

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION OF THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the abolition of border controls on goods, capital and services

1. In its communication to the Council and to Parliament of 8 May on the abolition of border controls,¹ the Commission announced that it would be updating its assessment of progress in dismantling border controls on goods as this would, in particular, allow Parliament and the Council to monitor developments. Such is the purpose of the present communication.

2. As the Commission stated in its communication of 8 May, there is in this area a willingness to give full effect to Article 8a by doing away with all formalities and controls in intra-Community trade. The introduction of new control arrangements in the indirect taxation field and new arrangements for collecting statistics on intra-Community trade, thereby enabling the single administrative document to be scrapped in the Community, confirms this determination and is prompting reorganization of all the other controls applied by customs or other administrations.

3. It is tempting to consider that withdrawal of the customs administration from internal frontiers would be sufficient to ensure that Article 8a is properly implemented. However, such an approach would, on the one hand, have the effect of allowing national rules on border controls to remain that would be inapplicable owing to the disappearance of the single administrative document, which provides the basis for such controls, but, on the other hand, by retaining the crossing of a frontier as the event giving rise to a control or formality, would leave in place arrangements that are incompatible with Article 8a. Consequently, partner country products or services which are illegally marketed in the home country, shall be subject to the same rules which apply to domestic products in an analogous situation, rather than the rules applied to third country imports. As indicated in the communication of May 8 1992, the dismantling of frontier controls does not deprive the relevant authorities of the power to act anywhere within the territory right up to the external borders of that territory; however, as controls can no longer be applied simply on the grounds that a product or service has crossed the border, this intervention will have to form part of an integrated system of control covering the entire territory.

4. The transition to this new legal and administrative environment for intra-Community trade requires the adaptation of national rules and regulations, either on a unilateral basis or as part of the implementation of Community instruments, the transposition and implementation of Community law, and closer administrative cooperation.

1. ADAPTATION OF NATIONAL RULES

5. The main difficulty in doing away with controls on goods at internal frontiers stems from the great diversity of the controls applied, the number of administrative departments concerned in the Member States and the fact that those departments have to devise different arrangements for checking goods so as to do away with all discrimination and afford a presumption of equivalence for checks carried out in the country of origin.

To that extent, implementation of Article 100b could serve as a basis for the implementation of Article 8a. This adaptation of national rules will normally be carried out on the basis of the White Paper and the back-up measures taken at Community level. In some cases, however, national rules will have to be adapted unilaterally by Member States; otherwise, the Community would have to involve itself in new areas of legislation, despite the fact that all the Member States had comparable national rules.

6. The Commission has compiled, with the help of the heads of the national customs administrations, a list of all controls applied at frontiers. Over 500 controls have thus been identified, with most of them being applied by more than one Member State. For nearly a year, these controls have been kept under constant review by the Commission and the Member States, through the officials responsible for coordinating work on the internal market. This constant review has made it possible to pinpoint a "hard core" of controls which the Member States concerned deem difficult to abolish without back-up measures; against this, over 200 controls are being phased out unilaterally by Member States.

7. The aim of the exercise was to allow control infrastructures to be gradually adapted, while doing away with controls that are already unjustified without awaiting the deadline of 31 December 1992. It is regrettable that this aim has not been achieved, since very few controls have been abolished and since it will, therefore, be difficult to make the gradual changeover that the Commission would have liked to see in order to facilitate administrative management of the end-of-year deadline.

(a) Technical checks

8. All the Member States except Denmark have applied, or still apply, such checks at internal frontiers to ensure that certain imported products comply with national technical standards or regulations. The products concerned range from CB radios, through measuring instruments to motor vehicles. All these checks will be abolished by amending the relevant national provisions. Nevertheless, some Member States are demanding the adoption of common measures at external frontiers as a

condition for withdrawing these checks at internal frontiers; the Commission is consequently examining the checks carried out in those Member States in the light of Article 30 of the Treaty.

9. The Commission takes the view that only checks carried out throughout Community territory can genuinely protect the consumer and that concentrating checks at frontiers would inevitably increase risks rather than reduce them. This is because the risk of a product not being in conformity with a standard or technical regulation can exist in the case of goods manufactured within the Community as well as in the case of those imported from third countries. As a priority these checks need to be carried out on the market: that is the whole philosophy underlying the "new approach" developed by the Community. According to the directives adopted within this framework, the most dangerous products are subject to conformity assessment by a "third party" which, in the absence of reciprocal agreements with the third country in question, must be carried out on EC territory before the product can be placed on the market. Furthermore, importers responsible for the proper marketing of these imported products shall, under the terms of the product liability directive, be held responsible for any ensuing damages. The Commission has already presented to national representatives meeting within the Senior Officials Group on Standardization a working paper on possible cooperation arrangements for monitoring the market in products that fall within the scope of the "new approach" Directives. The aim of these discussions is to agree on simple but effective procedures for exchanging information on products that appear to present hazards before the safeguard clause is formally invoked, in order to make more effective the arrangements for the control of dangerous or non-conforming goods throughout the Community.

