

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90) 572 final

Brussels, 31 January 1991

COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT AND THE ECONOMIC AND SOCIAL COMMITTEE

THE CUSTOMS UNION IN THE CONTEXT OF THE SINGLE MARKET

## PRELIMINARY REMARKS

The completion of the internal market requires action to achieve a fully-realized customs union, uniformly administered. This is made even more vital by the abolition of customs intervention in trade within the Community. As the deadline approaches, against a changing international background, the role of the customs union, which provides the framework for the Community's trade with non-member countries, needs to be redefined in the enhanced Community context.

The Commission has accordingly drafted this Communication, which describes the nature of the customs union, the very cornerstone of the Community, and the specific tasks it performs, and goes on to highlight the paramount importance of its efficient, uniform and consistent operation.

This will require qualitative change both legislative and operational.

In legislative terms, it will be necessary *inter alia*:

- to adopt a Community customs code in order to achieve the necessary consistency of approach to customs legislation, which needs to be supplemented, improved and simplified,
- to adapt customs legislation on account of the abolition of internal frontiers,
- to perfect the customs mechanisms of the common policies;
- to work towards common provisions regarding penalties, and
- to improve decision-making machinery.

In operational terms, it will be necessary to adjust administrative structures to improve the management of the customs union. These adjustments will have to be made *inter alia* in the definition of tasks and organization of services, in the training of officials, and in working methods and allocation of human and material resources.

The development of cooperation between the various administrations involved in the operation of the customs union will also be crucial to its effectiveness.

In addition, the dialogue with trade and industry will have to be strengthened, given that the customs union was essentially set up in their interests.

## C O N T E N T S

INTRODUCTION	1
I. INSTITUTIONAL AND ECONOMIC FRAMEWORK FOR THE CUSTOMS UNION	1
A. The scope of the customs union in the Community	2
1) common policies:	3
2) common interpretation of the rules	5
B. The customs union in the international context	6
C. The customs union and the internal market	6
II. THE IMPLEMENTATION OF THE CUSTOMS UNION IN THE CONTEXT OF THE SINGLE MARKET	7
A. Internal dimension of the customs union	7
B. External dimension of the customs union	8
1) Legislative aspects	9
(a) completion of customs legislation	9
(b) perfecting the customs mechanisms of the common policies	11
(c) introduction of legislation relating to penalties	12
(d) improvement of decision-making machinery	12
2) Operational aspects	13
(a) organization	13
(b) modification of working methods	14
(c) introducing new resources	16
(d) training	17
(e) the development of administrative cooperation	19
(f) financing the changes	20
(g) relations with business	21
CONCLUSION	21

## INTRODUCTION

The introduction of an internal market by 1993 faces the customs union with a fresh challenge.

There will be no more customs activity at intra-Community frontiers though the traditional role will continue for external trade. However, since the concept of external trade will be significant in Community rather than national terms, that role must be played at the Community's external frontiers. Thus it is all the more important that operations at the Community's external frontiers be uniform and consistent.

We cannot overlook the international environment in which the customs union functions. On the external front, general economic trends, the formation of large regional groups (e.g. negotiations with EFTA on the European Economic Space, and the US-Canadian free-trade agreement), and of course the recent upheavals in Europe, all have to be taken into account.

It is therefore important to analyse carefully the reality of the customs union on which the Community is based, before considering what legislative or operational changes will be necessary to ensure that the Community retains its special character. The coherence and uniformity of our customs union will also have important repercussions outside the Community. We must create the best possible conditions for a market open to the world economy.

### I. INSTITUTIONAL AND ECONOMIC FRAMEWORK OF THE CUSTOMS UNION

Article 9 of the Treaty of Rome provides that "the Community shall be based upon a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries".

According to Article XXIV of the GATT, the difference between a free-trade area and a customs union is that the members of the former abolish duties between themselves but retain their own tariff vis-à-vis third countries, whereas members of the latter, as well as abolishing duties between themselves, also adopt a common tariff vis-à-vis the outside world.

A strict interpretation of such texts cannot accurately describe the current state of the customs union in the Community context. The Community customs union is more than a mere tariff union and will move even further away from this narrow definition in future. The completion of the internal market and the elimination of internal frontiers will require an approach different in qualitative terms from that adopted up to now.

