council on each proposal.

186. How is such information to be obtained? The press communiques from the Council itself give little information. The minutes are not available to Parliament.

In its reply to the rapporteur's question 1343/84, the Commission replies that it "does not consider it within its competence to involve itself in the internal discussion of the Council", and suggests that Parliament addresses itself to that body direct.

In the past, however, the Commission has disclosed, in response to parliamentary questions, the reasons for delays in Council.

187. Parliament must therefore pursue two avenues :

a) "on the record" information

- systematic questions to both Council and Commission on the progress of each proposal;
- maximum use of the "action taken" report to Parliament by the Commission at each part-session;
- the conciliation procedure.

b) "off the record" information

Members of Parliament should use informal contacts, particularly with national delegations, to build up a picture of the situation in Council working parties, COREPER, and the Council itself.

188. Once the information has been obtained, Parliament must make use of it. It must follow up its own resolutions with the responsible Ministers in the national capitals - particular those which are identified as having blocked a proposal.

During the second half of the last Parliament, the Bureau approved the establishment of a delegation from the Committee on Economic and Monetary Affairs to the Member State capitals for this purpose. The delegation was led by the Committee Chairman, Jacques MOREAU. The work of the delegation played an important part in securing Council decisions on Parliament's opinions.

This initiative should now be repeated

ACTION TAKEN ON COMMISSION PROPOSALS DUE TO BE ADOPTED BY COUNCIL

TABLE 1

Proposals to be adopted by the Council in 1984

PROPOSAL	DOC NO.	ACTION TAKEN	WHEN LAST DISCUSSED IN COUNCIL	WHO IS GUILTY
I. CROSSING INTRA-COMMUNITY FRONTIERS				
- Fourteenth Directive: deferred payment of VAT	COM(82) 402	PENDING	July 1984	"Bonn, Paris and Rome" (Narjes)
- Single document		<u>ADOPTED</u>	18 Dec. 84	
- Simplification of Community transit procedure: discontinuance of presentation of transit advice note	COM(79) 456	ON ICE	end 1981	
- Duty-free admission of fuel contained in the fuel tanks of commercial motor vehicles	COM(84) 171	PENDING	Feb. 1985 a consensus has been reached on total duty-free admission of fuel contained in buses but no global decision could be taken	
II. FREE MOVEMENT OF GOODS				
Elimination of technical barriers to trade in industrial products				
The Council has before it some twenty proposals concerning in particular the following fields: building materials, measuring instruments, machine tools, cars, cranes, industrial trucks, noise levels of construction equipment and motor vehicles, and use of dangerous substances.		15 Directives <u>ADOPTED</u>	17 Sept. 84	
Specific additional measures:				
Noise levels of construction equipment	84/532/EEC	<u>ADOPTED</u>	19 Nov. 84	
Motor vehicles	84/424/EEC	<u>ADOPTED</u>	6 Sept. 84	

PROPOSAL	DOC NO.	ACTION TAKEN	WHEN LAST DISCUSSED IN COUNCIL	WHO IS GUIN
<u>Elimination of technical barriers to trade in foodstuffs</u>				
- Preservatives	84/458/EEC	PARTIAL	26 Sept. 84	DANISH PROBL
- Ceramic articles	84/500/LEC	ADOPTED	20 Oct. 84	
- Obligation to indicate ingredients and alcoholic strength	COM(82)626	still in discussion on the level of a working group of the Council		
- Flavours	COM(80)286			
- Simulants (plastic materials in contact with foodstuffs)	COM(84)152			
- Methods of analysis for monitoring foodstuffs	85/7/EEC	ADOPTED	3 Jan. 85	
<u>Elimination of barriers created by animal and plant health requirements</u>				
On 10 May 1984 the Council adopted a work programme on this subject (ref. 6233 2 84 Agrileg 72, 7 may 1984). Twenty-three proposals would be adopted in 1984, in the following areas:				
- 16 proposals on veterinary matters	not complete Series of dir's	Adoption of more of less one third of the proposals	Jun., Nov., Dec. 84	
- 1 proposal on animal feedingstuffs	84/587/EEC	ADOPTED	8 Dec. 84	
- 4 proposals on seeds; only two have been proposed	85/4/EEC + 85/5/EEC	PENDING	NOT SO FAR	
- 3 proposals on plant health	1) 84/378/EEC 2) 84/288/EEC 3) 80/14/EEC	ADOPTED PENDING PENDING	2 Aug. 84	
<u>Indirect taxation</u>				
- Tenth VAT Directive: hiring out of movable tangible property	84/386/EEC	ADOPTED	31 July 84	
- Twelfth VAT Directive: expenditure not eligible for deduction of value added tax	COM(82)870 and COM(84)84	COREPER	NOT SO FAR	
- Thirteenth VAT Directive: refund to taxable persons not established in Community territory	COM(82)443 and COM(83)413	COREPER	NOT SO FAR	
- Harmonization of excise duties on alcoholic beverages	COM(72)225	ON ICE	Oct. 1981	

PROPOSAL

WHO IS GUILTY

WHICH LAST
DISCUSSED IN
COUNCIL

ACTION TAKEN

DOC NO.

III. Legal environment for enterprises

- European economic interest grouping
- Annual accounts of banks
- Common system of taxation applicable to mergers, divisions and contributions of assets
- Common system of taxation applicable to parent companies and their subsidiaries
- Arbitration procedure: elimination of double taxation
- Indirect taxes on transactions in securities
- Liability for defective products
- Community programme for the development of the specialized information market in Europe
- Opening-up of telecommunications procurement

IV. FREE MOVEMENT OF PERSONS AND FREEDOM TO SUPPLY SERVICES

- Mutual recognition of pharmacists' qualifications
- Income taxation provisions with respect to freedom of movement for workers
- Freedom to provide services: insurance other than life insurance
- Tourist assistance insurance
- Right of residence

DOC NO.	ACTION TAKEN	WHICH LAST DISCUSSED IN COUNCIL	WHO IS GUILTY
COM(73)2046 and COM(78)139	PENDING	7 May 1985 Internal Market Council	
COM(81)84	still in discussion on the level of a working group of the Council	NOT SO FAR	
COM(69)5	PENDING	ECO FIN Council in Feb. 85	
COM(69)6	PENDING	ECO FIN Council in Feb. 85	
COM(76)611	PENDING	ECO FIN Council in Feb. 85	
COM(76)124	PENDING	11 October 1984	
COM(76)372 and COM(79)415	PENDING	Consumer Council May 85	
Dec. 85/558/EEC	ADOPTED	15 Oct. 84	
Rec. 84/549/EEC and Rec. 84/550/EEC	ADOPTED	15 Oct. 84	
Other proposals	pending		
COM(81)4 and COM(84)15	PENDING	Internal Market Council 7 May 84	
COM(79)737	work has started on the level of a working group of the Council	NOT SO FAR	
COM(78)63	PENDING	10 Dec. 84	
COM(80)891 and COM(82)886	ADOPTED	10 Dec. 84	
COM(79)215 and COM(80)358	COREPER	NOT SO FAR FORESEEN FOR COUNCIL ON SOCIAL AFFAIRS ON JUNE 85	

WHO IS GUILTY

WHEN LAST DISCUSSED IN COUNCIL

PROPOSAL

DOC NO.

