

EUROPEAN PARLIAMENT

# Working Documents

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## Report

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

**on the 1981 programme for the achievement of the customs union**

**Rapporteur: Mr K. von WOGAU**

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On 7 April 1981 the Bureau of the European Parliament authorized the Committee on Economic and Monetary Affairs to draw up a report on the 1981 programme for the achievement of the customs union.

On 3 October 1979 the Committee on Economic and Monetary Affairs appointed Mr von WOGAU rapporteur on the customs union.

The committee considered the 1981 programme at its meetings of 17 February, 14 April and 13 May 1981, and at this last meeting unanimously adopted the motion for a resolution.

Present: Mr Deleau, acting chairman; Mr von Wogau, rapporteur; Mr Albers (deputizing for Mr Schwartzberg), Mr Arndt (deputizing for Mr Walter), Mr Beazley, Mr Beumer, Mr Damseaux (deputizing for Mr Combe), Mr Giavazzi, Mr Herman, Mr Lange (deputizing for Mr Delors), Mr Markozanis, Mr Mihr, Mr Petronio, Mr Schänzel and Mr Wagner.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the Commission's 1981 programme for the achievement of the customs union

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council<sup>1</sup>,
  - concerned at the steadily growing trend towards protectionism in the Community as a result of the recession,
  - recognizing that a common internal market can only be achieved through closer mutual coordination of economic and commercial policy and cannot be isolated from the attainment of political union,
  - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-241/81),
1. Considers the Commission's programme for 1981 to be a sound and feasible one but deeply regrets that the Council did not fulfil expectations in this field in 1980 and urges the Council to expedite its work on the proposals submitted by the Commission;
  2. Emphasizes that the Member States' efforts to control imports of goods from third countries also have an unfavourable effect on trade between the Member States;
  3. Calls once again for a Community customs administration to be established at the external frontiers - one of the underlying considerations here being the collection of own resources; calls for a Community supervisory body to be set up as a first step in this direction, with the task of ensuring that Community customs legislation is uniformly applied;
  4. Is of the opinion that the Member States should adopt a more uniform common position on imports from third countries and, at the same time, open up their markets for intra-Community trade;
  5. Emphasizes the vital need to establish and maintain full efficiency in the functioning of the European internal market if we are to uphold or recover our competitive position in international markets, and reiterates its view that the convergence of value added tax rates and excise duties on tobacco and alcohol, together with a further reduction of agricultural frontier compensatory amounts are required in order to dismantle completely the barriers at its internal frontiers;

<sup>1</sup> OJ No. C 106, 8.5.1981

6. Emphasizes the need in the longer term for national quotas for imports from third countries of particularly sensitive goods, such as textiles, to be formulated in such a way that they cannot indirectly lead to a dividing up of the Common Market into national sub-markets; suggests as a step in this direction that the common trade policy be strengthened, that the reciprocal assistance afforded by national customs authorities should be expanded with a view to combating fraud and the evasion of quota regulations and that there should be greater uniformity in the penalties imposed; expects the Commission to make greater use of Article 235 of the EEC Treaty in this connection;
7. Requests the Commission to draw up a report indicating the extent to which the Member States require certificates of origin even for their domestic trade, the justification for such requirements and how they could be abolished;
8. Points out that the transport of goods within the Community not infrequently requires presentation of more documents than do shipments between neighbouring countries or to third countries; reiterates therefore its desire to see a simplification of the administrative provisions and forms connected with the application of the Community transit procedure; at the same time urges the Commission to provide firms with appropriate information so as to encourage them to make greater use of this procedure;
9. Emphasizes that the problems attendant on the crossing of the Community's internal frontiers are related not only to the functioning of the customs union itself, but that a wide range of provisions in other areas (particularly regarding duties, but also the collection of statistical data, veterinary and identity checks, etc.) create unnecessary formalities at border crossings; draws attention in this connection to its opinion of 16 October 1980<sup>1</sup> and in particular to its wish to see proposals submitted at the earliest opportunity concerning:
  - an amendment of Article 23 of the sixth VAT directive so that the value added tax payable on imports is neither calculated nor collected at the time of importation and so that the number of tradesmen to whom this provision applies can be increased;
  - common rules on the temporary importation of Community goods from one Member State to another, particularly for smaller scale tradesmen, journalists, artists and musicians who are obliged to take with them a certain amount of equipment for their work;

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<sup>1</sup>OJ No. C 291, 10.11.1980, p. 43

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10. Calls on the Commission to submit proposals embodying the conditions required within the Common Market so that goods can move as freely there as they already do between the Benelux countries;
  11. Regrets moreover that the Commission seems unable to meet the deadlines set by the European Parliament in its opinion of 16 October 1980<sup>1</sup> for the drafting of a number of specific proposals to ease formalities at the Community's internal frontiers; hopes to see an official statement by the Commission as to when it will be able to submit these proposals;
  12. Instructs its President to forward this resolution to the Commission and Council of the European Communities.