#### A. The scope of the customs union in the Community

When the tariff union was established in 1968 it quickly became clear that it was not possible to stop at the tariff aspects alone if all distortions of treatment or trade deflections were to be eliminated. The importance of fairness in trade and identical conditions of competition for all the Community's firms made it necessary to establish a uniform and binding body of customs legislation.

The need to ensure correct and consistent collection of own resources from customs duties and agricultural levies, which together represent one third of the Community budget, made such legislation even more essential.

The customs union being incomplete, however, customs mechanisms had therefore to be incorporated into various specific sets of rules relating in particular to the common agricultural policy or to the common commercial policy. The lack of an overall plan resulted in disparities in customs technique.

Thus the free movement of goods, one of the four essential freedoms enshrined in the Treaty, requires a more consistent customs union. Moreover, experience has shown that a customs union requires a high degree of uniformity not only in techniques and procedures but also in those fields where customs operations play a decisive part. This is the case with the common policies, which have yet to attain their final form; their successful implementation depends on the existence of customs machinery with precise rules which are uniformly applied.

The customs union is therefore not merely an instrument of budgetary policy, but above all one of the key elements in the economic integration of the Community.

#### 1) The common policies

In the Community's sphere of competence the importance of the customs union is particularly obvious in the following areas:

##### - Commercial policy

The Community has been playing an increasing role in this field as a result of developments in international trade and the Member States' need to establish and strengthen their solidarity in this field. Only a Community approach has proved able to deal effectively with the problems which have arisen. The implementation of commercial policy measures or defensive action against illicit commercial practices (in particular antidumping measures) or embargoes (e.g. the Regulation on Iraq and Kuwait<sup>1</sup>) is to a great extent necessarily based on customs technique. Correct application of the Generalized System of Preferences is based on the same mechanisms.

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1 Regulation (EEC) No 2340/90, OJ No L 213 of 2.8.1990, p. 1.

The same applies to the "economic" customs procedures such as inward processing, and to tariff quotas and suspensions. Again, the elimination of physical frontiers between the Member States calls for abolition of the remaining national quantitative restrictions.

- Agricultural and fishery policy

In those areas in which there is a common organization of markets, measures uniformly governing international trade in the products concerned are a necessary complement to internal mechanisms. Customs provisions were incorporated into the rules of the common agricultural policy, for example.

- Development policy

The crucial importance of the customs union is also apparent where products originating in developing countries are permitted access to the Community market at preferential rates or free of customs duty. The policy of assisting economic development is based, in the trade area, on special origin rules specific to such relations. (Lomé Convention, Mediterranean policy, etc.). These rules are intended either to encourage local production in order to guarantee a minimum export income, or to give the countries concerned the incentive to develop a processing industry which should ensure their viable integration into world trade on a long-term basis.

- Environment policy

By definition, concern for the environment crosses frontiers since it concerns the entire planet. Measures have been adopted by the Community both independently and under international conventions, and these are implemented to a large extent on the basis of customs intervention.

The following may be cited by way of example:



- (a) the protection of certain species of flora and fauna threatened with extinction; and
- (b) the monitoring of international movements of dangerous products and toxic or radioactive waste, which will have to be subject to the same levels of control at all points along the external frontier of the Community as controls at internal frontiers are abolished;
- (c) in the area of public health and consumer protection, measures to prevent contamination of food supplies as a consequence of the Chernobyl disaster.

- Monitoring of certain sensitive products

This area, which is concerned primarily with strategic goods, arms and high-technology products, is usually dealt with in the context of European Political Cooperation.

The Council has, however, recently adopted a Regulation on the export of products which might be used to produce chemical weapons.<sup>1</sup> This development demonstrates that necessity and common interest may sometimes produce common action, despite the opposition expressed in the past to the transfer of competence to Community institutions. In cases such as this, the task of monitoring restrictions or prohibitions again falls to the customs union.

2) Common interpretation of the rules

The Commission is required to oversee the proper application of Community law, subject to the ultimate authority of the Court of Justice of the European Communities, which has developed a very substantial body of case law in the area of trade. It has delivered an impressive number and range of judgments, compliance with which requires self-discipline on the part of the Member States.