Discussions are also in progress on other precise arrangements for monitoring the market, such as the conditions under which technical documentation is examined by the supervisory authorities and the rights and obligations of the different national authorities in cases where the safeguard clause is relied on.

Provided the Member States and the Commission can come to a consensus on these supervision and cooperation methods, monitoring of the Community market will undoubtedly be more effective.

10. Nevertheless, consumers in a Member State should not be exposed to particular risks because of inadequate control infrastructures in a particular Member State or differences between systems of administrative controls. For this reason, the procedures for release for free circulation should enable goods that are deemed dangerous to be intercepted at external frontiers.

11. The following approach is being examined by Commission staff:

- Implementation of the Directive on general product safety should meet the concern that consumers should be protected against dangerous products, including imported ones. This Directive, which is currently at the common position stage and should enter into force in mid-1994, will enable emergency measures to be adopted as a last resort where there is a difference of opinion between Member States as to the action to be taken and where the specific Community procedures prove inadequate to deal with the serious and immediate hazard presented by a particular product. Under this procedure, the Commission will be able to adopt a decision requiring Member States to take temporary measures in respect of a particular dangerous product, e.g. by imposing a marketing ban and thus also an import ban. Implementation of this Directive must be without prejudice to the Directive on the official control of foodstuffs (Directive 89/397/EEC), which allows checks to be carried out where necessary on imports into the Community;
- Since the Directive on general product safety will not enter into force until mid-1994, the Commission could recommend that Member States already establish or strengthen lines of communication between the national contact point responsible for the rapid information exchange network established by Council Decision

89/45/EEC, which also applies to foodstuffs, and the national departments responsible for monitoring imports in order to assist the latter in identifying dangerous products and to enable the relevant legislation to be applied to imports of such products.

12. Discussions are continuing with the Member States, but it is already clear that extending the technical checks currently performed by certain Member States to all of the Community's external frontiers would not achieve the aim of affording protection against dangerous products because of the volume of trade to be checked, the technical difficulties involved and the fact that, since the product is not yet on the market, it does not necessarily have to be in conformity with technical regulations. It is nevertheless clear that by the 1st of January 1993 all Member States will have to equip themselves with a mechanism for guaranteeing the effectiveness of controls on dangerous products at their external frontiers.

(b) Veterinary checks

13. The foundations for the abolition of veterinary checks at internal frontiers are the organization of checks at external frontiers and the adoption of rules on free movement within the Community. In both these areas, the basic measures have been adopted and will enter into force on 1 July 1992.

14. The principles governing the organization of checks at external frontiers are established by two Directives, one concerning checks on products (Directive 90/675/EEC) and the other relating to checks on livestock (Directive 91/496/EEC amending Directives 89/662/EEC, 90/425/EEC and 90/675/EEC). For both these Directives, the Commission has still to adopt a large number of implementing decisions which are being prepared in conjunction with the Veterinary Committee (list of border inspection posts, intensity of physical checks, etc.).

15. Council Directives 89/662/EEC and 90/425/EEC lay down rules for stepping up checks at the place of origin, organizing checks at the place of destination and abolishing veterinary checks at internal frontiers for nearly all livestock products and most live animals. They do, however, contain review clauses and transitional provisions. It is essential that the Council complete the legislative work; in this connection, it has been presented with a proposal on live animals and one on livestock products. Adoption of these measures before 30 June will allow the entire regulatory framework for scrapping veterinary checks at internal frontiers to enter into force on 1 July 1992. Nevertheless, a specific proposal will have to be tabled to deal with checks on non-commercial movements of pets accompanying travellers.

16. The abolition of border checks goes hand in hand with the harmonization of national rules. Considerable progress has been made in recent years since only four proposals are still before the Council: two concerning raw milk and milk products, one on animal health for livestock and products not yet covered by the existing directives and one on public health for products which have not yet been harmonized. Many implementing measures have still to be adopted, however, before the framework put in place can become fully operational. Nevertheless, the directives removing frontier controls contain provisions which allow removal to take effect from 1 July 1992, even if implementing measures have not yet been adopted. Council is on the verge of completing its workload, which will enable the Commission to speed up the formulation of implementing measures in close cooperation with the veterinary committee.

17. Proper application of the Directives in the veterinary field and mutual confidence between Member States make it necessary for the competent authorities to be fully informed of imports of live animals and meat into the Community and movements of live animals within the Community. To that end, data-exchange networks are being set up between national administrations and will be operational from July. The installation of these networks is all the more important given that in the period before the adoption of implementing measures, exchange of information is needed to foster mutual confidence in the effectiveness of the various national systems of control.