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<sup>1</sup>OJ No. C 291, 10.11.1980, p. 43

EXPLANATORY STATEMENT

1. In 1979, the Council was prevailed upon to adopt a considerable number of important proposals for directives and regulations concerning the functioning of the customs union. The European Parliament was therefore able, in its resolution of 16 October 1980, to confirm the justification for drawing up an overall programme and establishing priorities each year. For this reason in particular, it is disappointing to have to report that in 1980 the Member States appear to have relapsed into the situation which existed prior to 1979, when an unwillingness to compromise in the Council resulted in proposals being blocked indefinitely.

2. The Commission's programme for 1981 is therefore by and large the same as that for 1980<sup>1</sup>. It is common knowledge that at a time of economic recession it is particularly difficult to arrive at common solutions, which to a certain extent restrict the national authorities' freedom of action. Against this, however, it may be argued that if the Community is to regain its position of strength on the international markets, it is essential for the vast, common 'domestic market' to be fully realized, this being a prerequisite for achieving competitiveness in international terms.

3. At the same time, it may be noted that, as a result of the downturn in the international economy, the Member States have felt obliged - albeit to varying degrees - to introduce tighter controls on imports from third countries, and that this stricter attitude is to some extent also creating administrative difficulties in connection with internal trade.

4. This problem is partly due to the fact that the Community's commercial agreements with various third countries on certain particularly sensitive goods include quotas specifying the quantities of such goods which may be admitted to each national sub-market within the Community. The reason for this is that the 'degree of sensitivity' of these products varies from one Member State to another; for example, increased imports of Japanese cars naturally have less effect on the national economy of a Member State such as Denmark, which has had no car industry of its own in the past, than on that of Italy or France, for instance, where the car industry has been a traditional source of employment for a large section of the population.

5. Trade in cars is in fact one area in which the Community could tolerate a division of the market, because the number of units sold is,

<sup>1</sup> Several members of the committee expressed disappointment that the programme submitted by the Commission consists more of a list of proposals rather than actually specifying the areas in which real progress could be achieved and in which areas (and for what reasons) it is difficult to secure agreement in the Council.



after all, limited. The problem is far more serious in the textile and clothing sectors, for example, where the number of units sold is considerable, the origin of goods is harder to establish, and where there is consequently greater scope for importers to attempt to evade national quotas by means of 'triangular deals'.

6. As long as the Member States fail to create, through a common or at least a mutually coordinated economic and trade policy, the conditions which are necessary in real economic terms for the Community to develop into a truly common internal market, experience shows that Member States will on occasion feel compelled to take measures - with a view to providing temporary protection for domestic trade interests and employment - which also impede the free movement of goods across the internal frontiers of the Community.

The customs union and the common market thus both determine and are in turn dependent on the Community's policy in other fields; the creation of an economic and monetary union and of political union - and the political will which this would demonstrate - would thus also have a decisive effect on the functioning of the customs union and the internal market.

7. In the light of this, the Committee on Economic and Monetary Affairs has drawn three conclusions in particular:

- (a) The Member States must act in unison to a greater extent than in the past as regards imports of goods from third countries; in the longer term, the Community should make every effort to prevent the Community quotas specified in commercial agreements with third countries from being split up into national quotas, so that goods may circulate freely once they have crossed the external frontiers of the customs union.
- (b) Having adopted this common outward stance, the Member States should open up their markets further for intra-Community trade, and desist from introducing new rules which create administrative difficulties in connection with internal trade.
- (c) A prerequisite for such a process is of course the expansion of trust and cooperation between national customs authorities; the European Parliament has pointed out on several occasions that in the longer term it would be desirable for customs rules to be administered on a common basis at the external frontiers of the Community; while this can naturally only be viewed as a long-term aim, the ground for achieving it must gradually be prepared by steadily expanding the system of reciprocal assistance, by approximating the customs authorities' structure in the Member States, and by drawing up common, comprehensive, effective and uncomplicated customs legislation, which should also provide for possible penalties.

In this connection, the Commission has indicated that the Member States frequently argue that its proposals fall outside the terms of the Treaty; the Committee on Economic and Monetary Affairs therefore recommends that as far as the completion of the customs union is concerned, the Commission should make use of Article 235 of the EEC Treaty wherever necessary.

