

European Communities

---

EUROPEAN PARLIAMENT

# Working Documents

1 9 8 4 - 1 9 8 5

---

26 March 1984

DOCUMENT 1-32/84

## Report

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

on the need to implement the internal European  
market

Rapporteurs: Mr J. MOREAU and  
Mr K. von WOGAU

PE 89.088/fin.

Or. Fr.



By letter of 27 May 1983, the Committee on Economic and Monetary Affairs requested authorization to draw up a report on the implementation of the internal European market.

At its meeting of 29 June 1983 the European Parliament granted the committee authorization to draw up this report.

At its sitting of 6 June 1983 the European Parliament referred the motion for a resolution tabled by Mr Wedekind and others (Doc. 1-355/83) pursuant to Rule 47 of the Rules of Procedure to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Budgets, the Committee on Energy, Research and Technology and the Committee on External Economic Relations for opinions. The Committee on Economic and Monetary Affairs decided to deal with this motion for a resolution in its report on the internal market. The other committees decided not to deliver opinions.

At its sitting of 10 October 1983, the European Parliament referred the motion for a resolution tabled by Mrs Theobald-Paoli (Doc. 1-796/83) pursuant to Rule 47 of the Rules of Procedure to the Committee on Economic and Monetary Affairs as the committee responsible and to the Legal Affairs Committee for an opinion. The Committee on Economic and Monetary Affairs decided to deal with this motion for a resolution in its report on the internal market. The Legal Affairs Committee decided not to deliver an opinion.

At its sitting of 10 October 1983, the European Parliament referred the motion for a resolution tabled by Mrs Theobald-Paoli (Doc. 1-761/83) pursuant to Rule 47 of the Rules of Procedure to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Development and Cooperation and the Committee on External Economic Relations for opinions. The Committee on Economic and Monetary Affairs decided to deal with this motion for a resolution in its report on the internal market. The other committees decided not to deliver opinions.

On 20 December 1983 the Committee on Economic and Monetary Affairs appointed Mr J. Moreau and Mr K. von Wogau rapporteurs.

At its meetings of 29 November 1983, 31 January 1984, 24 February 1984 and 29 February 1984 the committee considered the draft report. The motion for a resolution as a whole was adopted unanimously on 29 February 1984.

The following took part in the vote: Mr J. Moreau, chairman and rapporteur; Mr von Wogau, rapporteur; Mr Bonaccini, Mr Delorozoy, Mrs Desouches, Mr Fernandez, Mr Herman, Mr Leonardi, Mr Purvis (deputizing for Mr Beazley), Mr Rogalla (deputizing for Mr Schinzel) and Mr Welsh.

The report was tabled on 16 March.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

## CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	15
INTRODUCTION	15
PART I : ABOLITION OF OBSTACLES TO TRANSFRONTIER GOODS TRAFFIC	21
(a) Collection of VAT on imported goods - 14th VAT Directive	21
(b) Statistical data on trade between Member States	22
(c) Temporary importation of goods from another Member State	24
(d) Facilitation of formalities and inspections in respect of the carriage of goods between Member States	24
(e) Checks on travellers at the Community's internal frontiers	25
(f) Duty-free allowances for individuals travelling from one Member State to another	26
(g) Other provisions resulting in inspections and formalities at the Community's internal frontiers:	26
- monetary compensatory amounts in agriculture	26
- inspections relating to the carriage of goods by road between Member States	27
- veterinary and health inspections	28
(h) Closer cooperation between the Customs authorities of the Member States in the Community	28
(i) Conclusion	29
PART II : CREATION OF A FRAMEWORK FOR ACHIEVING A REAL EUROPEAN INTERNAL MARKET, PARTICULARLY FOR NEW PRODUCTS	30
(a) European standards	31
(b) Opening up of the public sector market	35
(c) Patents and trademarks	36
(d) Removal of technical barriers through harmonization on the basis of Article 100 of the EEC Treaty	37
(e) Ruling by the Court of Justice in the 'Cassis de Dijon' case	38
(f) Priorities for the removal of technical barriers to trade	39
(g) More powers for the Commission in accordance with Article 155 of the EEC Treaty	40
(h) Harmonization proposals currently under discussion	40
(i) A new instrument of trade policy	41
(j) Cooperation in the industrial and research fields and the legal form of European firms	43
(k) Conclusions	44