ACTION TAKEN

V. FREE MOVEMENT OF CAPITAL

- Coordination of legislation regarding collective investment undertakings for transferable securities
- Liberalization of units in collective investment undertakings for transferable securities
- Transactions in securities, prospectus to be published

COM(75)152
and COM(77)227

COM(78)63

COM(76)124

PENDING

Council discussion foreseen for July 85

pending

Blocked in Council

10 Dec. 84

NOT SO FAR

VI. EUROPEAN CITIZENS

- Easing of formalities relating to checks on citizens
- Sixth Directive relating to exemptions in international travel: increase to 400 ECU
- Seventh Directive relating to exemptions in international travel: tax-free sales
- Tax reliefs to be allowed on the importation of goods in small consignments of a non-commercial character

COM(82)400
Council Resolution

COM(83)117

COM(83)166

COM(83)730

ADOPTED

PENDING

PENDING

PENDING

18 Dec. 84

It is foreseen to discuss these matters at the Eco Fi Council of May 85

PROPOSAL

PROPOSAL	DOC NO.	ACTION TAKEN	WHEN LAST DISCUSSED IN COUNCIL	WHO IS GUILTY
VII. TRANSPORT				
- Aid to projects of Community interest in the field of transport infrastructure	REG 3620/84	<u>ADOPTED</u>	19 Dec. 84	
- Financial support for a multi-annual transport infrastructure programme	COM(84)709	PENDING	19 Dec. 84	
- Community quota for the carriage of goods by road between Member States: final stage	COM(83)340 REG 3621/84	PARTIALLY ADOPTED	19 Dec. 84	
- Access to the inland waterway freight market	COM(67)722	PENDING	27 Jan. 70	
- Non-resident carriers: national transport services	COM(82)816	PENDING	NEVER	
- Commercial vehicle taxation	COM(68)567	PENDING	June 1984	
- Commercial road vehicles: weights and dimensions	COM(81)510 COM(63)131	PARTIALLY ADOPTED (85/3/EEC)	19 Dec. 84	
- Improvement of the situation of railway undertakings and the harmonization of rules governing financial relations between such undertakings and States (amending 75/327/EEC)			Never	
- Programme of road safety	Resolution	<u>ADOPTED</u>	19 Dec. 84	

WHEN LAST
DISCUSSED IN
COUNCIL

PROPOSAL

DISCUSSED IN COUNCIL	ACTION TAKEN	DOC NO.	WHEN LAST DISCUSSED IN COUNCIL
	ALL THE TEN PROPOSALS ARE STILL PENDING		
	Discussion on the level of a working group of the Council	COM(78)766	On ice because of problem of art. 155
	Discussion on the level of a working group of the Council	COM(81)811	near to decision
	ADOPTED	COM(83)167	3 Jan. 85
	ADOPTED	COM(83)269	3 Jan. 85
	ADOPTED	COM(83)281	3 Jan. 85
	The proposal is currently being re-examined	COM(83)323	
	PENDING	COM(84)400	
	Agricultural tractors	COM(84)226 + 532 + 564 + 101	
	Adoption on proposal on lead content	New emission standards + lead content petrol	
	STILL PENDING	COM(81)159	NOT SO FAR
	STILL PENDING	COM(83)626	NOT SO FAR
	"	COM(85)49	"
	STILL PENDING	COM(83)787	NOT SO FAR
	"	COM(84)74	"

I. CUSTOMS LEGISLATION

Ten proposals are now before the Council. Where appropriate, further proposals will be transmitted to complete Community customs rules.

II. FREE MOVEMENT OF GOODS

Elimination of technical barriers to trade in industrial products

- Measuring instruments and methods of metrological control: electronic devices (amending 71/316/EEC)

Household appliances: airborne noise

Agricultural tractors: roll-over protection structures

Agricultural tractors: power take-offs and their protection

Units of measurement: amending 80/181/EEC

Safety of toys

In addition, it is planned to transmit new proposals concerning in particular (cars, motorcycles, agricultural tractors, prepackaging), medical equipment*, pressure vessels* and the suppression of radio* and electrical interference*. Proposals for implementing directives concerning toy safety will also be ready for adoption. (*) It is foreseen to apply the new approach "reference to standards" to these matters.

Elimination of technical barriers to trade in foodstuffs:

- Claims made in the labelling of foodstuffs

- Extraction solvent

- Cocoa and chocolate products (amendments)

PROPOSAL

PROPOSAL	DOC NO.	ACTION TAKEN	WHICH LAST DISCUSSED IN COUNCIL	WHO IS GUILTY
<u>Taxation</u>				
- Prior information and consultation procedure for tax matters	COM(81)729	PENDING	Will be discussed by ECO FIN Council of June 85	
- Sixteenth VAT Directive - importation of used goods	COM(84)318 fin	IN FRONT OF PARLIAMENT	NOT SO FAR	Blocked by the European Parliament
- Stores of vessels, aircraft and international trains	COM(79)794	?	?	
- Abolishing transitional derogations pursuant to Article 28(4) of the Sixth VAT Directive (18th)	COM(84)649 fin	IN FRONT OF PARLIAMENT	NOT SO FAR	
- Amending certain provisions of the Sixth VAT Directive (19th)	COM(84)648	IN FRONT OF PARLIAMENT	NOT SO FAR	
- Flat-rate scheme for farmers (amendment)	still to be proposed			
- Special scheme for small undertakings (amendment)	(to be proposed)			
- Taxes other than turnover taxes which affect the consumption of manufactured tobacco: third stage	COM(80)69	PENDING COREPER		
- Excise duties on mineral oils	COM(73)1234	PENDING		
		Preparatory work in process		
<u>III. LEGAL ENVIRONMENT FOR ENTERPRISES</u>				
- Ninth company law Directive (groups of companies)	(to be proposed)			
- Fifth company law Directive (structure of public limited companies)	COM(72)887 and COM(83)185	discussion on the level of a working group of the Council	NOT SO FAR	
- Approximation of national trade mark laws	COM(80)635	PENDING	December 84	
- Regulation on Community trade mark	COM(80)635			

PROPOSAL	DOC NO.	ACTION TAKEN	WHEN LAST DISCUSSED IN COUNCIL	WHO IS GUILTY
<u>Elimination of barriers created by animal and plant health requirements</u>				
On 10 May 1984 the Council adopted a work programme on this subject (ref. 6233.2.84 Agrileg 72, 7 May 1984). Twenty-one proposals would be adopted in 1985, in the following areas:				
1 - 14 proposals on veterinary matters				
2 - 3 proposals on animal feedingstuffs				
3 - 1 proposal on seeds not yet proposed				
4 - 3 proposals on plant health. two of these proposals not yet presented	COM(84)445	Not yet discussed	NOT SO FAR	
5 - 3 proposals on plant health. two of these proposals not yet presented	COM(76)427 on plant health	discussion on level of working group	NOT SO FAR	
<u>Pharmaceuticals and high-technology medicines</u>				
Proposals concerning dangerous preparations, proprietary medicinal products, veterinary medicines and high-technology medicines.	COM(84)437 of 25 Oct. 84	Parliament's opinion expected for May 85	NOT SO FAR	

				COUNCIL
<u>IV. FREE MOVEMENT OF PERSONS AND FREEDOM TO SUPPLY SERVICES</u>				
- Architects	COM(67)155			Internal market
- Engineers	COM(69)134			Council
- Commercial agents	COM(76)670 and COM(78)773			May 85 UK blocage
- General practitioners				has been transmitted in Dec. 84
- Physiotherapists	(to be proposed)			Parliament's opinion expected for June 85
				NOT SO FAR
<u>V. FREE MOVEMENT OF CAPITAL</u>				
- Cross-border activities in housing credit				?
- Reduction of capital duty (modification)	COM(84)403			near to decision
<u>VI. TRANSPORT</u>				
- Harmonization of certain social provisions relating to goods transport by inland waterway	COM(79)363 COM(75)465			PENDING Never
- Facilitation of border crossings (amendment Directive 83/643/EEC)	(to be proposed) soon			not relevant
- Negotiating brief for the application of the principles of Directive 83/643/EEC, on the facilitation of border crossings, to transport between the Community and certain non-member countries	(to be proposed) soon			not relevant
- Air transport: fares	COM(81)396 and COM(84)72			PENDING 19 Dec. 84
- Air transport: bilateral agreements, arrangements and memoranda of understanding between Member States	COM(84)72			PENDING
- Air transport: application of Article 85 EEC	COM(84)72			PENDING

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TABLE 2

BORDER CROSSINGS - THE PROGRAMME TO 1992

1	2	3
Simplification	Away from border	Abolish need
<u>PEOPLE</u>		
- Eur. Passport - easing controls Directive ("police") - open crossings for frontier workers	- uniform policies for third countries - common policies on terrorists, drugs, migrants, visas, etc.	- right of residence - "Community citizenship" - social security rights - tax equality
<u>GOODS</u>		
- Single Admin. Document - easing controls Directive ("customs") - enlarge duty paid" allowances - 16 VAT Directive (rev.)	- CADDIA and C.D. project - 14th. VAT Directive - common customs procedures at external frontiers - mutual recognition of health checks	- full tax harmonisation - common customs service
<u>SERVICES</u>		
- phase out lorry quotas - no duty on fuel in tanks - extend temp. export Directive to samples, etc.	- CADDIA and C.D. project	- Common Transport Policy
<u>CAPITAL</u>		
- end checks on travellers' currency		- Monetary Union

TABLE 3

CURRENT TRAVELLERS' ALLOWANCES

2. The allowances for travellers are shown below. The quantities in Column 1 apply to goods acquired in a third country or a tax-free shop. The quantities in Column 2 apply to goods acquired duty and tax-paid in a member state.

