

# EUROPEAN COMMUNITY

## BACKGROUND INFORMATION

# COMMUNITY

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BACKGROUND NOTE

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### SIMPLIFYING EC CUSTOMS PROCEDURES

The progressive setting up of a customs union in the European Community should eventually lead to a unification of customs procedures in relation to third countries and to a significant, if not total, elimination of administrative formalities between Member States. However, despite continuous efforts by Community institutions since 1968, there remains a tangle of internal customs barriers that choke Community trade.

A communication to the Council of Ministers of June 20, 1973, which explores the main causes of existing difficulties and seeks ways to improve the situation, said that "as far as intra-Community trade in particular is concerned, the current requirements of procedures appear in many cases to be hardly compatible with even the concept of a Customs Union." While much of the criticism is well founded, measures already taken by the Commission and proposals, present or future, indicate that customs procedures will work more simply and smoothly in the future.

Many of the current complications arise from the Community's intense activity in the field of trade negotiations. Each trade agreement with outside countries brings new customs complexities, the latest major example being the successful outcome of the enlargement negotiations.

Two main sources of difficulty are the wide divergences between national customs regimes, still almost entirely autonomous, and the co-existence of Community regulations with national rules.

Official removal of customs frontiers within the enlarged Community is due by 1978 at the latest. However, the standardization rate of widely differing non-customs controls exercised in member states is not keeping pace with that objective.

For the moment, there is a wide disparity of border taxes within the Community. Value-added taxes are soon to be standardized. Until then, tax adjustments must be made at frontiers. Beer, wines, spirits, and cigarettes are also subject to differing taxes.

Nonetheless, the drive toward harmonization and eventual abolishment of internal Community border taxes will be heavily reinforced as of 1975, when the original six Member States will automatically pay all customs duties and levies into the Community budget. One effect will be to convert customs officials into Community agents.

As tariffs will not be totally removed between the original six Member States and the three new ones--Britain, Ireland, and Denmark--until 1977 at the latest, the trade system set up during the interim period for the "Six" and the "Three" has caused temporary difficulties. Customs officials of the "Three" have begun using special customs forms more detailed than those used by the European Free Trade Association to which the "Three" formerly belonged. The Commission is urging the use of simpler forms.

Complications of trade in agricultural produce resulting from currency fluctuations will, it is hoped, prove to be temporary.

More complaints arise from the complexities of the common agricultural policy than anything else, the Commission says. It points to protectionist measures, differences of customs nomenclature and classification, and the introduction of new customs certificates and compensatory payments schedules resulting from changes in Community exchange rates as sources of confusion. Farm traders are faced with up to 42 different price tables.

The Community has special trading arrangements with a number of outside countries, such as Greece, Turkey, Malta, the Associated African States, and the European Free Trade Association. It also has a system of generalized preferences in favor of the developing countries.

Although the customs provisions of trade agreements with outside countries are based on a common philosophy, they have to differ considerably in practice due to the special requirements of the various trading partners. Again, a multiplicity of customs certificates has been the result.

Harmonization of existing customs procedures has proved difficult. During a recent meeting with Finn Gundelach, Commission Member with special responsibility for customs affairs, customs officials from Member States admitted that frequent changes in regulations often lead to mistakes. As a remedy the Commission has already proposed two measures which would establish rules for administrative assistance between member states and the Commission. This would ensure correct application of provisions applicable in both customs and agricultural matters, and allow recovery of amounts incorrectly paid out within the framework of the common agricultural policy, as well as agricultural levies and customs duties.

Additionally, Mr. Gundelach said he had heard that it could take up to three years for customs officials to receive new instructions after the Community has signed a special trade pact with Mediterranean or African countries. Sweden has hesitated to sign an industrial free trade agreement with the Community, claiming the Community's "rules of origin" are too complex.

Signs that harmonization of national customs procedures has begun are however seen in four directives which were issued by the Council in 1968 and 1969. They cover the fields of inward-processing traffic, bonded warehouses, free zones, deferred payment of dues, and Community transit.

"Inward-processing" -- the import of duty-free products for sophisticated transformation -- is increasing in importance. By 1969 it accounted for more than one fifth of the internal exports of the Six. Bonded warehouses, in which goods can be stored duty-free, are especially important for direct consumption commodities such as tropical products, furs or carpets. Community legislation is directed toward ensuring the neutrality of the main rules governing these warehouses, chiefly through the elimination of taxation differences.

Formerly, Member States allowed importers varying grace periods for deferred payment of duties and levies, ranging from five days in the Benelux countries to sixty days in Germany. Community rules now provide for a uniform 30-day interest-free grace period in all member countries. They also stipulate that when payment facilities are extended beyond the 30-day limit, charges must be equivalent to capital interest rates in the Member State concerned.

The Community transit system, created to eliminate customs formalities for goods crossing internal frontiers, facilitates the movement of goods between Member States as freely as that within national boundaries.

The system began in 1970 and operates within a framework created by a March 29, 1969 directive. Wide variations between ways in which national customs authorities operate the Community transit system still exist, but gradual harmonization is being achieved.

Problems arising from the fact that North-South Community traffic normally passes through Switzerland and Austria -- which are not Community countries -- will be resolved by agreements which have been reached with these two countries and which should become operative by the end of 1973.

The Commission's direct powers in relation to customs rules and procedures are strictly limited. Nevertheless, the Commission intends to make a maximum effort toward simplification of customs procedures through a closer alignment of relevant national legislation. In the coming months, it will be making various proposals to the Council which will have the following priorities:

- the simplification and standardization of customs documents and the avoidance of duplication between national documents and Community documents
- simpler customs clearance
- further simplification of the Community transit system
- simplification of trade formalities with EFTA countries.