		<u>Page</u>
Annex I	Motion for a resolution tabled by Mr Wedekind and others on behalf of the EPP group pursuant to Rule 47 of the Rules of Procedure on improving European standardization (Doc. 1-355/83)	45
Annex II	Motion for a resolution tabled by Mrs Theobald-Paoli pursuant to Rule 47 of the Rules of Procedure on the organization of a European Industrial Area (Doc. 1-761/83)	48
Annex III	Motion for a resolution tabled by Mrs Theobald-Paoli pursuant to Rule 47 of the Rules of Procedure on the legal environment necessary for the organization of a European Industrial Area (Doc. 1-796/83)	50

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

MOTION FOR A RESOLUTION

on the need to implement the internal European market

The European Parliament,

- having regard to various motions for resolutions (Doc. 1-355/83, Doc. 1-796/83, and Doc. 1-761/83),
- having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-32/84),

A whereas, despite a certain improvement, the overall economic situation in all the Member States of the Community, is still characterized, albeit to a varying extent, by unemployment, social unrest, lack of risk capital, insufficient willingness to invest - either in traditional industries or in the industries of the future - and increasing structural and regional imbalances, and certain Member States have still made insufficient progress in reducing inflation and their balance of payments deficits,

B whereas opening up the internal European market by eliminating technical and administrative obstacles to trade and abolishing unnecessary customs formalities can play an important part in improving the competitiveness of European firms and consequently in overcoming stagnation and unemployment.

1. Recalls that by signing the EEC Treaty, the Member States committed themselves under Article 2 to approximating progressively their economic policies, to establish a common market - the internal market - with a view to attaining the following direct general objectives:

- (a) a harmonious development of economic activities,
- (b) a continuous and balanced expansion,
- (c) an increase in stability,

- (d) raising the standard of living,
  - (e) closer relations between the states;
2. Notes with concern that the unfavourable overall economic situation which has now lasted for over a decade is increasingly calling into question the achievement of the measures set out in Article 3 of the EEC Treaty to establish a common market, as the governments of the Member States of the Community represented in the Council have proved unable, following customs union in 1968, to establish an internal market in which trade between the Member States can develop freely;
  3. Sees the principle of economic freedom of movement in the Community jeopardized and points out to the people of Europe that they are not enjoying fully the basic freedoms enshrined in the EEC Treaty, such as the free exchange of goods, freedom of movement, free trade in services and free movement of capital or payments;
  4. Attributes the failure to progress with the unifying of national markets to form a joint economy to a lack of political will, an inadequate awareness of the Community and adherence to national habits among the governments of the Member States represented in the Council of the European Communities as well as to shortcomings in the European Council, and to the decision-making procedure adopted by Community Institutions; believes, therefore, that it is necessary to change the decision-making procedures currently in use in the Community Institutions;
  5. (a) Sees this as a violation by the Member States of their legal and political commitment under Article 5 of the EEC Treaty to take 'all appropriate measures, whether general or particular, to ensure fulfilment of the obligations arising out of this Treaty or resulting from action taken by Institutions of the Community'. 'They shall facilitate the achievement of the Community's tasks. They shall abstain from any measure which could jeopardize the attainment of the objectives of this Treaty';  
  
(b) Sees the most recent decisions of the European Court of Justice in the foreign currency sphere and similar, earlier judgments relating to the internal market as confirmation that Parliament's action is justified;