	1 duty-free (or from 3rd country)	2 duty- and tax- paid
(a) tobacco products		
cigarettes	200	300
or		
cigarillos (cigars of a maximum weight of 3 grammes each)	100	150
or		
cigars	50	75
or		
smoking tobacco	250 g	400 g
(b) alcoholic beverages		
- distilled beverages and spirits of an alcoholic strength exceeding 22% vol	1 standard bottle (0.70 to 1 litre)	to a total of 1.5 litres
or		
distilled beverages and spirits, and aperitifs with a wine or alcohol base of an alcoholic strength not exceeding 22% vol; sparkling wines, fortified wines	to a total of 2 litres	to a total of of 3 litres and
- still wine	to a total 2 litres	to a total of 4 litres
(c) perfumes and toilet waters	50 g 1/4 litre	75 g 3/8 litre
(d) coffee	500 g	750 g
or		
coffee extracts and essences	200 g	300 g
(e) tea	100 g	150 g
or		
tea extracts and essences	40 g	60 g
(f) other goods to a value of	45 ECU (UK = £28)	280 ECU (UK = £163)
or for travellers aged under 15	23 ECU	60 ECU

Notes

- (i) The allowances at (d) and (e) are not applied by the UK, since coffee and tea are not subject to excise duty or VAT.
- (ii) The reduction at (f) for travellers aged under 15 is optional and is not applied by the UK.

(iii) The following derogations are in operation:-

Greece - allowance at (f) column 2 is 250 ECU until 30 June 1985.

Ireland - is authorised to exclude from exemption goods whose unit value exceeds 77 ECU (IP855), for as long as the amount of the exemption at (f) is 200 ECU.

Denmark - is authorised to apply the following reduced limits, where such goods are imported by travellers resident in Denmark, after a stay in another country:

- until 31 December 1984 when the stay is less than 48 hours

TABLE 4

GUIDE TO PROPOSED VAT DIRECTIVES

NO.	SUBJECT	REFERENCE
6	Uniform VAT base, def. of taxable person, etc.	Doc. 144/73 Doc. 360/73 Adopted 1977
7	Common system for works of art, collectors' items, antiques and used goods	Doc. 508/77 Doc. 647/78
10	Hiring out of moveable tangible property	Doc. 158/79 Doc. 155/79 Adopted 1984
12	Expenditure which is not eligible for deduction of VAT	COM (82) 87 def Doc. 1-777/83
13	Arrangements for the refund of VAT to taxable persons not established in Community territory	COM (82) 443 def Doc. 1-88/83
14	System of deferred payment of the tax payable on importations by taxable persons	COM (82) 402 def Doc. 1-976/82
16	Common scheme for relieving importations by private persons of used goods which have already borne VAT in their Member State of origin	COM (84) 318 def
17	Exemption from VAT of temporary importations of goods	COM (84) 412 def Doc. 2-1136/84
18	Abolition of certain derogations provided for in Article 28(3) of the 6th VAT Directive	COM (84) 648 def
19	Clarification of certain ambiguities in the 6th VAT Directive	COM (84) 649 def
20	Special aid through the VAT system for German farmers	COM (84) 391 def

TABLE 5

VAT REVENUE IN EC MEMBER STATES, 1982

Country	ECU million
Belgium	6,350
Denmark	5,480
France	45,000
Germany	40,700
Ireland	1,330
Italy	19,000
Luxembourg	190
Netherlands	5,500
United Kingdom	24,000

Motion for a resolution (Doc. 2-437)

tabled by Mr COSTANZO, Mr BORGIO, Mr CHIABRANDO, Mr GAIBISSO, Mr CHIUSANO, Mr Nino PISONI, Mr MIZZAU, Mr CIANCAGLINI, Mr IODICE, Mr FORMIGONI, Mr ERCINI, Mr LIMA, Mr GIUMMARRA, Mr Ferruccio PISONI, Mr STARITA, Mrs CASSANMAGNAGO CERRETTI, Mr CASINI and Mr SELVA

pursuant to Rule 47 of the Rules of Procedure

on safeguarding the Community's internal market and denationalizing customs authorities

The European Parliament,

- (a) having regard to Articles 39 and 91 of the Treaty,
- (b) whereas the free movement of goods between Member States is often obstructed or delayed by unwarranted checks carried out at the internal frontiers by officers of the national customs and excise authorities whose actions run counter to the principle of the Common Market,
- (c) whereas imports from third countries affect not only the market of the Member State across whose frontier they enter but those of all the Member States of the EEC,
- (d) whereas anomalous practices contrary to the principle of Community preference have recently come to the fore whereby imports mainly from Eastern bloc countries are transformed en route into 'Community products' and used to perpetrate fraud to the detriment of genuinely Community producers and the EEC budget,
- (e) having regard to the EEC's present budgetary difficulties and the prejudice suffered particularly by the Guarantee Section of the EAGGF which is obliged to intervene in order to support Community prices,

1. Requests the Commission

- a) to draw up a precise proposal for the Council establishing the method and timetable for denationalizing customs controls at the Community's internal and external frontiers, this task to be assigned to staff employed directly by the Community,
- b) to form a special body of Community officials to carry out systematic checks at all the Community's external and internal frontiers in order fully to enforce the rules adopted under those sections of the Treaty dealing with free movement, the internal market and Community preference and to put an end to fraud in violation thereof;

2. Instructs its President to forward this resolution to the Commission, the Council and the Governments of the Member States.

Motion for a resolution (Doc. 2-549/84)
tabled by Mr EPHREMIDIS, Mr ADAMOU and Mr ALAVANOS
pursuant to Rule 47 of the Rules of Procedure
on the release of blocked accounts in Greece

The European Parliament,

- A. whereas the release of blocked accounts of persons residing in the Member States, as provided for under Article 52 of the Treaty of Accession of Greece to the European Communities, will further aggravate Greece's balance of foreign payments,
- B. whereas the accounts unblocked so far amount to Dr 25 billion which is a particularly heavy burden for Greece,
- C. having regard to Greece's serious foreign debt problems (\$ 13,895 million in 1980 and \$ 23,386 million in 1983 according to statistics provided by the Bank of Greece),
- D. whereas foreign exchange problems are becoming increasingly serious as a result of the rise in the rate of the dollar,
 - 1. Requests that the Commission call an immediate halt to its approaches to Greece to release blocked accounts;
 - 2. Instructs its President to forward this resolution to the Commission, the Council and the governments of the Member States.

Motion for a resolution (Doc. 2-713/84)
tabled by Mr Von WOGAU, Mr MUHLEN, Mr ANASTASSOPOULOS, Mr BEUMER, Mr RAFTERY,
Mrs Van ROOY, Mrs BOOT and Mr EBEL
on behalf of the Group of the European People's Party
(Christian-Democratic Group)
pursuant to Rule 47 of the Rules of procedure
on an extensive simplification of statistics on intra-Community trade

The European Parliament,

- A - having regard to the Commission proposal for the standardization and simplification of statistics of trade between Member States of 26 January 1983 (OJ No. C 21 p. 4),
- B - convinced that extensive simplification of statistics would considerably facilitate intra-Community trade,
- C - whereas the Commission's proposal that the Member States should employ the Community's NIMEXE system of statistics exclusively and dispense with all sub-categories is not feasible,

Calls on the Commission to extend its proposal for the standardization and simplification of statistics between the Member States of 26 January 1983 to incorporate the existing national sub-divisions into the Community's NIMEXE system no later than the introduction of the new customs nomenclature planned for 1987.