(c) Plant-health checks

18. Abolition of these checks by 31 December 1992 is still being looked into by certain Member States, particularly in view of the discussions still in progress within the Council on harmful organisms; however, all the conditions for the entry into force on that date of the plant-health directives are met (in so far as the implementing legislation is in place). Some Member States are urging that the information-exchange network be operational by 31 December 1992. Provisions were adopted by the Commission in cooperation with the phytosanitary Committee in order to ensure the adoption of the implementing measures before the 31.12.92 deadline. Certain Member States insist that an information network be established by this date. This network will become operational in 1993 but cannot play a part in the introduction of the directives which will be finalized by the end of this year.

(d) Checks in connection with the common agricultural policy

19. The single administrative document is used to ensure that the rules on the operation of the common agricultural policy are complied with; the provisions relating to border checks are, therefore, written into the Community legislation itself. These checks are used for collecting monetary compensatory amounts, managing the transitional arrangements provided for by the Act of Accession and ensuring compliance with production rules.

- The system of monetary compensatory amounts is to be modified as part of a reform of the agri-monetary arrangements which the Commission will propose before the end of June and which should take effect before 1 January 1993. Border checks linked to monetary differentials on oil-seeds will no longer serve any purpose after 1 July 1992, when the new system of aid per hectare is brought in for the production of oilseeds, and after 1 January 1993, under the new agri-monetary system for peas, field beans and sweet lupins.
- The transitional arrangements provided for by the Act of Accession will continue to apply after 31 December 1992. Article 28 of the Single European act provides that the act shall be without prejudice to the provisions of the Act of Accession. These arrangements will have to be adopted to bring them into conformity with article 8a. Proposals will be tabled in June.
- Lastly, certain common organizations of the market rely on border checks; the products concerned are milk products, cereals and sugar. As and when the Commission decisions introducing these checks expire during the second half of 1992, the arrangements will be adapted.

(e) Health checks

20. Customs formalities also serve as a basis for checks on compliance with national rules, notably in the case of drugs, chemical substances, pharmaceutical products and foodstuffs. There is agreement on the need for back-up measures with regard to checks on drug precursors pursuant to Regulation (EEC) No 3676/90 concerning checks on psychotropic substances at external frontiers and the Commission's proposal (COM(90) 597) on the control of the manufacture and marketing of drug precursors. There are, however, some differences of opinion concerning:

- Checks on radioactive substances: By laying down common radiation protection standards, Directive 80/836/Euratom ensures that products which do not meet the standards cannot be placed on the market and that each Member State will check, in accordance with Article 6(a) of the Directive, that the use of radioactive substances is justified. And so, it can be argued that internal checks in each Member State suffice to protect the public or users of products containing such substances. Since the principles of free movement enshrined in the Euratom Treaty apply only to products covered by Chapters VI and XI, the proportionality of checks at internal frontiers has to be challenged on the basis of Article 30 of the EEC Treaty. Nevertheless, with a view to protecting the public more effectively against radiation hazards, the Commission is currently preparing a proposal aimed at ensuring that each Member State is informed when radioactive substances enter its territory; the Council will be asked to discuss it under the emergency procedure provided for by the Euratom Treaty;
- Checks on pharmaceutical products: Although certain Member States are still carrying out checks on imports of pharmaceutical products in general, including implants, or on certain types of import (mail-order sales and medicines for personal use), they all acknowledge that border checks are no longer necessary given the degree of harmonization achieved and the rules on drug monitoring. As far as imports are concerned, the obligations incumbent on authorized importers under the Community Directives and the administrative arrangements for monitoring the market in all Member States afford the necessary assurance that no undesirable products can be imported into the Community;
- Checks on chemical substances: All Member States are prepared to do away with these, except for checks performed by certain Member States on pigmentation modifiers, asbestos and products containing PCPs. As the objective of protection of public health is now embodied in a system of EC measures, these controls are now redundant and should be dismantled.

- Checks on foodstuffs: All Member States have arrangements for checking foodstuffs at frontiers; they are all prepared to do away with them at the Community's internal frontiers, but some of them are voicing concern with regard to checks on products imported into the Community. The Community has adopted two instruments in this area:
 - (i) Directive 87/357/EEC on products which, appearing to be other than they are, endanger the health or safety of consumers. This Directive, which has been transposed into national law in all Member States, requires them to prohibit imitation products, and this extends to banning imports of the latter into the Community from third countries. Since the Directive entered into force, the Commission has received five notifications from Member States concerning bans imposed on "dangerous" imitation products, of which four involved imported products; these notifications were made through the system for the rapid exchange of information. In another two cases, also involving imported products, the safeguard clause of the Directive on toys (Directive 88/378/EEC) was applied. The latter Directive does not, however, ensure that all Member States adopt the same measures in respect of the same product. This situation will change with the entry into force of the Directive on general product safety;
 - (ii) Directive 89/397/EEC on the official control of foodstuffs introduces official checks on foodstuffs at all stages in their marketing, including on import into the Community, and requires that conformity checks be carried out when foodstuffs are imported; it is the Commission's responsibility to ensure that all Member States effectively fulfil that obligation. In the case of products that constitute a serious and immediate danger, the notification procedure introduced by Decision 89/45/EEC applies in full; the Commission will ensure that information transmitted under the procedure is communicated to customs administrations so that they apply their controls in a coordinated fashion at external frontiers in order to prevent dangerous products being placed on the Community market. Where the hazard stems from a health problem in the country of origin, as is the case at present with the cholera epidemic, use of the early-warning system can be supplemented by specific import bans;
- Checks on dangerous products: In view of the principle of mutual recognition and the level of harmonization attained in the Community, the implementation of these controls at the frontiers is not necessary. Nevertheless, the administrative arrangements can be applied at external frontiers in cases where dangerous products banned from the market are detected under Community procedures.