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<sup>1</sup> Council Regulation (EEC) No 428/89 of 20 February 1989 concerning the export of certain chemical products (OJ No L 50, 22.2.1989, p.1).

The pivotal role played by the Court has enabled the customs union to function consistently rather than to remain, as might otherwise have been the case, an unbalanced and largely theoretical construction.

B. The customs union in the international context

The Community is the only major international trade grouping to have provided for the transfer of sovereignty to institutions set up for that purpose. The customs union is a good illustration of this.

The customs union must now make further progress, for it is still not complete. This does not, of course, rule out the continuation and development of specific forms of cooperation with third countries or groups of third countries. An example of this process is the creation of the European Economic Area, together with the EFTA countries. The changing situation in Eastern Europe likewise highlights the need to work out suitable forms of cooperation to promote trade with the countries concerned and strengthen the fabric of the economies.

C. The customs union and the internal market

The removal of internal frontiers is one of the central aims of the single market programme.

Customs officers today carry out a whole range of duties at both external

and internal frontiers, ranging from the collection of duties of transit to the application of rules in fields as diverse as statistics, transport or taxation. Many of these rules are now being harmonized so that free movement can become a reality within the Community.

The customs union will then be exclusively based on the external frontiers, and will be correspondingly even more important, since Community law must be uniformly applied throughout the single market.

The use of information technology and telecommunications is essential and will be most helpful in this context.

## II. THE IMPLEMENTATION OF THE CUSTOMS UNION IN THE CONTEXT OF THE SINGLE MARKET

The customs union will have two dimensions, one internal, the other external.

### A. The internal dimensions of the customs union: abolition of internal frontiers

On the face of it, this is one of the most visible expressions of the customs union, both for European citizens travelling from one Member State to another and for firms carrying out intra-Community transactions.

The Commission White Paper distinguishes between physical, technical and tax frontiers. Genuinely free movement of goods within the Community involves all three of these elements. This is because:

- (a) the removal of physical frontiers is necessary but not in itself sufficient to bring about the abolition of internal frontiers,
- (b) the removal of technical frontiers, by eliminating differences between national standards, is vital to achieving the economies of scale expected of the single market, and

(o) the removal of tax frontiers means that checks and formalities linked to the crossing of the internal frontiers must be removed as well.

The single market requires the abolition of these three types of "frontier" and the concomitant checks and formalities.

In practice, the conditions under which goods move within the Community will be comparable to those which exist today at national level - in other words without customs documents or procedures.

There are admittedly some situations in which it will not be possible to avoid the use of an administrative procedure to cover the movement of Community goods between Member States, e.g. in the case of goods subject to checks on their final use, agricultural products for which refunds have been requested, and goods dispatched from one Member State to another via a third country (generally an EFTA country). Similarly, movements of non-Community goods will continue to be subject to a customs transit procedure. But such situations and procedures exist within any country or internal market, and in the Community of 1993 they will not occasion any checks or formalities at the internal frontiers, since these will have disappeared.

#### B. External dimension of the customs union

The Cecchini Report on the "cost of non-Europe" stressed among other things the effect in terms of administrative costs of the lack of transparency in customs procedures, which produces a distortion of competition. In a single market it is not acceptable that the burdens on business should vary from one Member State to another. Over and above the inherently disruptive consequences of such a situation, with the risk of deflection of trade or application of safeguard clauses, etc., it indicates a failure to take account of business interests or concerns.

The vital need for uniformity which is thus apparent is expressed in both legislative and operational terms.

1) Legislative aspects

(a) The completion of customs legislation

The creation of a complete corpus of customs law includes:

- The Community customs code

The conversion of directives into regulations has been a useful step towards a more satisfactory implementation of Community customs law. It must be recognized, however, that the dispersal of that law in a multitude of legal instruments makes for neither transparency nor simplicity.

Only a consolidation of customs rules, including implementing provisions and common instructions, will enable these difficulties to be overcome.

The task of codification also serves as an opportunity to simplify the rules. The various instruments adopted so far, particularly those based on Articles 100 or 235 of the Treaty, which require unanimity, often sanctioned certain national practices and derogations.