Motion for a resolution (Doc. 2-716/84)
 tabled by Mr von WOGAU, Mr MUHLEN, Mr ANASTASSAPOULOS, Mrs van ROOY, Mr RAFTERY,
 Mrs BOOT, Mr FRANZ, Mr CHANTERIE, Mr POETSCHKI and Mr EBEL
 on behalf of the European People's Party (Christian-Democratic Group)
 pursuant to Rule 47 of the Rules of Procedure
 on specific cases of temporary importation of private vehicles (Article 5 of
 Council Directive 83/182/EEC of 28 March 1983)

The European Parliament,

- A. having regard to the importance of the free movement of private vehicles within the Community for establishing the internal market,
 - B. having regard to Council Directive 83/182 of 28 March 1983 on tax exemptions within the Community for certain means of transport temporarily imported into one Member State from another,
 - C. having regard to the many appeals pursuant to the directive of 28 March 1983 against the impounding of private vehicles by the customs authorities of various Member States,
 - D. whereas the inhabitants of densely populated border areas rightly consider that the restrictions on their use of private vehicles are increasingly annoying,
 - E. whereas it is necessary in order to avoid double taxation to grant tax exemption in specific cases to importers resident in a particular region,
1. Calls on the Commission to submit a proposal to the Council amending Article 5 of Directive 83/182 of 28 March 1983 in the following respects :
 - the tax exemption under Article 5 (1(a)) in respect of regular journeys from residence to place of work should be extended to company vehicles registered in the country in which the place of work is situated,
 - the tax exemption under Article 5 (1(b)) in respect of students should apply to the total period of study in another Member State,
 - the temporary importation of a private vehicle registered in another Member State should be exempt from tax if the user provides evidence that he has temporarily exported a vehicle registered in his country of residence to another Member State and that he has been compelled to leave the vehicle there because of accident or breakdown;
 2. Calls on the Council, in view of the many difficulties involved in practice in the movement of private vehicles within the Community, to adopt a Commission proposal on these lines without delay.

Motion for a resolution (Doc. 2-922/84)
tabled by Mrs VAN HEMELDONCK
pursuant to Rule 47 of the Rules of Procedure
on LPG fittings in motor vehicles

The European Parliament,

- A. having regard to Articles 9-13 and 30-36 of the EEC Treaty and repeated judgments of the European Court of Justice on the free movement of goods,
 - B. whereas different rules apply in the various Member States to the issuing of road licences for vehicles fitted with LPG systems and there are no Community rules on the technical testing of such fittings,
 - C. whereas insufficient care in their installation or maintenance may cause LPG systems to develop gas leaks, leading to the risk of explosion,
 - D. whereas in Belgium imported vehicles fitted with these systems are subject to additional technical inspections, thereby increasing costs, and this could either be construed as tantamount to an import restriction or else be considered justified under Article 36,
 - E. whereas this question could most effectively be settled by Community legislation,
- 1. Requests the Commission of the European Communities to submit to the Council a proposal for a directive on the harmonization of technical testing procedures for vehicles fitted with LPG systems;
 - 2. Instructs its President to forward this resolution to the Commission and governments of the Member States.

Motion for a resolution (Doc. 2-1070/84)
tabled by Mr Barrett
pursuant to Rule 47 of the Rules of Procedure
on the failure of the Council to implement commitments set out in the Treaty
of Rome for the establishment of the internal market

The European Parliament,

- A. whereas the Treaty of Rome calls for the establishment of a single market and the freedom of trade between Member States,
- B. whereas the Heads of State expressed their resolution to eliminate the barriers which divide Europe and expressed their anxiety to strengthen the unity of their economies and to reduce the differences between the Member States and the less favoured regions,
- C. whereas the Council of Ministers has failed to implement the commitment of the Heads of State set out in the Preamble to the Treaty,
- D. whereas the Council has failed to eliminate, as between Member States customs duties and quantitative restrictions on the import and export of goods and all other measures having equivalent effect as required by Article 3(a) of the Treaty,
- E. whereas the Council has failed to institute a system ensuring that competition in the Common Market is not distorted as required by sub-paragraph (f) of the same article,
- F. whereas the Council has failed to take care not to prejudice the internal and external financial stability of the Member States as required by Article 6(2),
- G. whereas the Council has failed completely to create the Common Market within twelve years of the date of signing the Treaty in accordance with Article 8(1) first indent,
- H. whereas the Council has also failed to meet the requirement of subparagraph 6 of the Article which requires that the transitional period for the establishing of a Common Market shall not exceed a maximum of 15 years after the entry in force of this Treaty,
- I. whereas the Council is in breach of the general conditions establishing the Customs Union as defined in Part II, Chapter 1 of the Treaty,
- J. whereas the Council has failed to introduce the necessary directives for the elimination of quantitative restrictions as required by Part II, chapter II, of the Treaty,
- K. whereas the failure to establish a single market has seriously hindered the development of all common policies as set out in the Treaty to the detriment of the citizens of the European Community,
 - 1. Insists that the Council shall submit to the European Parliament within six months of the adoption of this resolution an explanation of their failure to implement those sections of the Treaty of Rome as defined above and a timetable for implementing the conditions in the Treaty;

2. Resolves that if the requested explanation and timetable are not acceptable to the European Parliament, the Council of Ministers shall be brought before the European Court of Justice in Luxembourg in order to redress the damage to the citizens of the European Community by their failure;
3. Instructs its President to forward this Resolution to the Council and the Commission.

Motion for a resolution (Doc. 2-1108/84)
tabled by Mr Turner
pursuant to Rule 47 of the Rules of Procedure
on the conduct of customs officers at the internal frontiers of the Community

The European Parliament,

- A. having regard to the Treaty of Rome, and in particular Article 3(c) thereof,
- B. greatly disturbed by the continuing frequent complaints made by Community citizens concerning the unnecessarily obstructive and inconsiderate conduct of customs officers at the internal frontiers of the Community, particularly involving individual citizens crossing Community internal frontiers for non-commercial purposes,
- C. recognizing the role of customs officers in preventing fraud, trade in illicit goods and terrorism,
- D. recognizing that it is essential for community citizens to experience the minimum obstructions necessary at the internal frontiers of the Community if the provisions of the Treaty of Rome are to be properly adhered to and to provide Community citizens with the necessary confidence in the benefits of the Community to ensure their continuing support for it, and that impolite and unnecessarily severe conduct by customs officers negates this confidence,
 1. Requests the Commission to undertake an investigation into the rules or guidelines established concerning the conduct of customs officers at the internal frontiers of the Community, and to report back to the Parliament with its findings;
 2. Requests the Commission, in the event of the absence or wide disparity in such rules or guidelines as between the Member States, to propose to the Council a Recommendation incorporating such rules or guidelines;
 3. Requests the Commission to investigate the feasibility of establishing, at Community level, a procedure for considering complaints by Community citizens concerning the conduct of customs officers to ensure that citizens are satisfied that they obtain a fair and objective hearing of their complaints and that such a body should be able to recommend to Member States' national authorities that disciplinary action be taken where this is justified;
 4. Instructs its President to forward this resolution to the Commission and Council of the European Communities and the customs authorities of the Member States.

Motion for a resolution (Doc. 2-1288/84)
tabled by Mr VON WOGAU, Mr FRANZ, Mr POETSCHKI and Mr POETTERING
on behalf of the Group of the European People's Party
and by Mr ROGALLA
pursuant to Rule 47 of the Rules of Procedure
on the mutual recognition of taxation on private vehicles in intra-Community
travel

The European Parliament,

- A. having regard to the Treaty establishing the European Economic Community and, in particular, Articles 75 and 99 thereof,
- B. having regard to the report of its Committee on Economic and Monetary Affairs of 26 March 1984 on the need to implement the internal European market,
- C. having regard to the communication from the Commission to the Council of 13 June 1984 on consolidating the internal market,
- D. whereas despite some progress brought about by the Council Directive of 28 March 1983 (83/182/EEC) on tax exemptions within the Community for certain means of transport temporarily imported into one Member State from another, there continue to be a large number of justified complaints about difficulties which arise when private vehicles are temporarily imported into one Member State from another,
- E. whereas in the early 1970s, German experts proposed that duly licensed private vehicles on which tax and, where appropriate, excise duty had been paid in one Member State should be permitted to circulate tax-free throughout the Community,
 1. Calls on the Commission to submit to the Council as soon as possible a proposal to amend Directive 83/182/EEC of 28 March 1983 so that duly licensed private vehicles on which tax and, where appropriate, excise duty have been paid in one Member State may circulate tax-free and without restrictions within the European Community;
 2. Calls on the Council to consider and adopt such a proposal from the Commission as a matter of particular urgency.