The networks in place between the customs administrations already enable information to be exchanged on such products;

- Checks on the transport of corpses: All Member States except one are abandoning border checks as a means of ensuring compliance with national rules. To ensure that this does not create any health risks, work is in progress within the Commission to assess the need for harmonization.

21. The question has arisen as to the role of border checks on drugs and the need for Community measures to compensate for their abolition. The Commission has taken the view that the adoption of Regulation (EEC) No 3677/90, which ensures that external frontiers are managed on a common basis and that all Member States will ratify the Vienna Conventions, provides the assurance that comparable rules will be applied by all Member States. Meeting within a working party convened by the Commission, the Member States have confirmed this analysis, considering that legitimate trade in psychotropic substances can be carried on without border checks and on the basis of a simple administrative cooperation procedure.

(f) Economic and commercial checks

22. It is undoubtedly in this area that, against all expectations, the abolition of checks seems to be running into the greatest difficulty, and the Commission will need to take action under the Treaty to ensure that existing obligations are fulfilled:

- Checks on means of transport: These will be abolished without much difficulty. It is, however, essential that all Member States adopt common methods of control at external frontiers to prevent transport operators in third countries using bilateral quotas with a Member State in order to enter another Member State by virtue of the abolition of checks at internal frontiers. This is the thinking behind the proposal which the Commission tabled recently and which it wishes to see adopted by the end of the year;
- Checks on counterfeit goods: The Commission takes the view that Regulation (EEC) No 3842/86, which has been in force throughout the Community for some months now, affords industrialists in all Member States similar remedies against counterfeit goods imported into the Community. Checks at internal frontiers can thus be dismantled forthwith. Four Member States are, nevertheless, experiencing difficulties, one of them because it regards the Regulation as being insufficient in the absence of administrative cooperation to combat counterfeit goods, another because it takes the view that counterfeit goods can constitute a safety hazard in certain cases, and the other two because the Regulation does not deal with the copyright aspects of counterfeit goods.

The Commission considers that, although the delay in setting up the system provided for by Regulation (EEC) No 3842/86 was entirely the responsibility of the Member States, they have now taken the necessary measures for applying the arrangements consistently at external frontiers.

In the present circumstances, then, checks at internal frontiers are no longer justified. The existing customs networks also enable any useful information to be exchanged where necessary;

- Checks on precious metals: Four Member States intend to maintain border checks in order to secure compliance with their national rules and to protect consumers. The Commission does not regard border checks as a suitable means of ensuring compliance with a technical rule of any kind; such checks should be carried out on the market. It will, therefore, press ahead with the infringement proceedings while it prepares a proposal to ensure that the essential interests of consumers are properly protected on the market;
- Checks linked to the application of Article 115: Clearly, these checks can be performed only if they have been authorized by the Commission. As the latter announced in its December 1991 communication, the only authorizations that will remain in force from 1 July 1992 until the end of the year will concern motor vehicles, motor cycles and bananas. Accordingly, the accompanying measures that have been devised for motor vehicles and motor cycles will be followed in July by proposals for the banana market based on consultations set in train by the Commission communication.

(g) Security checks

23. Some of these checks will have to be the subject of back-up measures by the end of the year if the abolition of border checks is not to create loopholes in national systems. This is the case with export controls for strategic products and controls on explosives. Work is in progress in both areas, but proposals have so far been put forward only for rules governing the transfer of explosives. On export controls for strategic products and nuclear materials, progress made in discussions within the Council and through the political cooperation process has been such that the formal proposals announced in April have been postponed until June.

24. Certain areas are governed by international rules that should suffice to ensure that the internal market functions smoothly if all Member States acceded to the relevant instruments. This is the case with the IAEA recommendation on radioactive substances and ores and with the International treaty on ballistic products and technology, which has been ratified by all Member States except Greece, Ireland and Portugal.