Now, however, since the adoption of the Single European Act, all decisions may be taken by qualified majority under Articles 28, 100A and 113.

- Simplified procedures

The use of simplified procedures will have to be authorized in a more consistent manner than at present and extend to all Member States. In order to ensure the necessary alignment, it will therefore be necessary to define standard procedures at Community level with a greater degree of precision than at present for all Community firms alike, in order to facilitate trade and avoid deflection of trade flows.

- The administration of customs rules

Certain aspects of this task will have to be transferred to the Community so as to ensure equal treatment of all economic operators and optimum implementation of Community rules.

The administration of tariff quotas, for example, must be carried out by the Commission, in accordance with rulings by the Court of Justice. Although they fall within a separate legal framework, this rule also applies to ECSC products in free circulation and if necessary, in the interests of efficiency, to ECSC direct imports as well.

- Computerization

It would not be feasible to administer Community rules in the manner outlined above without a properly computerized system. This is a matter which bears on the principle of uniformity as well. Since customs formalities cannot be dissociated from commercial documentation, the measures taken should reflect business practice and business requirements more adequately. In this day and age there can be no question of developing, or retaining, an administrative computer system totally separate from that used by economic operators. In addition to the change in working methods, therefore (development of audit systems), action should also be taken to introduce legislation at international level setting common standards for data exchange and electronic data transmission. That would enable us to take proper account of new developments in this area not only in the implementation but also in the drafting of customs legislation.

- Mutual administrative assistance

The Community will have to develop an external aspect to the customs union by concluding mutual assistance agreements with third countries aimed at ensuring the correct implementation of customs legislation and the detection of any irregularities. Such agreements are a necessity in view of the increasing complexity of economic and financial channels and the growth in international trade.

The administrative cooperation clauses which currently exist in the free-trade agreements, the Lomé Convention, the Generalized System of Preferences and the Multifibre Arrangement relate only to very specific categories of goods. They do not therefore satisfy all the requirements of the Community, which in today's circumstances needs to be able to cooperate on a reciprocal basis with its main trading partners as an entity in its own right.

- Facilitation measures

The abolition of the Community's internal frontiers will not mean a closing in of the Community upon itself. Guidelines will have to be established to provide for the facilitation of trade with other countries. It will be necessary to press ahead with negotiations for appropriate agreements, particularly with neighbouring countries. This should facilitate free trade, to the benefit of all concerned.

(b) Perfecting the customs mechanisms of the common policies

Besides the rules referred to above, it is also essential to harmonize or align sufficiently the common policy legislation implemented on the basis of customs intervention. The two concepts of internal market and customs union are indissociable in this respect because when all internal

frontiers have been abolished it will no longer be possible to use them to obstruct the marketing of a product once it has been imported into the Community at any point. The same applies to exports.

(c) Progressive introduction of a coordinated policy on penalties

There are two questions at issue here. In the first place, citizens must enjoy equality of treatment in terms of the action taken by authorities in response to irregularities which are uncovered; and secondly, it is necessary to prevent trade being deflected as a result of disparities in the rules applicable to offenders.

This problem relates not only to the correct collection of customs duties, the Community's own resources, but also, in particular, to the need to ensure that Community traders enjoy the proper conditions of fair competition which they are entitled to expect.

In order, therefore, to make the issues clear and to be able to arrive at an appropriate conclusion the Commission has just initiated a study on the subject of the harmonisation of penalties for breaches of Community customs law.

(d) Improvement of decision-making machinery

As far as relations with third countries are concerned, especially in the context of international conventions, the mechanism for Community participation tends to be the inclusion of a customs union clause which confirms the Community's position and its special character in relation to other countries. The united front which the Community presents strengthens its negotiating capability which in turn accrues to the benefit of each Member State. Until recently, however, this procedure suffered from a certain rigidity within the Community's internal system, namely the need for unanimity in adopting a common position in international forums. Developments in the case law of the Court of Justice of the European Communities, most recently expressed in the judgment in case 275/87, have made it possible, in the case of international agreements in the customs field, to rely extensively on Article 113 of the Treaty which calls only for a qualified majority.