Motion for a resolution (Doc. 2-1690/84)
tabled by Mr de La MALENE and Mr FLANAGAN
pursuant to Rule 47 of the Rules of Procedure
on the creation of a large internal market

The European Parliament,

- whereas the creation of a genuine internal market is essential if Europe is to enjoy strong and continuous growth which will enable it to combat unemployment effectively,
 - having regard to the intention reaffirmed by the new President of the Commission to take decisive steps in the field of industrial cooperation and towards the establishment of a large European market,
1. Considers that the decisions taken by the Council in previous years in the fields of the customs union (simplification of customs formalities, etc.), the removal of technical barriers to trade in industrial products, tax harmonization and telecommunications, etc. represent progress which is substantial but quite inadequate for the creation of a genuine internal market which could give full play to the increased efficiency the Community brings;
 2. Points out that by increasing the scale of markets and by promoting competition, European economic integration promotes the optimal allocation of resources and production factors and enables undertakings to develop their comparative advantages;
 3. Calls on the Commission to give details of its intentions and the measures it intends to take or encourage within the framework of a Community strategy in order to achieve, as its President said, a completely free internal market in 1992, in particular in the following fields:
 - . customs,
 - . tax harmonization,
 - . borrowing and lending operations,
 - . transport,
 - . free movement of goods, services and capital,
 - . research,
 - . cooperation between undertakings, in particular those investing in growth sectors,
 - . competition,
 - . the new technologies,
 - . open access to public contracts;
 4. Considers that the Community's financial resources, at present inadequate, nevertheless make it possible for important and inexpensive measures to be adopted, in particular in the sectors covering the harmonization of standards, simplification of frontier controls, right of establishment and freedom to provide services for individuals and undertakings;
 5. Instructs its President to forward this resolution to the Commission and Council of the European Communities.

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS AND CITIZENS' RIGHTS

Draftsman: Mr DE GUCHT

At its sitting of 12 December 1984 the European Parliament referred the motion for a resolution tabled by Mr BARRETT on the failure of the Council to implement the commitments set out in the Treaty of Rome for the establishment of the internal market (Doc. 2-1070/84) and the motion for a resolution tabled by Mr TURNER on the conduct of customs officers at the internal frontiers of the Community (Doc. 2-1108/84), pursuant to Rule 47 of the Rules of Procedure, to the Committee on Economic and Monetary Affairs and Industrial Policy as the committee responsible and to the Committee on Legal Affairs and Citizens' Rights for its opinion (the Committee on Social Affairs and Employment was also requested to deliver an opinion on Doc. 2-1108/84).

At its meeting of 20 and 21 March 1985 the Committee on Legal Affairs and Citizens' Rights appointed Mr DE GUCHT draftsman.

In view of the decision of the committee responsible to include these two motions for resolutions in its own-initiative report on the consolidation of the internal market (in the light of the communication from the Commission to the Council, COM(84) 305 final), on which Mr PATTERSON was appointed rapporteur, the Committee on Legal Affairs and Citizens' Rights decided to draw up an opinion for this report.

The committee considered the draft opinion at its meetings of 24/25 April 1985 and 14/15 May 1985. It unanimously adopted the conclusions contained therein on 15 May 1985.

Present at the time of the vote: Mrs VAYSSADE; Mr EVRIGENIS and Mr DONNEZ, vice-chairmen; Mr DE GUCHT, draftsman; Mr BARZANTI, Mr CASINI, Mr CHAMBEIRON, Mr COT, Mrs FONTAINE, Mr ROSSETTI (deputizing for Mrs MARINARO), Mr ROTHLEY, Mr PORDEA and Mr ZAGARI.

PART A: CONSOLIDATION OF THE INTERNAL MARKET

I. INTRODUCTION - STIMULATION OF THE INTERNAL MARKET

1. The establishment of the internal market is at present one of the main concerns of the Community authorities. It is a commitment for the Member States arising directly from the Treaty of Rome, Article 2 of which states that the Community shall pursue its objective of promoting throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living 'by establishing a common market and progressively approximating the economic policies of Member States'. Establishing the internal market has largely come to mean ensuring freedom of movement for goods, persons, services and capital within the Community, thus releasing the enormous potential of this market comprised of the European economic area.

2. The Sixties saw a drive for European integration. Exploiting the scope offered by the Treaty of Rome and the transitional period, the Member States made spectacular progress in such widely varying fields as customs union, the free movement of workers, freedom of establishment and to provide services, competition and the organization of the markets in agricultural produce (this is much less true of the movement of capital and fiscal harmonization). However, this initial impetus faded badly during the second half of the seventies when, as the Commission aptly puts it, the periods of economic recession were accompanied by a 'foot-dragging decline in the decision-making capacity of the Community law-givers and by a decline in the observance of rules laid down by law.¹

3. The Commission considered the problems arising from this slow-down in integration and on 17 June 1981 submitted a communication to the Council on the state of the internal market². On 12 November 1982 it submitted a fresh communication to the Council on reactivating the European internal market³. These Commission initiatives, and more specifically the latter, led to two major innovations; the Copenhagen

¹ Communication from the Commission to the Council, COM (84) 305 final, p.2

² COM(81) 313 final

³ COM(82) 735 final

European Council of December 1982 set definite deadlines for the Council to act on a number of proposals in the priority areas identified by the Commission, and as a result of the latter communication a new formation of the Council dealing specifically with matters relating to the internal market was set up.

4. These developments have prompted a new awareness of the size of the problem of establishing the internal market. Significantly, in discharging the remit given to it by the Commission, the Council adopted a large number of decisions among which we might first mention the prior notification procedure in respect of technical standards and rules, and the decisions simplifying frontier formalities, the fiscal treatment of imports, and company law¹. However, decisions on a number of other Commission proposals are still awaited, which led the Commission to attempt to reactivate the Council's new formation, in a communication on the consolidation of the internal market² of 4 June 1984 setting out its programme for the years ahead.

II. THE COMMISSION'S PROPOSALS AND THE LEGAL WAYS OF ENSURING THE GENUINE CONSOLIDATION OF THE INTERNAL MARKET

5. The main justification for the Commission's new initiative lies in the economic recovery taking place in many Member States. Such recovery while smoothing the way forward, 'will be sustained and complete only if underpinned by a genuine and more effective internal market'³. Hence the need to consolidate this market by making it not only an outlet for economic operators' products, but 'also as an area of cooperation with a transparent and predictable legal framework'⁴. To this end and in order to prevent Community legislation meaning simply more red tape for the citizen, the Commission is proposing that 'national legislation should be superseded by Community measures only if there is a need for normative action'⁵.

¹ See Commission communication COM(84) 305 final p. 8

² Ibid

³ Ibid, p.3

⁴ Ibid

⁵ Ibid, p.4

6. On this basis, the Commission has drawn up a consolidation programme covering seven aspects, as follows:

- crossing of frontiers;
- free movement of goods;
- legal environment for enterprises;
- free movement of persons and freedom to supply services;
- free movement of capital
- European citizens, and
- transport¹.

In each of these fields the Commission makes specific proposals on which the Council has been or will be called to act. The annexes to the Commission communication list all proposals to be adopted by the Council in 1984 and 1985².

7. The proposals in this communication involve three definite commitments:

- firstly, the political commitment by the governments of the Member States 'to make substantial progress by the end of 1985 and in particular to do away with most of the existing visible checks at intra-Community frontiers' as known when the communication was drawn up;³
- an undertaking by the Member States to help strengthen the Council's capacity to take decisions, and
- an undertaking by the Member States to comply with the measures adopted by the Council, in particular to transpose Community directives into national law⁴.

¹ See COM(84) 305 final, p. 11 et seq.

² Ibid. Annexes 1 and 2, p. 29 et seq.

³ Ibid. Point 28 p. 9

⁴ Ibid. Point 31, p.10

8. What kind of commitment is contemplated in the communication? Are these no more than exhortations to the Council - for the communication itself is not officially binding - or commitments which are designed to have legal effect? There is no doubt that the latter is correct, for the Council's and Member States' commitments will not be based on the communication, but on specific proposals from the Commission on individual subjects as part of the effort to complete the internal market under the programme put forward by the Commission in its communication. Moreover, the Commission's specific proposals are based on the EEC Treaty and therefore part of the decision-making process of the Community institutions with the legal consequences that entails.