- (c) Emphasizes with regret that the administrations in the Member States time and again flaunt legislation which has applied to the European internal market for 25 years, show by their behaviour that they consider the creation of a common market as politically negotiable and steadfastly ignore the fact that the legal priority of the common market principle of the EEC Treaty has been guaranteed by decisions of the European Court of Justice since its inception;
6. Calls on the Commission not only to inform the European public clearly and in a far more comprehensive manner than hitherto of the aims of the EEC Treaty but also to analyse and highlight the reasons which have led to the present difficulties and unsatisfactory, unbalanced development of the various common policies provided for in the Treaty which are needed to achieve a real Common Market;
7. Considers that the recent incidents at the frontiers of various Member States which generated public unrest and led to considerable wastage, illustrate the problems involved;
8. Draws attention to the enormous expense to national economies, and thus to every individual citizen in the Community, as described in the explanatory statement, or the continued existence of non-tariff obstacles to trade and the creation of new administrative hindrances to the free movement of persons, goods, capital and payments at the internal frontiers of the Member States of the Community; stresses that the lack of a unified market impairs the competitiveness of European industry, particularly in the advanced technology sectors;
9. Draws attention to the outcome of the talks conducted by a delegation of its Committee on Economic and Monetary Affairs with members of governments and parliaments and representatives of the industries and authorities concerned in all the Member States on problems relating to the achievement of an internal market;
10. Welcomes the consensus which emerged at the meeting between the Committee on Economic and Monetary Affairs and representatives of the national parliaments of all the Member States on the aims and methods to be adopted to expedite achievement of a unified internal market;

11. (a) Believes it necessary for the Commission to submit to the Council for adoption within the very near future a programme to consolidate the development of the Community internal market, having regard in particular to its earlier work in this field;
- (b) Urges that this programme, in addition to reviewing the current situation, should list the legislative measures which should enter into law before the accession of further Member States to the Community so that development, working and living conditions are created on the internal market which will on the one hand enable business in the Member States to make better use of the enlarged common market to adapt their structures to enable Europe to retain and increase its competitiveness on the world market, and on the other convince the citizens of the Member States that they are living in a Community without internal frontiers;
- (c) Hopes that the Commission and Council will take account of the following considerations and demands;

o o  
o

- Freedom of movement

12. Believes, having regard to the achievement of the European Passport Union, that the Commission should submit without delay a proposal for a regulation to abolish systematic personal checks at internal borders;
13. Calls on the Commission to take steps to promote a declaration by the governments of the Member States to facilitate cooperation between the police and security authorities to ensure effective and uniform controls throughout the Community, and in particular at its external frontiers;
14. Believes it necessary that the Council adopt directives submitted by the Commission, as amended by Parliament, to ensure that the tax-free allowances for goods and commodities brought from one Member State to another in intra-Community travel are significant enough to preclude any unjustified and expensive monitoring system;

15. Insists that the Sixth Directive on the harmonization of provisions laid down by law, regulation or administrative action relating to exemption from turnover tax and excise duty on imports in international travel, which is currently before the Council and which would remove some of the quantitative restrictions on certain goods and raise the tax-free allowance to 400 ECU, should be adopted immediately as a matter of urgency;
16. Calls on the Commission to submit proposals on ways to enable people living in frontier regions to use minor frontier crossing points at all times of day or night;
17. Calls on the Member States to continue with their efforts to introduce special priority channels for Community nationals at airports, ports and major frontier crossing points; calls on the Commission and the Member States of the Community to experiment with and introduce additional organizational measures to shorten the time taken by border controls;

- Free movement of goods -

18. Calls for the immediate adoption of the 14th Directive on harmonizing the legislation of the Member States on turnover taxes (deferred payment of tax owed at point of import); the budget policy misgivings in certain Member States could be countered by the appropriate technical provisions;
19. Recalls that the approximation of value-added tax rates is a major requirement for the definitive abolition of border controls;
20. Calls on each Member State to consult the other Member States when altering their value-added tax and excise duty rates so that the differences between the various Community countries, particularly neighbouring countries do not become even greater;
21. Regards a further simplification of accompanying documents as an essential measure and calls for a swift conclusion to the preliminary work to ensure the compatibility of computerized data in all Member States; stresses, however, that in the long term all documentation activities, particularly the collection of statistical data, must take place within the Member States;

- 22 . Regards legislative measures necessary to avoid the need for internal trade statistics continuing to hinder intra-Community trade;
- 23 . Calls for legislative proposals to transfer from the frontiers to the interior of the Member States not only the checks which the collection of agricultural monetary compensatory amounts will involve for as long as they exist but also controls carried out for fiscal purposes on transfrontier road transport; the same applies to veterinary and health checks;
- 24 . Emphasizes that the creation of common customs legislation and a uniform customs procedure for processing goods from third countries are essential;
- 25 . Calls as a way of attaining this objective for measures to improve cooperation between national customs administrations as the first step towards combining the customs services in the Member States to form a common customs authority which ultimately will exercise its powers solely in relation to third countries; invites the Commission to propose the setting up of a Community customs training centre;
- 26 . Calls for the Council to take the necessary decisions without delay for the codification of Community customs law;

