

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 399 final

Brussels, 24th June 1982

## STRENGTHENING THE INTERNAL MARKET

(Communication from the Commission to the Council)

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1. The Common Market - a tangible reality?

The European citizen who crosses the Community's internal frontiers today still comes up against a considerable number of obstacles, the most obvious effects of which are the following:

- the existence of queues of waiting lorries at frontier posts, the cost of these hold-ups having been put at about a billion ecus per annum;
- virtually systematic passport checks at some frontier crossing points;
- problems of a tax nature for people who work on the other side of a frontier;
- difficulties with customs formalities as regards the use of working tools and equipment outside national frontiers.

What is more, the formalities and checks carried out at the Community's internal frontiers are virtually identical to those carried out at frontiers with non-Member countries;

the latter, cost the Community economy, and thus, in the end, the European consumer, a great deal of money, as the circles involved estimate that it represents from 5 to 7% of the price of the products traded.

How, in such a situation, can citizens and business circles, who have to live from day to day with this state of affairs, be expected to believe that the Community exists? And how can one explain to them that more than 24 years after the entry into force of the Treaty of Rome, it has not yet proved possible, in spite of the solemn statements regularly made in all Member States in favour of building the European Community, to give concrete effect to the free movement of people and goods, which represents one of the essential foundations of the Community?

Such a state of affairs could not leave the Commission indifferent. That is the reason why it sent out a real alarm signal, which the European Council endorsed at its Luxembourg meeting on 29 and 30 June 1981.

Nor has this state of affairs escaped the attention of the European Parliament which, on numerous occasions, has brought the problem to the notice of the competent authorities, particularly by its resolution dated 26 March 1982 on the opening up of the Community's internal frontiers.

2. Can anything be done about the present state of affairs?

According to some, any further progress in this field presupposes the attainment of economic union, as well as the harmonization of tax provisions and any other rules which may affect the trade in question. This last approach, in fact, can only be intended to shift the examination of these problems from one forum to another. It is therefore merely an attempt to cover up the absence of any political will to succeed in the affair, an attempt which does not really come off. As for the Commission, it believes that important progress can, indeed must, now be made.

Precedents exist, such as Benelux or the Scandinavian countries, where appreciable simplification has been achieved without total tax harmonization or full economic integration.

The Court of Justice of the European Communities has pointed the way forward in the matter. In effect, it has stated that customs checks in the correct sense of the term have lost any *raison d'être* in internal Community trade. The Court has further laid down the principle that administrative requirements imposed on those engaging in intra-Community trade which go beyond what is strictly necessary for the correct implementation of the rules take on the character of a measure having equivalent effect to a quantitative restriction, banned by the Treaty.

3. An important step towards creating a genuine internal market

There are real possibilities, for ordinary citizens as much as for the business community.

a) Citizens

The sense of belonging to a Community that a citizen may have has to be translated, for him or her, into an awareness of a certain number of benefits in everyday life. In the case of the European Community, it is thus every citizen's right to expect that when he comes back from another Member State he should enjoy a significantly greater allowance of tax-free goods than that which would be granted him if he came back from a non-Member State.

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Even though the allowance in question really is greater than that granted to travellers from non-Member countries, it remains sadly inadequate and is not even subject to regular increases to take account of the decline in the value of money. There are thus overwhelming grounds for significantly increasing and regularly adjusting these allowances.

Facilities should also be made available to the Community citizen which would enable him to move freely from one Member State to another in so far as he can show that he has the status of a national of a Community country.

b) the business community

The hold-ups at Community frontiers must also be cut down appreciably with the help of a greater rationalization of the formalities and checks carried out there which remain necessary for the time being. Various measures are likely to improve the ease with which the traffic flows and the turn-round times of means of transport. This means inter alia a better coordination of the services concerned, a better adaptation of staff and of the opening hours of customs offices to the needs of the traffic, speeding up the passage of perishable commodities and, in order to examine such problems, the establishment of committees at the major frontier crossing-points.

Present formalities must, moreover, lose their customs character in order to move as close as possible to the conditions in which commercial transactions are carried out inside the same Member State. Formalities should therefore be distinguished according to whether it is a case of intra-Community trade or trade with non-Member countries. This distinction represents the premiss on the basis of which the rules governing trade must be conceived.