25. Other checks should be scrapped unilaterally:

- Checks on authorized weapons are covered by a Directive which is due to enter into force on 31 December 1992. The checks in question should, therefore, disappear as part of the process of transposing the Directive into national law. It is essential that the Commission should be able to ensure mutual confidence in the implementation of the Directive through the establishment of a network for the necessary exchanges of information between supervisory authorities;
- The checks on flick-knives carried out by one Member State do not seem to be justified. The question of the compatibility of such checks with the above-mentioned Directive and with Article 30 will have to be examined;
- The war against laundering of drugs-money cannot a priori justify retaining declarations for export of capital at internal frontiers, even if these declarations are authorised within certain limits under directive 88/361 EEC on the free movement of capital. In essence by adopting directive 91/308 EEC on the fight against money-laundering, all Member countries will be equipped with equivalent preventive mechanisms operating through financial institutions. In the framework of Directive 88/361 EEC an infringement procedure was instigated against Italy in order to suppress limits on the physical export of coins and bearer securities for amounts exceeding 20 million Lires. An analysis of the legality of French legislation is under way.

(h) Environmental checks

26. The Community rules on the environment cannot under any circumstances be used as a justification for carrying out checks at the Community's internal frontiers. The Commission thus takes the view that, since the Community rules ensure that comparable national provisions are applied, most of the checks are disproportionate and that it should be possible to dismantle them immediately:

- Checks on protected species of flora and fauna are provided for in Regulation (EEC) No 3626/82; species protected under the Regulation cannot enter the Community without a Cites certificate and cannot enter a Member State without one if they are on that country's list. The existence or non-existence of the certificate thus suffices to establish, in particular when a specimen is being transported, whether or not the conditions stipulated by the Regulation are met.

The proposal currently before the Council (COM(91) 448) is designed to abolish national arrangements, but its adoption is not necessary for doing away with checks at internal frontiers. Some Member States are still determined to retain their checks in order to protect certain domestic species against hunters or predators; the Commission takes the view that border checks cannot afford useful and effective protection;

- Radioactive waste, the intra-Community transfer of which is organized by Directive 92/3/Euratom, is governed by common radiation protection standards and so should no longer be subject to border checks;
- Conventional waste, which is checked at borders by four Member States, is the subject of a proposal for a Regulation on cross-border transfers. Adoption of the proposal should provide all the necessary guarantees of safety by ensuring that waste movements are properly monitored and controlled within the Community and on entering and leaving it. The Directive should ensure that checks on transfers between Member States are no longer carried out at borders, but as part of the normal checks performed within national territory;
- The shipment of radioactive materials is covered by a measure abolishing border checks which applies also to goods covered by the ADR Convention. As a result, maintenance of such checks is incompatible with Regulation (EEC) No 3356/91.

(i) Public morality checks

27. All Member States except one have agreed to do away with all these checks, which are carried out in particular on books, audiovisual products and gaming machines. Control arrangements will remain at external frontiers; all Member States take a similar stance on the protection of public morality. Furthermore, under Article 36 of the EEC Treaty, Member States remain free to protect their citizens against what they consider to be unjustified breaches of public morality, provided that the action they take is non-discriminatory and proportionate to the aim pursued.

(j) Checks on national treasures

28. Proposals on the return of cultural objects unlawfully moved to another Member State and on the export of cultural goods have been sent to the Council. They are still being considered by the Council and Parliament.

II. IMPLEMENTATION OF COMMUNITY LEGISLATION

29. The correct application of Community law is the best possible way of guaranteeing mutual confidence between Member States. The Commission acts as guarantor by way of the procedures laid down in the Treaty for ensuring that Member States fulfil their obligations. Any delay in bringing in measures linked to the abolition of border checks, i.e. White Paper measures aimed at dismantling technical and tax frontiers, is bound to jeopardize the removal of border controls on movements from the Member State responsible for the delay. Steps must be taken, therefore, to ensure that all Member States are in a position to fulfil their obligations by the end of the year.

30. It is, however, precisely in the two areas of physical and tax frontiers that the longest delays have built up. While, in the customs field, most of the measures have been taken in the form of regulations and are thus directly applicable, each instrument in the veterinary, plant health and taxation fields has to be transposed into national law. The rate of transposition in these fields as at 31 May 1992 was only 67%, compared with an average of 75% for the White Paper as a whole. The situation is all the more worrying in that many measures have yet to enter into force, particularly in the areas of indirect taxation and the abolition of veterinary and plant-health checks.

31. Many of these instruments require not only formal transposition, but also administrative arrangements for cooperation between national administrations. This is the case in particular with the Directive on the acquisition and possession of weapons.