- Free trade in services

- 27 . Calls on the Commission to assess current practice as regards the free trade in services and to submit proposals with a view to promoting intra-Community trade in services free from any discrimination; points out that even today the activities of craft undertakings located near internal borders are affected by obstacles to the free trade in services; in addition, the temporary importation of goods for service, repair and testing should be facilitated by specially eased customs formalities;
- 28 . Notes, therefore, with satisfaction the adoption of the regulation on the temporary importation of goods from other Member States, as this will considerably facilitate the work of craftsmen and press photographers crossing frontiers in the exercise of their trade. The scope of the regulation should be extended to include commercial samples and art objects;

- Creation of a framework for achieving a real European internal market and ensuring freedom of competition

29. Is concerned at the declining competitiveness of European industry and convinced that an essential cause thereof is the unsatisfactory achievement of a free trade in goods and services within the Community; points out that the internal European market has still not been achieved, particularly in the field of advanced technologies; different technical approval criteria and the lack of European tender procedures are some of the main reasons for this;
  30. Urges the Council to adopt within the very near future the 15 proposals for directives to eliminate technical obstacles to trade which have been before it for a long time;
  31. Calls on the Council to adopt without delay a special Community certification procedure for products from third countries, which should however be used only for sensitive products;
  32. Calls for wider enforcement of the principle upheld by the Court of Justice that a product which has been tested and approved in one Member State of the Community must be approved in the other Member States except when this conflicts with more important considerations;
  33. Calls, therefore, on this basis for the mutual recognition of technical approval certificates in the Member States of the Community;
  34. Urges the Council to back the Commission in its efforts to use the Community's negotiation strength and powers within Articles 6, 18 and 99 of GATT to ensure that the Community's rights to provide proper protection for the internal market are enforced, while improving the opportunities for Community exporters;
- Technical standards
35. Recognizes that harmonization on the basis of directives under Article 100 should also be pursued, particularly in cases where health and safety are concerned;

36. Wishes the harmonization directives submitted by the Commission, while maintaining the political and legal responsibilities of the Commission and the Council, to entrust the finalization of technical details to the European standards institutes, CEN and CENELEC;
37. Calls for the statutes of CEN/CENELEC to be improved to enable them to perform this task. This will include procedural improvements, and in particular the use of the majority system in both institutions;
38. Reaffirms Parliament's view that powers should be delegated to the Commission to enact implementing directives pursuant to Article 155 of the Treaty, while framework directives should be adopted pursuant to Article 100 of the Treaty;
39. Points out that according to several published studies the largest purchaser of sophisticated technology in telecommunications and defence is the State and that a purely national approach particularly in this field prevents considerable savings;
40. Reiterates that the validity of the principles and provisions of the EEC Treaty should also apply to public markets and must be ensured by legislation so that the tendering procedure of individual national institutions can be used by industry throughout the Community;
41. Calls on the Council to adopt as a matter of urgency the proposal to extend 10% of invitations to tender in the field of telecommunications to firms in other Member States as a first step towards greater liberalization;
42. Believes it necessary that the Commission should establish priorities for harmonizing legal and administrative provisions in the 'high-technology' sectors;
43. Calls for the creation of information and consultation agencies to encourage intra-Community trade, which it believes could play a valuable part in informing business on ways towards a free internal market;