9. It follows that the Council's commitments in particular are in full conformity with its obligations under the Treaty of Rome. The same is true of the Member States, against whom the Commission has recently had to step in more frequently to ensure that Community law is correctly applied¹. Moreover, despite the Council's efforts in response to the proddings of the European Council, to honour its undertaking to do away with most of the visible checks at the Community frontiers before the end of 1985, the same would not appear to be true in other fields. A simple comparison of Annex I to this opinion with annexes 1 and 2 of the Commission's communication of 4 June 1984² shows clearly that no more than a fraction of the Commission's proposals have so far been acted on by the Council. It would therefore seem unlikely the use of Article 169 of the EEC Treaty (action against a Member State for failure to fulfil an obligation) will be enough to enable the Commission to achieve the consolidation of the internal market as contemplated in its programme.

III. SCOPE FOR ACTION BY THE EUROPEAN PARLIAMENT

10. Parliament has played an active part in the Commission's efforts to reactivate and consolidate the internal market, as witness the number of

¹ See COM(84) 305 final, point 22, p. 7

² Ibid. p. 29 et seq, see also point 6 above

opinions delivered on Commission proposals still being considered by the Council. One might however ask whether simply participating in the consultation procedure is sufficient to give it a more committed role in the process of creating a genuine internal market.

11. The remark in point 9 above concerning the inadequacy of procedure under Article 169 of the EEC Treaty was intended to highlight the scope for action under Article 175 of the EEC Treaty which, in its first paragraph, states that 'Should the Council or the Commission, in infringement of this Treaty, fail to act, the Member States and the other institutions of the Community may bring an action before the Court of Justice to have the infringement established! This procedure is generally open to the Commission as well as Parliament, as this article gives all the institutions of the Community a right to bring matters before the Court of Justice.

12. One possible precedent is the action brought by Parliament against the Council for failure to act in the field of transport policy which is now before the Court of Justice (Case 13/83), which will shortly be delivering judgment. On 23 January 1985 the Advocate General delivered his opinion. It would obviously be tempting to base several lines of reasoning on the arguments he set forth, which might have enabled us to spell out the attitude Parliament should adopt; however, in view of the separation of powers, it would be premature and even undesirable to draw conclusions at this stage.

13. It would, however, be worth pointing out that, of the various issues which the Court of Justice's judgment will elucidate, one, which will surely have considerable impact on the whole problem of completing the internal market, with more particular reference to the attitude taken by the Council, will be the exact definition of the legal obligation to act of the Council or any other Community institution that is involved.

This is a matter which will subsequently have to be considered, in the present case, in the light of the EEC Treaty, and especially Titles I, III and IV of its second part and title I of its third part, dealing with the policies closely linked to the establishment of the internal market. The conclusions drawn will be crucial to a proper legal assessment of the Council's present approach to the whole problem of the internal market.

PART B: CONDUCT OF CUSTOMS OFFICERS AT THE INTERNAL FRONTIERS OF THE
COMMUNITY - EFFECT ON THE ESTABLISHMENT OF THE INTERNAL MARKET

(Motion for a resolution tabled by Mr TURNER, Doc. 2-1108/84)

14. This motion for a resolution mentions frequent complaints made by Community citizens concerning 'the unnecessarily obstructive and inconsiderate conduct of customs officers at the internal frontiers of the Community, particularly towards individual citizens crossing Community internal frontiers for non-commercial purposes'. From this point of view the arguments set out in this motion for a resolution might fall within the general set of problems relating to the internal market, especially as it affects the citizen (see above, point 6, page 5).

15. The motion for a resolution suggests in its substantive part that the Commission be requested 'to investigate the feasibility of establishing, at Community level, a procedure for considering complaints by Community citizens concerning the conduct of customs officers to ensure that citizens are satisfied that they obtain a fair and objective hearing of their complaints' (paragraph 3).

16. This document is therefore proposing that a Community court be set up empowered, within a specific field, to decide complaints by Community citizens apparently concerning failure by customs officers to observe the Community rules governing matters relating to the crossing of frontiers. Put thus, the question cannot at this stage be included in a consideration of the internal market; being qualitatively different.

17. It is in fact the general problem of the legal enforcement of individual rights conferred on ordinary citizens by Community legislation which is directly applicable in their national systems. There are no Community provisions on this aspect and the Court of Justice of the European Communities has acknowledged that national courts therefore have to enforce Community law by national procedures¹.

¹Judgments of the Court of 16 December 1976, Case 33/76 [1976] ECR 1989 and Case 45/76 [1976] ECR 2043

18. Situations of this nature do not give rise to conflict between Community and national legislation, but require interaction between the two systems of law¹ which, it will be recalled, are qualitatively different.

19. With regard to the Treaties, however, it is the Commission's responsibility to ensure equitable and correct implementation of Community rule. Therefore, it is appropriate to subject customs authorities' working methods, which affect the internal market, to a system of vigorous supervision, applying identical standards in all the Member States.

20. To achieve this, the Commission should draw up 'minimum' standards for the conduct of customs authorities which apply Community rules affecting the internal market. Subsequently, the Commission should forward these standards to the Member States as recommendations, with due regard for their supervisory and jurisdictional prerogatives. This monitoring measure is justified because customs authorities remain national authorities answerable to their governments.

¹Judgment of the Court of 14 July 1977, Case 8/77 [1977] ECR 1495

IV. CONCLUSIONS

A. In the light of the above, the Committee on Legal Affairs and Citizens' Rights:

- (a) welcomes the Commission's initiatives to reactivate and consolidate the internal market, which appear to have aroused the European Council and, albeit to a lesser extent, the Council;
- (b) calls on the Commission of the European Communities to follow the matter up by keeping continuous pressure on the Council and the Member States and by exploiting all the opportunities offered by the Treaty of Rome for achieving this goal;
- (c) for its part, reserves the right to draw the necessary conclusions at the appropriate time from a consideration of the terms on which the European Parliament might be allowed to act in the judicial field, - in particular through the judgment which will be given by the Court of Justice in the case involving the action against the Council for failure to act in the common transport policy - with a view to strengthening its role in establishing the internal market;

B. (a) requests the Commission to investigate the rules or guidelines applicable in each Member State concerning the conduct of customs officers and the procedures dealing with complaints by members of the public, and to report to Parliament with its findings;

- (b) requests the Commission in the event of a wide disparity in such rules or guidelines as between the Member States, to propose a recommendation containing: (i) a code of conduct for customs officers and (ii) minimum standards for a national complaints procedure.

C. (a) calls on the Committee on Economic and Monetary Affairs and Industrial Policy as the committee responsible to include the conclusions in the motion for a resolution it will be submitting to the European Parliament.

COMMISSION PROPOSALS ADOPTED BY THE COUNCIL¹

I. CROSSING OF COMMUNITY FRONTIERS

- Council Regulation (EEC) of 18.2.1985 amending the regulation simplifying customs formalities in trade within the Community
OJ No.
COM(83) 162

- Council Regulation (EEC) of 15.12.1981 amending for the second time Regulation (EEC) No. 222/77 on Community transit
OJ No. L 383, 31.12.1981, p. 28
COM(79) 456

II. FREE MOVEMENT OF GOODS

1. Elimination of technical barriers to trade in industrial products

- Council Directive of 26.10.1983 amending Council Directive 71/316/EEC of 26.7.1971 on the approximation of the laws of the Member States relating to common provisions for both measuring instruments and methods of metrological control
OJ No. L 332, 28.11.1983, p. 43
COM(78) 766

- Council Directive of 18.12.1984 amending Directive 80/81/EEC on the approximation of the laws of the Member States relating to units of measurement
OJ No. L 2, 3.1.1985, p. 11
COM(83) 281

¹ This list of the measures adopted by the Council is to be read in conjunction with Annexes 1 and 2 of the Commission Communication COM(84) 305 final of 4 June 1984, which list all Commission proposals before the Council for adoption during 1984 and 1985.