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Thus, items of information or data having no further real justification in the context in question should no longer be required from the business community. The concept of "customs" rules should also vanish, both with respect to procedure, which must be more flexible, and with respect to terminology, where such notions as "customs value" have become shockingly anachronistic in the trade in question.

In the field of taxation, VAT payable on the import of goods into a Member State is still sometimes charged just as if it was a question of customs duty. This was understandable before 1 July 1968, the date on which customs duty was abolished in intra-Community trade. It no longer is today. There is thus no good reason for distinguishing the arrangements for paying VAT owed by a business firm according to whether it is a case of purely internal operations or of imports. Developments in this area will enable those concerned to perceive transactions carried out at Community level exactly as if they had been carried out inside the national market and to simplify greatly their work.

If the envisaged simplifications are important from a political point of view, in so far as they will enable progress to be made in an effective way towards bringing about a single market and will meet not only the legitimate aspirations of business circles but also the insistent requests of the European Parliament, they further present considerable economic interest, especially in the present economic situation.

Any reduction in the complexity of formalities is, indeed, particularly important for undertakings in view of their incidence on costs. This is all the more so in the case of modest-sized undertakings, a considerable proportion of which are reluctant to leave their purely national setting or feel obliged to make use of go-betweens, which lessens, accordingly, the profitability of the operations carried out.

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This should therefore encourage the business community to work on the scale of a broader internal market made up of all the national markets of the Member States. The result should be a stimulation so far as business activity is concerned. The reduction in costs inherent in such an action should, moreover, improve the competitiveness of Community products in the Member States relative to products from non-Member countries and enable the Community's business circles to benefit from the existence of the internal market.

#### 4. Immediate actions proposed by the Commission

In order to achieve the above objectives, the Commission has presented the Council with a number of concrete proposals dealing with:

- checks on persons, with a draft Council Resolution on the adoption of specific measures to ease checks on persons at the Community's internal frontiers (1)
- transport, with a proposal for a Council Directive designed to simplify frontier crossings in trade between Member States (2)
- formalities to be completed, with a proposal for a Council Regulation simplifying formalities in trade within the Community, together with two associated proposals making certain technical adjustments to the existing provisions (3)
- taxation, with a proposal for a Fourteenth Council Directive on the harmonization of the laws of the Member States relating to turnover taxes - deferred payment of the tax payable on importation by taxable persons (4).

In addition, in the statistical field, a proposal will shortly be presented to the Council for a Regulation amending Regulation (EEC) n° 1736/75 of 24 June 1975 on the external trade statistics of the Community and statistics of trade between Member States; in order to adapt the procedures for gathering statistical data on trade between Member States towards the single document provided for in the third indent above.

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(1) See Annex I

(2) OJ n° C 127, 18 May 1982, p. 6

(3) See Annex II

(4) See Annex III

Finally, the swift adoption of the following texts, which have been before the Council for some time, would be highly desirable. The texts are:

- proposal for a Council Directive on tax exemptions for certain means of transport temporarily imported into one Member State from another, sent to the Council on 30 October 1975 (OJ n° C 267 of 21 November 1975, p. 8)
- proposal for a Council Directive on tax exemptions applicable to personal property of individuals on permanent importation from another Member State, sent to the Council on 30 October 1975 (OJ n° C 267 of 21 November 1975, p. 11)
- proposal for a Council Regulation introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more other Member States, sent to the Council on 28 July 1981 (OJ n° C 227 of 8 September 1981, p. 3)
- proposal for a Council directive amending Council directive No 68/297/EEC on the standardization of provisions regarding the duty free admission of fuel contained in the fuel tanks of commercial motor vehicles, sent to the Council on 31 July 1974 (OJ No C 104 of 13 September 1974, p. 96).

It is all a question of strengthening in a substantial way, through the present action as regards the internal market, the sense, among ordinary citizens, of belonging to a real Community, and the awareness of business circles of the size and scope of the European economy. Thus an essential contribution will be made to the restoration of everyone's confidence in the Community.