44. Is concerned by the technological advantage of other economic areas which is becoming increasingly apparent;
45. Regards the European patent and European trademark as major instruments for achieving a European economic area;
46. Urges therefore that the agreement signed in Luxembourg on 15 December 1975 on a Community patent should be ratified by all the Member States; if this proves impossible the agreement should come into force between those Member States which have concluded the ratification process;
47. Calls on the Council to adopt the proposal for a regulation on the European trademark in the form approved by the European Parliament;
48. Draws attention to the competition rules in Articles 85 to 94 of the EEC Treaty and urges that technological cooperation in industry, particularly in the field of innovatory industries, should be made possible, that as part of this process the research and production potential of small and medium-sized undertakings should be developed and that the European Parliament should be kept informed of developments in this field;
49. Calls on the Commission to formulate its regulations concerning exemptions for patent licensing agreements to take greater account of the needs of the research firms and their licensees than has been the case in the drafts published so far;
50. (a) Insists that European company law should take account of the need for cooperation between business and research and provide for company or group structures which will strengthen the competitiveness of European industry on the world market; is concerned that the Council has not adopted the Fifth Directive on company law, the statute for a European limited liability company or the proposal for a European cooperative association;
- (b) Calls therefore on the Council to increase the pace of its deliberations and to adopt the Commission proposal within the foreseeable future;

- Free movement of capital and current payments

51. Calls for urgent action in line with its reports on the consolidation and completion of the European Monetary System (Doc. 1-1251/83) and on the creation of a European capital market (Doc. 1-1266/83) to strengthen the European Monetary System and encourage the use of the ECU as vital prerequisites for a unified internal market, industrial recovery and for satisfying demand for investment capital in the high-risk sector of innovatory industries;
52. Points to the adverse effect on the Community's economy from the liberalization of capital transfers; efforts should be made to improve cooperation between financial centres so as to ensure the optimum use of investment capital;
53. Calls on the Commission where necessary to appeal to the European Court of Justice to ensure that the principles of liberalization already established are guaranteed;
54. Calls on the Council and Commission to take legislative action to ensure the free movement of capital and respect for the freedom of finance in accordance with the provisions of the Treaty;
55. Emphasizes that the delays in the process of European integration are leading to disenchantment among the European public and increasing public scepticism as regards the viability of European Union;
56. Believes that the Commission of the European Communities, having regard in particular to paragraphs 1 to 5 of this resolution, should once again play its part as the promoter of integration, basing its action on the fact that the Common Market represents the supreme objective of the EEC Treaty;
57. Calls on the Council to adopt without delay the proposals approved by Parliament for achieving the internal market, which in some cases have been before it for many years and to take account of new measures to promote the internal market which the Commission should submit in the near future in the spirit of the provisions of Article 5 of the EEC Treaty and making use of the decision-making procedures best suited to this important undertaking;
58. Instructs its President to forward this resolution to the Council and the Commission.



EXPLANATORY STATEMENTINTRODUCTION: IMPORTANCE OF ACHIEVING A REAL 'EUROPEAN INTERNAL MARKET'

1. Article 2 of the EEC Treaty which establishes the basic objectives of the Community states that:

'The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it'.

2. The creation of a real common market must therefore help to achieve the above objectives. Although it is now 27 years since the Community was established it must be admitted that it is still not possible to speak of a common market. Although some progress has been made with the free movement of goods, based on a customs union, this is nevertheless still far removed from the aim of a united market.

3. In the past customs duties were the main actual barrier to trade. Although these have been abolished within the Community, many other bureaucratic controls still constitute a considerable obstacle to intra-Community trade; the collection of VAT on imports, monetary compensatory amounts on agricultural products, the collection of statistical data, taxes and excise duties on tobacco and alcohol, different technical regulations, veterinary and health inspections, etc. Intra-Community customs formalities are still so cumbersome that there is little difference between exporting within or outside the Community. Exports to Strasbourg from a firm in Kehl are subject to the same treatment as exports to Mogadishu. Although intra-Community trade is not subject to customs duties, customs formalities are applied which to some extent may be more complicated than in the case of exports to third countries, especially where agricultural products are concerned. Sometimes one wonders whether the charging of customs duties in 'the good old days' wasn't simpler than all the non-tariff restrictions which now hamper intra-Community trade.

4. Unfortunately, it is clear that the objective enshrined in the EEC Treaty of a unified internal market is still far from being achieved after twenty-five years. Before analyzing the present situation and the measures needed, however, it should be pointed out that the economic situation has changed fundamentally since the Community was created and this has a direct influence on the progress made in creating an internal market.