2. Elimination of technical barriers to trade in foodstuffs

- A series of directives adopted by the Council amending Directive 64/54/EEC on the approximation of the laws of the Member States concerning preservatives authorized for use in foodstuffs (7 directives adopted between 25.11.1983 and 28.2.1985)
COM(81) 712

3. Indirect taxation

- Tenth Council Directive of 31.7.1984, on the harmonization of the laws of the Member States relating to turnover taxes amending Directive 77/388/EEC - application of value added tax to the hiring out of movable tangible property
OJ No. L 208, 3.8.1984, p. 58
COM(79) 181

III. LEGAL ENVIRONMENT FOR ENTERPRISES

- Council Decision of 27.11.1984 adopting a Community programme for the development of the specialized information market in Europe
OJ No. L 314, 4.12.1984, p. 19
COM(83) 661
- Council Recommendation of 12.11.1984 on harmonization in the field of telecommunications
OJ No. L 298, 16.11.1984, p. 49
and
Council Recommendation of 12.11.1984 on the first phase of opening up access to public telecommunications contracts
OJ No. L 298, 16.11.1984, p. 51
Joint proposals: COM(80) 422

IV. FREE MOVEMENT OF PERSONS AND FREEDOM TO PROVIDE SERVICES

- Council Directive of 10.12.1984 amending, particularly as regards tourist assistance, the First Directive (73/239/EEC) coordinating laws, regulations and administrative provisions concerning access to the business of direct insurance other than life assurance
OJ No. L 339, 27.12.1984, p. 21
COM(80) 891 and COM(82) 886

V. FREE MOVEMENT OF CAPITAL

(.....)

VI. EUROPEAN CITIZENS

- Council Directive of 30.4.1984 amending Directive 69/169/EEC on the harmonization of provisions laid down by law, regulation or administrative action relating to exemption from turnover tax and excise duty on imports in international travel
OJ No. L 117, 3.5.1984, p. 42
COM(83) 166

VII. TRANSPORT

- Council Decision of 20.2.1978 instituting a consultation procedure and setting up committee in the field of transport infrastructures
OJ No. L 54, 25.2.1978, p. 16
COM(76) 336
- Council Regulation (EEC) of 19.12.1984 on financial support for a multi-annual transport infrastructure programme
OJ No. L 333, 21.12.1984, p. 58
COM(83) 474
- Council Directive of 19.12.1984 on weights and certain other characteristics (not including dimensions) of road vehicles used for the carriage of goods
OJ No. L 2, 3.1.1985, p. 14
COM(81) 510

O P I N I O N

(Rule 101 of the Rules of Procedure)
of the Committee on Social Affairs and Employment

Draftsman: Sir Jack STEWART-CLARK

On 20 March 1985, the Committee on Social Affairs and Employment appointed Sir Jack STEWART-CLARK draftsman of the opinion.

The Committee considered the draft opinion at its meetings of 22 April 1985 and 20 May 1985. It adopted the draft opinion on 20 May 1985 by 14 votes to 2, with 2 abstentions.

The following took part in the vote: Mr WELSH, Chairman; Mrs SALISCH, Vice-Chairman; Mr McCARTIN, Vice-Chairman; Mr TUCKMAN, replacing the draftsman; Mrs d'ANCONA; Mr BACHY; Mr H CHRISTIANSEN; Mr CIANCAGLINI; Mr FITZGERALD; Mrs GIANNAKOU-KOUTSIKOU; Mr HINDLEY (deputizing for Mrs Dury); Mr HUGHES (deputizing for Mr Peters); Mrs LARIVE-GROENENDAAL; Mrs MAIJ-WEGGEN; Mr McMAHON (deputizing for Mr Dido); Mr MEGAHY; Mr STEWART; Mr VGENOPOULOS.

INTRODUCTION

1. The Committee on Social Affairs and Employment firmly endorses the priority attached by the new Commission to consolidating the internal market - which reflects the sense of urgency repeatedly expressed by the European Parliament in this connection¹ - and, by the same token, warmly welcomes the decision of the Committee on Economic and Monetary Affairs and Industrial Policy to draw up a report on the subject. The Social Affairs Committee can only applaud the eminently practical nature of the Commission's programme for immediate action. It notes, furthermore, that the implementation of this programme requires neither new policies nor new budgetary resources, but merely the adoption by Council of proposals already before it.

2. The Committee recognises that without the implementation by the Community and its Member States of the provisions of the Treaty of Rome relating to the free movement of persons, goods and capital, it will be impossible to provide Europe with a sufficiently large market base for its industries to achieve major economies of scale and compete effectively on world markets against other international producers. The experience of the world's two most powerful economies, those of the United States and Japan, highlights the immense advantage of a smoothly-functioning domestic market unencumbered by non-tariff barriers to trade: a largely harmonized tax system, absence of frontier delays, opportunities to raise finance on a common capital market, the advantages of a common currency, common technical standards and common social security provisions.

¹ See notably the European Parliament's resolution of 9 April 1984 on the need to implement the internal European market, OJ C 127, 14.5.84

3. In so far as internal market questions come within the terms of reference of the Committee on Social Affairs and Employment, the Committee on Economic and Monetary Affairs and Industrial Policy is invited to focus its attention on the following considerations.

4. Consolidating the Internal Market

This represents, perhaps, the most important move the Community can make towards creating, and guaranteeing, viable employment in the years ahead. The potential multiplier effect of the internal market on employment is immense. That is the essential target. It must, however, be recognised that in the short and, even, medium term the labour market situation will continue to deteriorate, particularly with the continuation of far-reaching industrial and sectoral restructuring: for some time to come, the number of jobs lost is likely to outnumber by far those newly created. It is essential, therefore, that the actions undertaken towards consolidating the internal market be accompanied, and complemented, by a package of measures in the social field designed to assist both the unemployed and those threatened by unemployment and/or obliged to change jobs, and to ensure the protection of workers' basic rights. For this purpose, a significant increase in resources devoted to the European Social Fund should be promoted, in line with repeated requests made by this committee and resolutions voted by the plenary of the European Parliament.

5. Free Movement of Persons

Such movement within the Community must also be given a decisive boost. In this context, the Social Affairs Committee stresses in particular the importance of making further and substantial progress in regard to (i) the protection of the rights of migrant workers and their families, (ii) greater standardization of social security provisions, particularly in respect of transfer of pension rights, and (iii) the mutual recognition of vocational training qualifications. On a more general plane, the Committee endorses the Commission's determination to make real headway towards the achievement of a "Citizens' Europe" through the adoption of a whole range of measures (European passport, easing of frontier checks, improvement of transport infrastructure, etc.).

CONCLUSIONS

The Committee on Social Affairs and Employment:

- (a) Endorses wholeheartedly the new Commission's firm commitment to the completion of the internal market by 1992 in clearly delimited stages and welcomes in particular the programme of clearly-defined measures proposed by the Commission towards achieving a decisive breakthrough in this connection by the end of 1985;
- (b) Recalls also the need, in the context of the customs union, for measures to facilitate the free movement of persons and goods for personal use (tobaccos, cosmetics, alcohols, books, etc.);
- (c) Notes that the implementation of these measures requires neither new policies nor new budgetary resources, but "the adoption of a limited number of proposals that are already before the Council"¹;
- (d) Shares the Commission's conviction that the completion of the internal market is a sine qua non for Europe's survival in the face of international competition and also believes that it will have a significant and increasing multiplier effect on employment;
- (e) Recognises, however, that while the long-term prospects for the labour market may be promising, it is unlikely that, on this basis alone, a significant decrease in unemployment can be achieved in the short or even medium term;
- (f) Urges, therefore, that the package of measures proposed by the Commission for the consolidation of the internal market should be underpinned by measures in the social field which also encompass the outstanding proposals already before the Council;

¹ See COM (84) 305 final

(g) Calls on the Commission, Council and Member States to combine their efforts towards ensuring that the above measures are adopted and implemented as a matter of urgency;

(h) Stresses, finally, the important role that can be played by the European Social Fund in creating an internal market with regard to workers' qualifications, notably through:

- training, further training and retraining in line with labour market developments, including those in the new technologies,
- assistance to small and medium-sized undertakings in creating new jobs,
- support for cooperatives and local initiatives and for training of trainers,
- special provision for migrants and the disabled.

insists, therefore, once again, that the resources of the European Social Fund be increased accordingly.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Transport

Draftsman: Mr G. ROSSETTI

At its meeting of 25 April 1985 the Committee on Transport appointed Mr Giorgio ROSSETTI draftsman.

At its meeting of 23 May 1985 the committee considered the draft opinion and adopted its conclusions by 16 votes to 2.