32. The external dimension is also concerned by the implementation of Community rules since, within the limits outlined earlier, the national administrations - and in the forefront, the customs administration - have to ensure that imported products comply with these rules. Release for free circulation on the Community market will be the only administrative procedure before goods are placed on the market in all Member States, whereas, at the moment, import into the Community is followed by administrative formalities before goods are allowed onto each of the domestic markets. The Commission will therefore have to set up monitoring machinery to ensure that this principle is observed, so that distortions of competition are prevented; the national systems of penalties will have to be examined in this context.

33. Management of the external frontier has certain special features in some cases, such as Greece's land frontier. Whereas, in the case of ports and airports, the Community rules define Intra-Community

movements clearly, a consignment arriving at a land frontier after passing through a third country is deemed to be crossing an external frontier. In the framework of the committee on Community transit, the Commission established, on May 7th 1992, an administrative arrangement on the priority treatment of EC goods which cross third countries which are not members of EFTA when being transported from one part of the EC market to another. This arrangement which is provided for in the implementation of rules on Community transit, could lead to the creation of special routes for external border crossings by trucks which meet requirements ensuring that their load has not been affected during transit, on the basis of checks on accompanying documents and seals.

34. Another special feature concerns those parts of the Community which lie outside the customs territory. These regions have to apply all the Community rules, and in particular all the rules relating to health protection, product safety and the environment. The only provisions that do not apply to them are the customs rules and, in some cases, the tax rules. As far as trade in goods is concerned, the Member States apply control measures according to the specific arrangements applicable to these regions (e.g. levies where quantitative restrictions are in force). Consequently, the question of checks on these goods at internal frontiers does not arise here, since the checks are performed when the goods enter the customs territory of the Community.

III. COOPERATION BETWEEN NATIONAL ADMINISTRATIONS

35. The Commission has repeatedly drawn the Member States' attention to the importance of cooperation as a means of building mutual confidence between their administrations. Two instruments are being put in place: electronic data transmission (EDT) networks, and exchanges of officials.

36. Without awaiting the entry into force of the new Treaty, and in particular Articles 129b et seq. thereof, the Commission has obtained the budgetary resources necessary for setting up operational networks by the end of the year in certain priority areas; an amount of ECU 52.6 million has thus been released for establishing such networks in the customs and tax fields, for the compilation and dissemination of statistics and for veterinary and plant-health checks.

37. In the customs field, the establishment of EDT networks linking administrations pursues three main aims:

- To ensure that the customs rules and the customs tariff are applied consistently and even-handedly:

- . The system of information on the common external tariff currently in operation (Taric I) is being remodelled (Taric II). The new version should enable tariff updates to be transmitted daily to the Member States, will offer enhanced functions and will incorporate data on agriculture. Taric II should come into operation on 1 January 1994;
 - . The central database on binding tariff information is in place but the Member States have still to be linked up. Under the Caddia programme, the Commission will, from July 1992, be installing PCs in the Member States that will enable them to consult the central database, but also to enter binding tariff information and transmit it electronically or on disk. The base also includes all relevant information on the classification of goods. To cope with the problem of multilingualism, it is planned to publish an invitation to tender for the installation of a nine-language professional thesaurus which should enhance the functions of the system;
 - . It has been decided to set up a central database for determining customs value. The timetable has not yet been fixed;
- To tighten up controls on products subject to specific customs arrangements:

The EEC/EFTA common transit procedures are being automated on a trial basis. A pilot system will be set up in July 1992 in 14 customs offices in five different countries; it will be extended to certain customs offices in 18 countries in early 1993. Full introduction of the system will depend, however, on the results of the pilot project and the budgetary efforts that the countries concerned are prepared to make;

The system for managing tariff quotas (Quota) enables data to be exchanged electronically with Member States. Six countries are already connected to the central host; the other six will be before the end of 1993. The Quota application will be brought into line with the X400 standard and integrated into the Caddia national hosts project. An EDT system will shortly be put into operation for managing import ceilings;

- To develop cooperation between customs administrations so as to lend greater effectiveness to fraud investigations:

The new version of the Scent system will be available from September 1992 and will become operational for Member States in December 1992. It will enable messages to be transmitted direct between customs administrations, the addressees being instantly notified of their arrival. The new system will be operational as of March 1993;

- . The Customs Information System (CIS) is under development. Based on Scent technology, it will offer extra functions, in line with users' requests. Messages will be standardized, and six different formats will be available. A central database will store all the messages transmitted and make them available for consultation by Member States. The standard screen displays have now been developed in the nine Community languages. Introduction of the new system will begin in the autumn of 1992. A total of 150 workstations will be installed in the Member States and training will be provided for 1 100 users. The CIS will be fully operational by October 1993.

38. In the tax field, the data-transmission networks to be set up have to fulfil three functions:

- Electronic exchange of VAT data: A project concerned with identifying taxable persons and compiling details of their intra-Community transactions is at the development stage.

