

# The removal of technical barriers to trade

## European File

Manufacturers in industrialized countries are not completely at liberty to launch new products on national and European markets. Industrial goods and foodstuffs are subject to certain controls and must first of all meet the various criteria, norms and technical specifications which have been introduced to:

- rationalize industrial production. It can be argued that the industrial revolution would not have been possible if the nuts and bolts then manufactured had not fitted together. Standardization helps large-scale production, helps the marketing of interchangeable pieces, and simplifies stock control. The savings which this entails benefit the manufacturer and, at the end of the day, the consumer, through prices;
- protect consumers' health and promote user safety. National authorities try, for example, to reduce the number of road accidents. They impose technical standards covering braking efficiency, crash impact resistance, headlight quality, etc. Other norms aim to protect consumers' health (certain food colorants are prohibited), or to inform the public (textiles have to be supplied with labels indicating composition).

Since their objective is rationalization, these norms should theoretically help expand trade. This is not always the case however. For two reasons:

- each country sets its own norms according to what it considers are the best criteria, and in line with its own consumer or employee protection policies. Rarely

are these different national norms compatible with each other. For example, various dietary arguments are used to ban use of vitamins in margarine in Italy, but dietary arguments are used to make them compulsory in the Netherlands. In Belgium, lifts must be fitted with a 'stop' button but in the United Kingdom the 'stop' button is formally banned. Both countries regard it as a question of safety. The Belgians say that the button is useful to extend the opening times of the doors to enable handicapped and aged people to leave more easily. The British are concerned that the button might be exploited by thieves or attackers to stop the lifts between floors.

- the creation of national norms sometimes has the undeclared objective of protecting national manufacturers which can be very tempting in periods of economic crisis. Foreign products can thereby be kept out by introducing new norms or subjecting the products to certificates of conformity which, by chance, national products obtain more quickly. Sometimes an agreement between manufacturers is enough: Swiss producers have adopted standardized and completely original dimensions for their kitchen units and the structures into which they are to be fitted. The Swiss housewife can thereby not use kitchen units produced abroad alongside those manufactured in her own country. By way of a further example, in September 1977, France published precise specifications for TV games machines. During the time needed by foreign firms to modify their production techniques to meet these standards, a French firm was able to capture a substantial share of the new market. Quite often, import licences, technical visas, certificates of origin or quality regulations — all the administrative formalities resulting from the adoption of norms — are used not so much for protecting consumers or rationalizing production but more for discouraging imports so as to give a boost to national industries or even to protect certain domestic markets for them.

### **The role of the European Community**

Since 1969, the Community has been attempting to harmonize the norms in force in member countries with the objective of eliminating the technical barriers which restrict trade.

- The Community's job is to complete the common market and this will only be achieved when goods can move from one country to another as freely as when they move from one part of a country to another. This is not just a question of removing customs duties on imports — technical barriers arising from the conflicting national standards create other obstacles to trade which are often more insidious.
- The realization of a single European market serves the interests of both manufacturers and consumers. Imagine what would happen if each national regulation specified different types of headlamps, rear-view mirrors, indicators, etc. Each car manufacturer would be forced to diversify its car models and spare parts to suit different markets. Through the removal of technical barriers, European manufacturers see a market opening up for them of 260 million inhabitants in which they can achieve economies of scale by producing in greater quantities and

thereby become more competitive in relation to their external competitors. As for consumers, they benefit from a greater choice of goods at more favourable prices due to the increased competition between manufacturers.

- It is not a question of the Community 'Europeanizing' standards for its own sake. The harmonization of legislation is not a goal in itself. The overall objective is not generalized standardization. Whilst the Community has succeeded in introducing identical standards for almost all European car parts, the result has not been a monotonous uniformity. Motorists still enjoy the choice of a very extensive range of vehicles whose stylings are as diverse as their performance. Safety and environmental considerations, however, have the same force throughout the nine countries of the Community.

The elimination of technical barriers is a long-term project. The European Commission has to select those areas where harmonization is needed, draw up proposals, justify these proposals to the other Community institutions, control their application and adjust them to technical progress.

#### (a) **The choice**

Where should the first efforts be made? The answer is not simple. Should we take as our criteria the importance of the goods? What is true for one country is not necessarily true for another. Should we go by the volume of trade? This could also be misleading. If the volume is great, then the barriers are, more than likely, not very great. If it is small, that could signify that the sector concerned is not of great economic importance. We have to keep our ears open to:

- manufacturers' complaints, when they bring attention to the contradictory norms restricting their exports;
- consumer complaints. For the European Commission, the free movement of goods is not the only priority. Europeans increasingly demand improvements in the quality of life. European consumer and environmental protection programmes have been drawn up and directives have also appeared introducing common standards in a number of fields: biodegradability of detergents, aerosols, labelling of packaged foodstuffs, etc.;
- certain new demands arising out of the economic crisis, particularly in the fields of energy where heavy saving is already necessary. This has led, for example, to the directive requiring the indication of energy consumption on household appliances.