5. There is no doubt that the economic growth that took place in the early days of the Community was more favourable for the creation of a unified market than the present economic crisis. The fundamental structural changes in the economy and in world trade are having repercussions on the operation of the common market. There is an undeniable interdependence between the organization of the internal market and the way in which relations with third countries and foreign trade policy are conceived. It is impossible to separate these two things. Progress will only be possible if a consensus is reached on an overall vision incorporating both elements.

6. The creation of a real 'European home market' is not only of political and psychological importance but also vital in economic terms. The development of new products, especially in the high technology sector, increasingly requires investment which can only prove profitable if it is destined for a continental-scale internal market. If no such market exists, the investments are not forthcoming. The development of the internal European market has a major role to play in improving the competitiveness of European firms and, as a result, in overcoming economic stagnation and unemployment.

7. The cost to European firms of the technical and administrative obstacles to trade which still exist in Europe reduces their competitiveness. According to Commission estimates the cost to European firms in intra-Community trade in goods amounts to some 5 to 10% of the value of the goods <sup>1</sup>. These costs are incurred as a result of waiting times, delays, production of documents, staff employed for this purpose, the wide range of technical inspections required and so on. The time spent by lorries waiting at borders alone costs some 1,000 m ECU. For the Community as a whole these costs represent approximately 12,000 m ECU per year.

-----

1

See COM(83) 80 final, 28 February 1983

8. The failure to achieve integration also creates costs in that States only operate national procedures for the purchase of high-technology products. When public tenders are invited in the fields of telecommunications and defence, firms from other Member States stand virtually no chance. <sup>1</sup>

9. Additional costs arise from the failure despite various attempts, to create a common European currency. According to banking sources the cost of converting money in the European Community is about 2,400 m ECU per year. This does not include the detrimental effect on investments of the uncertainty caused by fluctuations in exchange rates.

10. It should be stressed again that the calculation of the cost of the lack of a common market does not apply to the public sector only; other sectors are just as much victims of the lack of a common market. At any rate, these figures clearly demonstrate that by not creating a unified market in Europe, the Member States are losing an essential and vital opportunity to help reverse economic stagnation and unemployment.

11. In addition, there are various barriers to trade that discourage one Member State from exporting to another, thus restricting the supply and price competition on the various national markets. Greater price competition on certain national markets as a result of the opening up of intra-Community borders could bring about a significant fall in price levels. Mr NARJES, the Member of the Commission responsible for the internal market, recently stated that measures in certain Member States to liberalize mail order sales across the Community's internal frontiers would alone result in a 5 to 10% fall in prices. The absence of a common market also has repercussions on investment. After all, a decisive factor in favour of major investment decisions is the certainty that the manufacturer will be able to sell his goods without having to adapt it for each separate section of the market in the Community.

---

<sup>1</sup> In their report 'Towards European economic recovery in the 1980s', Mr ALBERT and Mr BALL estimate the cost of the lack of a European public sector market at 10% of purchases; as the public sector market amounts to 400,000 million ECU, the additional cost is 40,000 million ECU. Adding to this the frontier crossing costs of 12,000 million ECU, the cost of 'non-Europe' amounts to 52,000 million ECU, which accounts for 2% of GNP or, in other terms:

- for an average 4-person household, about 800 ECU per annum, which corresponds approximately to one week's pay,
- 15% of income tax,
- two-thirds of corporation tax,
- twice the Community budget.

12. Only then will there be a real 'European' home market'. The direct result of the absence of such a market is that either there is no investment at all or investments are made outside Europe. In the present economic situation, a distinctive feature of which is an investment crisis, it is unacceptable that an unsuitable environment (national instead of European) should hamper and ultimately prevent the investment which is vital for the economic future of Europe. This investment is nevertheless essential if Europe is to stay in the technological race and if the economic decline is to be halted and reversed by economic recovery. Europe cannot afford to block this investment, which is of crucial importance for its economic growth.

13. In addition, the obstacles at intra-Community frontiers are particularly damaging to small and medium-sized undertakings, which play a crucial role in innovation, economic development and employment in the Community. Finally, intra-Community barriers are leading to the creation of a two-tier Community, with large firms on one side and SMUs on the other. If some goods have to be transported from Paris to Stuttgart within 24 hours, for example, very large firms are able, with their know-how, staff and infrastructure, to cross the border and deal with the problems at intra-Community frontiers within this short space of time. Small firms are not in a position to do so.