The computers have been installed in the Member States in May and the system will begin operating in November this year. It will initially enable information to be exchanged concerning the VAT identification codes of traders in the Member States. Data on turnover in intra-Community commercial transactions will be exchanged from July 1993 onwards, as provided for by the rules on administrative cooperation;

- Exchange of information on dutiable goods: A central database to facilitate checks on movements of products subject to excise duty between warehouses will be set up. The timetable for implementation has yet to be fixed;
- Measures to combat fraud: Coordination of anti-fraud measures in the VAT and excise-duty fields will be stepped up through the introduction of an electronic mail system, Scent Fiscal. Development of this application will begin in October 1992 and will involve the installation of workstations in the Member States.

39. In the statistical field, the Comedi project will involve setting up infrastructure at Community level for collecting and checking firms' intrastat returns, aggregating the data and disseminating the resulting statistics on intra-Community trade. The system specifications will be finalized by the end of the first half of 1992. The invitation to tender for the supply of the necessary hardware and software will be published in September, enabling the system to be installed in some Member States by the end of the year. The modules for entering intrastat returns will be made available to the Member States in the course of the year. The action plan for promoting Comedi and raising awareness among businesses will be implemented between June and December 1992. Comext 93, the system for disseminating statistics, will be developed between May 1992 and March 1993.

40. In the veterinary and plant-health fields, three systems are planned to ensure that public health is adequately protected and that the Community rules are applied uniformly:

- Animo: This network will link up, through an electronic mail system, Member States' local veterinary units, border inspection posts and central authorities. It will enable messages concerning consignments of live animals and certain livestock products to be sent from the unit of origin to the unit of destination. The Commission adopted in July 1991 the financial provisions for establishing the network and is in the process of adopting the necessary technical provisions. The network should normally be operational by 1 July 1992, but it is now up to the Member States to install the requisite hardware, and in particular some 2 000 workstations, with some of the necessary finance being provided by the Community;
- Shift: the main features of this network will be computerization of veterinary procedures for imports, reporting of cases where a batch is sent back by the veterinary officer at a border inspection post, and database storage of information on the conditions of importation and on imports of live animals and livestock products.

The Commission recently sent the Council a new proposal on which it is seeking an early decision. The database on the conditions of importation is currently being set up, with the data still being validated. Once this phase has been completed, the data will be directly accessible by the Member States. In addition, the functional analysis for the establishment and operation of a central database on batches sent back by border posts has been completed; the relevant guidelines must be approved before the database can become operational. Thus, as soon as the Directives abolishing veterinary checks at intra-Community frontiers enter into force, the competent national administrations will possess the information they need to check imports.

Consideration will still have to be given to the question of the electronic transmission of inspection certificates issued by veterinary inspection units in exporting countries; a proposal for creating decentralized databases containing information on each Member State's national requirements for admitting imported meat and livestock has been presented to the Member States;

- Phytan: This network concerns checks on plant products and animal feedingstuffs, while Europhyt relates specifically to quarantine measures for plants (plant-health checks). A feasibility study is currently being carried out with a view to setting up a network for the notification of any emergence of, or evolution in, organisms harmful to plants or crop products. This computerized data-exchange system will be gradually introduced as from January 1993.

41. All this work is being monitored by a group of senior national officials and by different technical working parties in conjunction with the administrations concerned. The projects described are in response to the priority need to ensure the smooth functioning of the frontier-free area, as presented by the Commission in its communication of 7 October 1991.² The development of these projects should be regarded as a provisional solution satisfying urgent needs. Clearly, the requirements linked to operation of the internal market extend beyond those listed; the management of Community quantitative restrictions on imports and exports (including monitoring measures) and on the exchange of information on import and export controls on dual-use goods and technologies, as well as the management of certification and marketing authorizations for goods that comply with Community technical rules, will also call for efforts to be deployed in the context of Articles 129b et seq. of the new Treaty.

42. Nevertheless, the juxtaposition of specific networks is satisfactory only in the short term since it does not permit full use of their capacities or effectiveness as regards national and Community spending. It is therefore necessary to move towards integration of these networks without detracting from their specific features, but with a view to establishing a genuine multiservice infrastructure. The transition should form part of the Community's general policy on developing trans-European networks. According to the new Treaty, and in particular Article 129c, the Commission will propose EDI network "master plans" that will enable the Community's budgetary and administrative efforts to be concentrated on a particular objective and will ensure that developments are consistent and properly timed.

43. The Commission has already had occasion to stress the importance of exchanges of officials between national administrations in developing administrative cooperation, awareness of each other's working methods, and reciprocal training arrangements. Exchanges between national customs administrations are being organized under the Matthaeus programme, which the Council adopted in 1991.

Under a similar scheme introduced in the veterinary sector by Decision 91/280/EEC, a first round of exchanges between the national administrations took place in 1991, while training sessions were held in Lyon and Berlin; a second programme involving 41 officials is to be run in 1992. Furthermore, the Council has adopted a common position on an action plan for the exchange of officials in the areas affected by the rules governing the operation of the internal market. As soon as the action plan has been formally adopted, the Commission will draw up, in conjunction with the Member States, a list of the areas that should take priority; these should chiefly be the areas affected by the abolition of frontier controls.