It is clearly not easy to lay down common standards which cover all requirements. It would be nice, for example, if cars did not consume so much fuel, gave maximum safety to occupants, polluted the atmosphere less, and, on top of that, were not too expensive. Safety devices, however, can make cars heavier, increase fuel consumption and make cars more expensive; anti-pollution devices can reduce performance and cause more fuel to be used.

Harmonization, let us repeat, is not an end in itself. Where necessary the European Commission employs one of two harmonization systems:

- when it is a question of consumer health or user-safety, Community standards must generally be the only ones in force. All national products have to either conform or disappear. This is *total harmonization* as used, for example, to ban the use of certain toxic substances in cosmetics or to ensure that detergents are biodegradable;
- when the objective is to rationalize industrial production, the Community prefers to apply *optional harmonization*. This has been used for example with the proposal dealing with measuring devices (balances, petrol pumps, etc). In this case, products conforming to European standards must be accepted in all Community countries. Other models may continue to be used in local markets and each government retains the right to accept or refuse their use on its territory. European standards are thereby effective without causing unnecessary restrictions. It is not necessary to impose common standards on industrial goods or foodstuffs which meet local or regional needs.

#### (b) The debate

It only needs one national civil servant to lay down a technical norm incompatible with those in other countries to create a technical barrier to trade. By contrast, removing the technical barrier, i.e. harmonizing the Nine's legislation, is a long, slow and detailed job which demands a great deal of concertation:

- before drafting a proposal, the European Commission brings together experts from the industry concerned, from national administrations and from consumer associations. The discussions are complex since the intention is to produce a legal text of great technical precision which inevitably has considerable economic repercussions. It can take two to three years before all the interested parties reach agreement.
- the dossier is then submitted to the Council of Ministers which passes it on to the European Parliament and the Economic and Social Committee for their opinion.
- the draft directive has then to be adopted unanimously by the Council of Ministers of the Nine which can take a short or a long time: nine months at the best, and ten years at the worst.
- after notification of the directive, Member States have a period, normally of 18 months, to introduce the provisions into their own respective legislation and bring them into force.
- the European Commission monitors the application of these measures and can, if necessary, take the issue to the European Court of Justice in case of default. In 1976 more than 200 infringements were recorded, and 200 again in 1978. But since the number of directives to be monitored has doubled in the meantime, we can take it that Community 'discipline' is progressing.

### (c) Adaptation to progress

Once-and-for-all harmonization is not possible. Norms have to evolve in the light of scientific and technical knowledge which never ceases to advance. This adaptation to progress of Community directives is less complex than the procedure for a new directive. The European Commission presents the adaptation proposal to a committee composed of national representatives and this committee gives its judgment by a qualified majority. The directive on measures to be taken against air pollution from exhaust gases, adopted in 1970, has already been modified three times and a fourth adaptation is in the offing. The directive on the classification and labelling of dangerous substances, dating from 1967, has been adapted six times as industry has brought new substances into use.

### Results to date: 180 directives

In ten years the European Community has adopted 180 directives aimed at eliminating technical barriers to trade. Some sixty other directives drawn up by the European Commission are awaiting the green light from the Nine. Amongst the directives in force, 130 deal with industrial products, 50 with foodstuffs. The principal sectors covered are:

- the automobile*: just three more directives are needed (on top of the 39 already adopted) for our cars to meet European norms from registration plates to passenger compartment layout. This represents a higher degree of harmonization than exists between the States of the USA. The Community's principal concern in this field is safety. On the initiative of the European Commission, for example, provisions for dual braking circuits have been introduced. From the moment this directive enters into force, any car entering a Community country to be sold will undergo a Community rather than national approval procedure. This will not require any more officials, however: the rules and controls are the same in all nine countries and the approval procedures in one country will be valid for the others which will simplify matters and save time.
- measuring instruments*: 23 directives have been adopted by the Community relating to gas and electricity meters, water counters, measuring units, devices to measure the alcohol content of spirits, taxi meters, the calibration of ships' tanks, etc. Harmonization of measurements is vital for the proper development of trade. It implies, for example, that the degree of alcohol in spirits is calculated in the same way in Germany and the United Kingdom, that land measurement units should be the same throughout the Community, that the difference between French and German precision weights due to the use of different alloys should be removed.
- electricity*: each country has introduced perfectly legitimate safety standards in this sector but the differences between them is a barrier to trade. Through a directive adopted in 1973, the Community has given a mandate to national standards bodies to draw up uniform standards for all of the nine countries. Once these norms come into force, only goods that conform will be permitted for sale;

national authorities will not be able to put any obstacles in the way of their sale. This procedure, theoretically interesting, seems to be running into difficulties, and harmonization will take a long time. The Community has nevertheless been able to apply total harmonization in the field of radio-electrical interference, to prevent radio and TV disturbance from household appliances and electric tools (drills, etc.).