The entry into force of the Single Act has improved matters still further, since in all cases involving Article 100A, and indeed also Article 28, the qualified majority rule applies. This simplifies and accelerates the decision-making process to a considerable extent.

As far as the administration of instruments adopted by the Council is concerned, on the other hand, one can only regret that resort to the Advisory Committee procedure advocated in the Single Act has not yet become normal Council practice. Yet increasingly, the economic operators and users of public services who make up the Community require decisions to be made quickly, since these affect their day-to-day activities.

## 2) Operational aspects

A number of factors have to be examined in this regard:

### (a) Organization

The establishment of the internal market will result in major changes for the customs authorities. In view of the increasing proportion of legislation adopted at Community level, a question which frequently arises is the respective roles of the national customs authorities and the Commission departments.

The concept of subsidiarity, which dictates that local or decentralized decision-making autonomy should be sacrificed only to the extent required by the common interest or the need for uniformity, must apply here. For each type of situation it will be necessary to assess in Community terms the approach best suited to the efficient operation of the customs union.

The customs union will be concerned solely with third-country trade. That will entail redeployment of the staff of Member States' customs administrations to enable them to discharge more effectively their responsibilities to the customs union.

In this context, customs officers' experience of international trade and their long-established habits of cooperation are assets the Community will find valuable in attaining its goals.

As far as administrative cooperation and fraud control are concerned, a complementary approach must be the rule and a genuine partnership must be established among the various national customs authorities and between them and the Commission.

It is no longer a matter of administering a collection of adjacent national territories but of administering a customs union without internal frontiers based on the interdependence of its constituent parts. We should now be intensifying our work on the changes needed to enable customs departments to administer the customs union efficiently in the context of the single market. A useful basis for this work might be the report on the study recently carried out for the Commission by the civil service college in Maastricht, following an initiative by the European Parliament.

Pending the creation of a Community structure, as a symbol of the unitary nature of the customs union, uniformed customs officials of the Member States might display a common identification symbol.

(b) Modification of working methods

For a customs union to function smoothly, a proper balance must be struck between facilitating international trade and combating fraud.

The increasing volume of trade, the growing importance of office automation and electronic data exchange and general developments in the conduct of trade mean that the customs union administration must make full use of the facilities provided by new technology if it is to operate efficiently and it should in particular, have an effective data transmission network at its disposal.

The required balance will call for an overhaul of working methods.

The greater use of simplified procedures will *ipso facto* improve the hitherto sometimes unsatisfactory contacts between customs authorities and firms, and means that customs will genuinely serve the interests of the Community's external trade.

Accordingly, customs checks will have to be both more consistent and more selective than at present. This does not mean that there is a need for change in the degree of overall protection against fraud but rather that selection criteria for control purposes will have to be defined jointly and assessed at regular intervals on a more scientific basis in order, *inter alia*, that they may be implemented by means of the national computerized systems. The Community may be likened to a chain - its protection against fraud will depend on the strength of its weakest link. The work of the customs authorities in this area will have to be focused in order better to reflect the economic, fiscal and financial aspects of trade. This will result in greater use of post-clearance checks on firms' records and the auditing of computerized systems. Greater selectivity in customs work will make it possible to speed up the release of goods subject to customs control while at the same time enabling the officials concerned to carry out adequate checks. Proper training should enable them to deal effectively, for the purposes of such checks, with the economic aspect of their duties.

(c) Adapting resources

This involves the use of information technology, not only in carrying out customs clearance procedures (which will have to be designed from the outset with computerization in mind) and in administering regulations but in establishing data communication and transfer systems.

As far as procedures are concerned, the use of automated import declaration procedures in trade with third countries will have to cover not only ordinary customs clearance but also the simplified procedures.

For trade within the Community, where movements of goods will be just as unrestricted as they are in a domestic market, systems will nevertheless have to be developed to permit checks on movements of goods that are not in free circulation or are consigned from one Member State to another subject to administrative controls.