The committee has given a certain amount of preliminary thought to the composition and role of the supervisory body whose creation is proposed in paragraph 3 of the motion for a resolution. The aim of this body would be to ensure that the Community rules are uniformly applied (by carrying out spot checks, for example) and to uncover cases where Community legislation is being circumvented.

Since the creation of this body is intended as a first step towards the establishment of a Community customs authority, it would clearly have to operate under the control of the Commission; however, it should be composed of experienced inspectors from national customs authorities. Such a body could perhaps also be responsible for organizing the exchange of officials between national customs authorities, as previously proposed by the committee, and thus further contribute to improving trust and understanding between the national authorities.

The committee also hopes that by building up an effective common customs authority at the external frontiers it may be possible to combat drug abuse more effectively.

8. In paragraphs 7 and 8 of the motion for a resolution, the Committee on Economic and Monetary Affairs has touched on two matters which are directly related to the internal functioning of the customs union, and which experience has shown to create problems for traders.

In its Decision of 20 December 1979<sup>1</sup>, the Commission laid down detailed rules covering the surveillance and protective measures which Member States may be authorized to take in respect of imports of certain goods originating in third countries and put into free circulation in another Member State; however, there are several instances of Member States contravening these rules in practice by insisting on certificates of origin being produced when goods pass across the internal frontiers of the Community. The Committee on Economic and Monetary Affairs wishes to have a report drawn up indicating the extent to which this is so. This problem must also be seen in connection with the fact that in recent years there has been an increase in the number of cases where Member States have obtained authorization to apply the exemption clauses contained in Article 115 of the EEC Treaty with a view to protecting national production, particularly that of textiles.

<sup>1</sup> OJ No. L 16, 22.1.1980

It is common knowledge that the internal Community transit procedure, especially in the case of trade between two neighbouring countries, involves more administrative formalities than do normal procedures and that consignments actually passing through the Community therefore derive most benefit from the Community transit procedure. On several occasions the Committee on Economic and Monetary Affairs has called for a simplification of procedures when goods cross borders, including the abolition of transit advice notes and to a certain extent of the provision of guarantees. One might also question the need for both export and import declarations; surely one should be enough. However, the Committee on Economic and Monetary Affairs will not be going into such administrative formalities in detail here, but will deal with them in connection with the proposal on the amendment of the Regulation on Community transit (Doc. COM(81) 36 final) which it is considering at present.

9. However, the functioning of the customs union (in a narrow sense) represents one aspect only of the problems connected with rules governing the passage of goods across frontiers, in particular across the internal frontiers of the Community. As is shown by the judgment of the Court of Justice in Case 159/78, 'customs controls properly so-called have lost their raison d'être as regards intra-Community trade. Frontier controls remain justified only in so far as they are necessary either for the implementation of the exceptions to free movement referred to in Article 36 of the Treaty; or for the levying of internal taxation within the meaning of Article 95 of the Treaty; or for transit controls; or finally when they are essential in order to obtain reasonably complete and accurate information on movement of goods within the Community'.<sup>1</sup>

In particular, both the administrative problems resulting from the different policies of the Member States concerning indirect taxation and the Community rules on monetary compensatory amounts for agricultural products create difficulties in connection with the movement of people and goods across the Community's internal frontiers.

The elimination of these underlying causes of difficulty can only be seen as a long-term aim (see point 6 above): nevertheless, the Committee on Economic and Monetary Affairs believes that there are several ways in which the effects of these could be alleviated not only for travellers, but also for traders. For example, the European Parliament has advocated

an increase in the tax-free allowances for travellers on several occasions, but has also pointed out more than once that by amending Article 23 of the Sixth VAT Directive and by issuing rules on temporary importation for smaller-scale traders, journalists, musicians and the like, it would be possible to eliminate a number of the sources of irritation which frequently occur when traders, in particular, seek to cross the internal frontiers of the Community.

<sup>1</sup> Quoted on page 6 of the Commission's communication

10. In its opinions of 12 April 1978<sup>1</sup> and 16 October 1980<sup>2</sup>, the European Parliament has drawn attention to a number of practical opportunities for introducing measures within the foreseeable future which would substantially reduce the formalities at border crossings; the committee did not feel it appropriate to reiterate all these proposals in this motion for a resolution, but wishes to know precisely why the Commission has been unable to comply with the deadlines set by the European Parliament.

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<sup>1</sup> OJ No. C 108, 8.5.1978, p.29

<sup>2</sup> OJ No. C 291, 10.11.1980, pp.43-46