- *chemicals*: numerous directives have been introduced in this sector to increase user safety and protect the environment. One directive classifies one thousand dangerous substances according to their degree of toxicity. Community labelling norms have been introduced for these substances as for solvents, paints, varnishes, pesticides and fertilizers. The minimum level of detergent biodegradability has been dealt with by another directive. Rules have been prescribed to limit the sale and use of certain dangerous substances and the European Commission has proposed a common notification system for pre-marketing product tests.
- *textiles*: an outline directive defines the rights to the terms 'pure new wool', 'natural silk', 'wool mix', etc. The two relevant directives define analytical methods which serve to establish the composition of mixed textiles.
- *foodstuffs*: to facilitate trade, certain directives fix standards throughout the Community for products which wish to have the official titles of honey, fruit juice, cocoa, chocolate, etc. Other common standards aim more particularly at protecting consumers: they regulate the use of additives (colorants, preservative agents, emulsifiers, etc.) incorporated in foodstuffs. A recent directive defines the description of weight, last date of sale, additives, etc. which should soon be carried on the labels of prepackaged foodstuffs throughout the Community.

### **What procedures tomorrow?**

- Viewed in isolation, a European harmonization directive does not appear to be very spectacular. The collective impact of these arrangements is the important thing: the elimination of technical barriers to trade is vital if we wish our industries to benefit from the vast market of 260 million consumers. It is clear for example that no car industry can be viable in Europe if it is confined to a single national market.
- 130 directives have been adopted just for industrial goods. But 300 will be needed to remove the most serious technical barriers. This poses a serious problem. Up until now the European Commission has been able to do its job with a relatively small staff — some thirty officials in the industrial harmonization field. But little by little, the job of adapting existing directives to scientific progress is increasing, which reduces the time available for preparing new proposals.
- To reach the minimum objective of 300 harmonization directives in the industrial field, twenty years will be needed if we assume an average of ten new directives a year. By this time, how many new barriers will have been created in European

countries, at the initiative of industry, standardization institutes or individual national civil servants? In times of economic crisis, the temptation grows to create more national standards than are being removed. This protectionist spirit could save some jobs in the short term but risks even more jobs in the long term.

- The situation is even more difficult since the Community's harmonization powers can only be used in cases where legislation, regulations or administrative measures already exist in Member States (Article 100 of the Treaty of Rome). This still leaves the immense area of technical standards adopted by industry and those fixed by companies for their subcontractors. This also leaves open the problem of interpretation of certain measures, e.g. the German law which stipulates that a product must be as safe as the latest state of technology permits. For German insurance companies, looking for a solid basis for references, this can only mean the DIN standards, i.e. the German norms, and all manufacturers consequently hesitate to deviate from them. The way such norms of all descriptions are flourishing gives the impression that the European Commission's work is similar to emptying a bathtub with a teaspoon while the taps are full on.
  
- What is the solution? There is no question of infinitely increasing the number of officials to spend their time patiently undoing what the Member States are redoing just as rapidly. Two approaches are possible:
  - replacing the nine national standards bodies by one European standards institute (the national bodies draw up norms on the physical, chemical and biological properties of various products and each institute produces some 1 000 norms per year). The new norms would be common from then on. But how long will we have to wait until the political will is strong enough to support this type of solution?
  
  - establishing close cooperation — this would be the Commission's role — between the national standards organizations, to promote better reciprocal flows of information and thereby ensuring that each new standard drawn up by an organization is immediately taken up by the others. This is the formula which has already been adopted in the framework of a Community directive on the safety of electrical appliances, but not without delays and problems which would need to be remedied.

Whatever the solution chosen, the objective of removing barriers must be continued. Contrary to appearances, the economic crisis tends to strengthen the need. The divergences between national regulations complicate the lives of those who wish to move into particular markets: manufacturing changes and delays due to inspections increase costs considerably and distort competition to the benefit of the established manufacturers. The latter encounter difficulties when they wish to extend their market across national frontiers. Our countries will not achieve renewed economic dynamism and create new jobs for workers, by turning in on themselves ■

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