The following took part in the vote:

Mr ANASTASSOPOULOS, chairman
Mr KLINKENBORG, vice-chairman
Mr ROSSETTI, draftsman

Mrs BRAUN MOSER, Mr CAROSSINO, Mr EBEL, Mr HITZIGRATH (deputizing for Mr Fatous), Mr HOFFMANN, Mr LALOR (deputizing for Mr Roux), Mr NEWTON DUNN, Mr STARITA, Mr STEVENSON, Mr STEWART (deputizing for Mr Lagakos), Mr TOPMANN, Mr VISSER, Mr van der WAAL, Mr WIJSENBEK and Mr ZAHORKA.

1. Especially in view of the forthcoming accession of Spain and Portugal, the Committee on Transport feels that one way of consolidating and developing the internal market could be to strengthen and revive the Community's policy on transport and communications in general in accordance with both the spirit and the letter of Articles 74 and 75 of the EEC Treaty, which have not yet been fully implemented, as stated by the Court of Justice in its judgment of 22 May 1985.

2. By promoting the integration of Member States' economies, this policy would be an invaluable means of preventing the exploitation of privileged positions and ensuring smooth trade relations and the rational use of energy.

3. The committee would also like to stress that the alignment of policies, in individual Member States and the Community as a whole on setting up new infrastructures and reorganizing means of transport will facilitate a more rational use of the Community's territory. This would help to solve the problems of the most congested areas and increase the effectiveness of the policy of restoring balance to the less-favoured areas, where the Member States themselves are planning to provide housing and set up businesses.

4. Having pointed out these links between transport policy and other Community policies, the committee would say that measures directly affecting the transport and communication sector must be carried out in a well-planned manner and in accordance with compatible regulations, in order to ensure that projects for the benefit of the Community and the Member States are consistently implemented and integrated.

5. The Committee on Transport is pleased to note that this objective, already mentioned by the European Parliament during its debate on the communication from the Commission to the Council (Doc. 1-139/82 - COM(83) 58 final) on progress towards a common transport policy, is also being pursued by the President of the Council of Ministers of Transport, who has announced his intention to submit a master plan covering the following four areas: such organic areas as infrastructure networks and related systems, transport and border problems, the harmonization and integration of the transport system and procedures connected with it, and the promotion of safety in transport.

6. The Committee on Transport stresses that in discussing the above-mentioned areas a distinction must be made between what can be achieved at national level and measures which must be promoted or implemented at Community level, so as to concentrate Community aid on the sectors in which national measures are inadequate to create a transport system which meets the requirements of the population.

7. Another of the Community's main objectives must be to make the common market in transport as free as possible; this objective demands the harmonization of cost factors, the removal of technical barriers at frontiers and the issuing of common legislation on transport.

8. Specific measures would be required to obviate the problems which might arise on national transport markets as a result of common projects and rules valid for all Member States.

9. The interests of proper planning in this sector would demand a policy consistent with the different capacities of the various means of transport and a more efficient system for monitoring markets.

10. A gradual but definite move towards harmonizing all the social, fiscal and technical cost factors is required in order to:

- (a) end the persisting discrimination between Member States in the transport of goods and persons;
- (b) ensure optimum conditions of competition between the various means of transport;
- (c) remove the problems of trans-border traffic caused by disparate taxation systems;
- (d) determine the scale of service infrastructure and networks in accordance with the demands of a potentially balanced market.

11. The abovementioned objectives require that the Commission, the Council and the Member States take firm action, in which the European Parliament, represented by its Committee on Transport, is willing to cooperate as of now; such future action, however, must not impede the pursuit of the following urgent objectives:

- (a) speeding up fiscal harmonization with regard to tax on vehicles and mineral oils. Unfortunately, the Council has been very slow in acting on proposals which the Commission submitted some time ago;
- (b) laying down common criteria for insurance for private and commercial vehicles;
- (c) promoting the mutual compatibility of computerized registration systems for imports and exports in intra-Community trade and trade with third countries (Document COM(84) 556 final);
- (d) complete the harmonization of weights and measures for industrial vehicles and step up social security assistance to workers in the transport sector and, more especially, in the sector of inland navigation.

12. The Committee on Transport also considers that a valid policy and convincing planning in this sector will be made feasible only by strengthening the financial instruments under the Community's direct responsibility and those potentially available on the market.

13. In view of the above, the Committee on Transport recommends that the Committee on Economic and Monetary Affairs include the following points in the resolution it intends to address to the Commission and the Council:

- (a) the initiatives designed to promote the consolidation of the internal market must include the development of an effective transport policy, which has so far been neglected as a result of the Council's inactivity;
- (b) this policy should be developed as part of an overall programme on the basis of the objectives indicated by the European Parliament during its sitting of 5 December 1983 (Doc. PE 86.777/fin.) and reiterated in this opinion. This point was also made by the President of the Council of Transport Ministers when he announced that a master plan would be presented for this sector;

(c) there is an urgent need to simplify border controls with a view to abolishing them for nationals of Community countries in accordance with the proposals put forward by the 'People's Europe Committee' (also known as the Adonnino Committee); as regards goods, the committee agrees with the Commission's conclusions in paragraph 84 of the document on consolidating the internal market (COM(84) 305 final), particularly with regard to:

- the Fourteenth Directive on VAT;
- simplification of the Community transit procedure;
- the introduction of a single administrative document for intra-Community trade;
- duty-free admission of fuel in the fuel tanks of commercial motor vehicles.

Here again, the ultimate objective is the total elimination of border checks.

- (e) in order to speed up tax checks at borders, the computerized registration systems for imports and exports in intra-Community trade and trade with third countries must be made mutually compatible (Document COM(84) 556/final);
- (f) the process of harmonizing weights and measures for industrial vehicles must be completed.

COMMITTEE ON YOUTH, CULTURE, EDUCATION,
INFORMATION AND SPORT

OPINION

for the Committee on Economic and Monetary Affairs
and Industrial Policy

Letter from the chairman of the Committee on Youth, Culture,
Education, Information and Sport to Mr Barry SEAL, chairman
of the Committee on Economic and Monetary Affairs and
Industrial Policy

Subject: Opinion of the Committee on Youth, Culture, Education, Information and Sport on specific cases of temporary importation of private vehicles (Article 5 of Council Directive 83/182/EEC of 28 March 1983)

Dear Mr Seal,

At its meeting of 26 and 27 February 1985, the committee which I chair considered the motion for a resolution on "specific cases of temporary importation of private vehicles" (Doc. 2-716/84), on which it has been asked to give an opinion for your committee.

Following its deliberations, the committee adopted¹ the following conclusions:

¹ The following took part in the vote: Mrs EWING, chairman; Mr SELVA and Mr PAPAPIETRO, vice-chairmen; Mr BARZANTI (deputizing for Mr FANTI), Mr BAUDOUIN, Miss BROOKES, Mr ELLIOTT, Mr B. FRIEDRICH (deputizing for Mrs SEIBEL-EMMERLING), Mr GERONTOPOULOS, Mrs LARIVE-GROENENDAAL, Mr MIZZAU (deputizing for Mr POMILIO), Mr PELIKAN, Mrs PEUS and Mr TRIPODI

4 March 1985

- the Committee on Youth, Culture, Education, Information and Sport, whereas the growing use of private vehicles in densely populated border areas comes up more and more frequently against fiscal obstacles;

- emphasizing that freedom of movement for individuals and their private means of transport, both for professional reasons and for reasons related to tourism or study, is one of the rights fundamental to the Treaties of ROME and that its achievement without hindrance and without constraint makes a decisive contribution to public awareness of belonging to a Community of shared fortunes;

- believing that the Community - as solemnly reaffirmed by the Heads of State and of Government at FONTAINEBLEAU - has a duty to respond to the expectations of the peoples of Europe by adopting measures aimed at strengthening and promoting its identity and image in the eyes of its citizens;

1. Points out that the administrative harassment to which members of the public, particularly students following courses of study in another Member State, are subjected with respect to the use of private vehicles runs counter to the expectations of the public and to the commitment undertaken by the FONTAINEBLEAU summit;

2. Supports, therefore, any call for the Commission of the European Communities to amend the provisions of Directive 83/182 of 28 March 1983 so that exemption in respect of regular journeys from residence to place of work should be extended to company vehicles registered in the country in which the user's place of work is situated and that such exemption should also apply to students for the total period of their courses of study in another Member State.

Yours sincerely,

Winifred M. EWING