Apart from questions related to customs procedures, the information systems required for direct administration of certain regulatory instruments by the Commission (for example, tariff quotas and classifications) will have to be improved, extended and made more accessible to the Member States' administrations and to traders. This will entail the development of new infrastructure in the Member States and at the Commission. This must go hand in hand with a general improvement in communication systems. At present a number of Community systems developed under the CADDIA programme (Cooperation in Automization of Documentation and Data for Import, Export and Agriculture) are making use of the facilities offered by information technology. An example is the SCENT system (System for a Customs Enforcement Network). In the area of fraud control, where the rapid dissemination of information is of fundamental importance, this system links the central departments concerned in the Member States to those with an operational role in the Commission. The existing systems were, however,

developed in the absence of any overall concept based on a sound telecommunications and data transfer infrastructure. From now on, a more uniform approach will have to be adopted to the entire system, and work is currently under way on trans-European networks. In addition, research is being undertaken within the general framework of "R&D 1990-94" but under a specific programme entitled "Research + Technological Development in the Field of Telematic Systems in areas of general interest."

This also raises the basic question of standards and systems design. Traders have adapted quickly to technological change and have computerized their systems on an international level. The customs union must take account of this if it is to avoid being faced with an imbalance between the business world and the authorities. Since it is also imperative that the various systems be able to communicate with one another, individual customs authorities will no longer be able to determine their criteria unilaterally. For this reason, EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport), a standard adopted by the International Standardization Organization, will have to be introduced in the customs field. Programmes are to be set in train which will make possible the transition from the existing systems to the new standards between now and the end of 1992.

#### (d) Training

The establishment of the internal market will make it necessary to redefine the role to be played by customs officials in the Community in ensuring the proper functioning of the customs union. This will call for the establishment of a genuine common policy on training.

The measures taken by the various national authorities will not, of themselves, be sufficient to attain the objectives sought. While the long-term aim would be to set up a Community customs training establishment, it will be necessary in the short term to supplement and coordinate the training efforts already being made at national level by means of common programmes designed to enhance customs officials' awareness of the increasingly Community-wide dimension of their responsibilities and the need for close cooperation between them, even if they continue to belong to their own national authorities.

The "Matthaeus" training programme inaugurated by the Commission in 1989, for which a pilot scheme is currently under way at Community level, addresses:

- training personnel at present working in the national customs training establishments;
- national officials responsible for applying measures on which the smooth functioning of the customs union depends; and
- exchanges of officials.

In the light of the experience acquired in the trial stage the Commission can then submit a draft decision to the Council providing for a long-term training policy, comprising Community, national and even local measures. Such a policy will feature language training, information technology, and control and inspection techniques.

It will also operate as a catalyst by impressing on those concerned that while they remain national officials they will also, increasingly, be working for the Community.

The programme the Commission will be proposing to the Council should provide for more exchanges of officials not only between the national customs authorities but also between those authorities and the Commission.

It will also be necessary to provide more training back-up for business people involved in international trading operations and for certain officials from third countries who have to deal with the Community customs machinery.

Programmes for training and cooperation with third countries, particularly under agreements with Central and Eastern European countries, must be intensified.

(e) The development of administrative cooperation

The transfer of controls from the internal to the external frontiers of the Community requires national administrations to have confidence in one another. The greater the degree of integration of the Community, the more the smooth functioning of the customs union, and thus of the internal market, will come to depend on cooperation among the national customs authorities and between them and the Commission. This greater level of cooperation must focus both on the correct implementation of customs legislation and on breaches of that legislation and the control of fraud.

As far as the allocation of responsibilities is concerned, the principle of subsidiarity must be applied. At the practical level, detecting cases of fraud and carrying out investigations are in the first instance matters for the Member States, with the Commission playing a complementary role by coordinating cases which have a Community dimension or are of Community concern, maintaining momentum and providing whatever specific operational assistance may be required. All of this means working together to a greater extent on a day-to-day basis by means of direct contacts at a personal level, in the common interest, and developing the "Community reflex" in the officials concerned.

This means that improvements should also be made in the fairly near future to make it possible, *inter alia* :

- to establish routine facilities for mutual assistance by making more flexible the internal procedures that are necessary for its operation;
- to link up the data files which have already been created, having due regard to the requisite protection of private data;
- to make do as far as possible without derogations from Member States' obligation to provide assistance.