CONCLUSIONS

44. This communication develops in greater detail the analysis of border controls on goods, services and capital set out in the more general communication of 8 May 1992. It confirms the efforts that will have to be made by all the Community institutions and by the Member States to ensure that the obligations regarding completion of the internal market laid down in Article 8a are fulfilled in their entirety. Although none of the areas taken individually poses any major problem, the diversity of the measures to be taken requires that work in the different areas be coordinated closely and that the deadlines for the different steps in the decision-making procedure be scrupulously observed. An overview of the entire decision-making process involved is given in the Annex.

45. In the months left until the end of the year, action will have to be taken on three fronts simultaneously, viz. legislative action by the Community, the adaptation of national laws, and cooperation between national administrations:

- The Council still has to adopt 13 of the 21 proposals listed in the attached work programme; a common position has been reached on only one of them (movements of waste), while all the others are still being discussed by Council working parties, with some still awaiting Parliament's opinion.

The situation in the field of agricultural products requires particular attention. Several proposals still have to be put forward (monetary compensatory amounts, checks linked to the Act of Accession, organization of the banana market, pets). Work is continuing on harmonising veterinary and plant health rules

What can be done to make sure that all these measures are adopted by the end of the year, due regard being had to the time needed to implement them and to the constraints of the cooperation procedures?

- (i) The Commission will refer to Parliament as a matter of urgency, in time for its September part-session, all the proposals on which it has not delivered an opinion by the end of its July part-session;
 - (ii) The Commission will ask for a special meeting of the Council (agriculture) to be convened in October in order to examine all the proposals still before it at that date; it will request the Council (internal market) to discuss at its meeting in September the proposals on drug precursors, checks on means of transport registered in third countries, medical appliances, export control on strategic products and explosives. All the measures must be adopted by October;
- In parallel, the Commission, in conjunction with the member countries, will continue its regular analysis of the adaptation of national controls. If a Member State were to question the justification for doing away with a particular check, the Commission would use all the means at its disposal under the Treaty to challenge those checks it deemed disproportionate. This approach will apply in particular to technical checks carried out at frontiers or to any other checks that could be carried out just as effectively at the external frontier. Comparative figures on the transposition rate will be presented to the Council at each of its meetings to ensure that Member States are equally diligent in fulfilling their obligations by the end of the year;
 - Lastly, the Commission is convinced that new cooperation instruments will be made available to the administrations by the end of the year, as a matter of priority in those areas where implementation of Community measures relies on such cooperation. Progress so far in implementing electronic data-transmission networks is entirely satisfactory. Clearly, regular review of the situation will be called for to identify any new problems but, at this stage and although time is very short for all that remains to be done, we can be confident that the necessary computerized telecommunications systems will be available when required.

46. The concerns voiced by certain delegations over checks on the conformity of products imported into the Community can be met in full through existing instruments. The Commission will, in the weeks ahead, take the necessary steps to ensure that these instruments are applied at the Community's external frontiers.

47. The Commission cannot, however, rule out the possibility of unexpected difficulties arising, particularly during the early months of operation of the frontier-free area. As the Council has requested, machinery has to be set up for monitoring the operation of the Community market, in conjunction with all the Member States, so that information can be exchanged quickly, the necessary response identified, and coordinated action organized in all Member States. Accordingly, the Commission will propose that a framework be set up to ensure that emergency measures are taken in the event of a threat to health or safety.

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**ABOLITION OF PHYSICAL CONTROLS
AT FRONTIERS**

WORK PROGRAMME

Area	Proposal	Parliament
A. ABOLITION OF FISCAL CONTROLS		
VAT - accompanying measures : . gold . transport of passengers . second hand goods	COM (88)846	opinion given
B. ABOLITION OF VETERINARY CONTROLS		
- "all embracing" directive	COM (89)500 COM (89)658 COM (88)836	opinion given
- accompanying animals	COM (89)667	opinion given
- production and marketing of dairy products	COM (89)672	opinion given
- milk and milk products	COM (89)672	opinion given
C. ABOLITION OF CONTROLS LINKED TO THE COMMON AGRICULTURAL POLICY		
- abolition of compensatory amounts - adjustment of the common organisation of the market in cereals, milk and sugar - adjustment of the controls linked to the Act of Accession		
D. ABOLITION OF HEALTH CONTROLS		
- control on the production and the marketing of drug precursors	COM (90)597	Opinion given
- medical devices	COM (91)287	Opinion given
E. ABOLITION OF ECONOMIC AND COMMERCIAL CONTROLS		
- organisation of the market for bananas - control of means on transport registered in third countries - precious metals	COM (92)105	