Cooperation is concerned not only with fraud and breaches of the law, but also with monitoring the implementation of Community legislation and detection of possible shortcomings. In order to emphasise the complementary nature of relations between the Member States and the Commission, a Community inspectorate composed of Commission officials and officials from the Member States could be given the job of carrying out specific checks on the implementation of Community customs provisions. An inspectorate based on this joint Commission/Member State formula would be a useful adjunct to the provisions adopted by the Council concerning own resources controls (Regulation 1552/89 of 29 May 1989).

(f) Financing the changes

The changes described above will cost money. New infrastructure will have to be established rapidly, particularly in connection with the computerization of customs offices, if the requisite degree of uniformity is to be achieved at the Community's external frontiers.

However, not all the Member States possess comparable resources, even in relative terms, and they are not all starting from an equal infrastructural baseline.

Some Member States whose trade flows are considerable have a customs infrastructure concentrated on a few large offices. Others, perhaps for geographical reasons, have to operate a large number of customs clearance offices and protect an external frontier which may be particularly difficult to monitor. For certain Member States which for geographical reasons will find themselves, once internal frontiers are abolished, with



enhanced responsibilities in the illicit drugs traffic, there is also the question of financing e.g. the purchase of state-of-the art detection equipment, since these countries are protecting the Community as a whole.

(g) Relations with business

The customs union exists for citizens and enterprises. The scale of the changes under way in the Community and the need to take the requirements of economic operators more fully into account make it essential to forge better links between the worlds of commerce and officialdom.

In this connection, direct access by users to the relevant departments must be made easier. The information traders require to carry out formalities properly on their own account, should they so wish, or claim redress or other entitlements, must be accessible to them direct, must be available rapidly enough to suit modern commercial needs and must be legally reliable.

The existing Advisory Committee on Customs Matters, which provides a forum where representatives of the relevant professional sectors and Commission officials can meet, needs to be rethought and reorganized.

**CONCLUSION**

To ensure the proper operation of the internal market and reap the full benefits of the abolition of internal frontiers, the Community needs consistent customs policy instruments, uniformly applied, at the common external frontier.

The establishment of the Community single market in 1992 is inconceivable without a well-organized, properly run customs union with the resources needed to face up to the new challenges. The maintenance or strengthening

of the exacting standards it will require are also going to be of crucial importance under the new order for the efficient implementation of the various common policies wholly or partly based on it, and for the smooth development of trade with non-member countries, in the interests of the Community's own economic growth and competitive strength.

Thus, in the Community context, the customs union is a concept going well beyond the academic definitions which have been offered to date.

Its implementation must ensure equality of treatment for economic operators in the Community, thus helping to stabilize the internal market. That means that quite apart from the substantive provisions needed for completion of the internal market, back-up measures will have to be adopted or continued in order:

- (a) to complete and simplify customs legislation (with particular reference to the Community customs code);
- (b) to adapt that legislation to reflect the abolition of internal frontiers;
- (c) to foster the development and use of information technology and telematics at Community level;
- (d) to establish, in gradual stages, a common policy on penalties;
- (e) to develop a coordinated policy on the training and exchanges of customs officials;
- (f) to strengthen administrative cooperation;
- (g) to reorganize administrative structures and working methods;
- (h) to forge a closer relationship with trade and industry.

These measures, which will be incorporated into the Commission's working programme, will be essential to the efficient functioning of the single market (adaptation of the provisions relating to the abolition of internal frontiers), to the management of Community legislation when the Commission takes on new responsibilities (management, administrative cooperation, information networks etc.) and to the steps to be taken for the protection of Community finances (simplification of the regulations, legislation relating to penalties, improved cooperation between Member States etc.). As regards some issues the Commission has already sent its proposals to Council (customs code, adaptation of customs legislation in the light of the abolition of internal frontiers, Mattheus programme for professional training) and as regards some of the other work to prepare the necessary measures is proceeding apace (computerisation, administrative cooperation). Work on the remainder of the proposed measures will be gradually implemented from 1992 onwards.

Those are the broad outlines of the programme of measures the Commission intends to carry out to enable the customs union to function efficiently in the context of the internal market.

The Commission will also consider the means of financing the administrative reforms which are required in the Member States in connection with the single market and will be carried out in the interests of the Community as a whole.