14. This also applies to many other sectors of the economy. For large firms which very frequently have subsidiaries in the various Member States, frontier obstacles are an additional cost, of course, and therefore constitute a competitive disadvantage vis-a-vis their rivals on the world market. For SMUs, on the other hand, frontier obstacles are frequently insuperable and shut them off from the common market as a whole. It is very difficult to appreciate to what extent this burdens the operations of SMUs, which are innovative and create jobs, features which are of decisive importance for our economy. At a time of crisis and economic stagnation they can make a vital contribution to the creation of jobs, far outstripping the contribution made by national governments and large firms. The abolition of barriers and the achievement of the internal European market is essential for their growth.

15. Finally, the competitive disadvantage for high technology industries that arises from the absence of a unified market must again be pointed out. In the biotechnology and electronics sectors, European firms are failing to seize the opportunities offered by this technological development. European products still account for less than 10% of the microprocessor market. Developments in this field will lead to the loss of a substantial number of jobs, while the creation of new products and services will create new jobs. If Europe fails to follow international developments, however, it will lose jobs without an opportunity to create new ones, from which Japan and the United States will benefit.

16. All this goes to show that the macroeconomic consequences of progression towards achieving a 'European home market' are considerably more far-reaching than the costs directly involved in crossing the borders: production costs, competitiveness, price levels, investment and hence employment are also affected to a significant degree. The future of the next generation will partly depend on the determination with which efforts are made to dismantle, one by one, the countless obstacles to the free movement of goods within the Community that still exist. This calls for decisions at political level and an awareness on the part of our political leaders that failure to take these decisions will jeopardize the future of the next generation.

17. The Bureau of the European Parliament instructed a delegation of six members of its Committee on Economic and Monetary Affairs to contact the national parliaments and the appropriate authorities to make practical proposals on reducing bureaucracy at frontiers. This delegation was headed by Mr Jacques Moreau (Socialist Group). The other members were: Mr Karl von Wogau (Group of the European People's Party - Christian Democratic Group), Mr Basil de Ferranti (European Democratic Group), Mr Leonardi (Communist and Allies Group), Mr Robert Delorozoy (Liberal and Democratic Group) and Mr Kai Nyborg (Group of European Progressive Democrats). The delegation had talks in the capitals of the ten Member States. These focussed on certain proposals to help achieve short-term improvements in intra-Community travel and goods transport. This report generally reflects the areas discussed and conclusions reached. The experience gained by the delegation shows yet again that direct talks on clearly-defined subjects are far more efficient than dispatching documents. One of the proposals made, namely the abolition of fuel records in West Germany is to be put into practice in the middle of this year. The delegation was also able to help facilitate frontier crossings with working equipment for craftsmen, photographers etc.

18. In this way the European Parliament was able to gain a clearer impression of the effect created by the proposals in the individual Member States and this enabled it to formulate realistic compromise solutions.

19. The work carried out by the delegation in the capital cities led the Committee on Economic and Monetary Affairs to organize a meeting between representatives of the national parliaments of all the Member States to discuss the topics raised during these meetings in national capitals. Contacts between the European Parliament and the national parliaments should continue in future. Experience has shown, however, that the organizational structure of certain national parliaments makes contacts with the European

Parliament easier than that in others. It has proved particularly helpful and effective if parliamentary committees are set up specifically for European affairs, and in particular for matters relating to the common internal market. Parliaments which so far do not have such committees should therefore be approached with a view to giving serious consideration to setting up such committees. Following these joint activities, the Committee on Economic and Monetary Affairs of the European Parliament should consider at the beginning of the next legislative period what concrete action it could take to follow up this initiative.

20. The following discussion of possible measures to achieve a real 'European home market' will first consider measures that can simplify formalities at the Community's internal frontiers, leading in the long term to the abolition of such intra-Community borders. The second part of the report will deal with the creation of a framework for achieving a real 'European internal market', particularly for new products.

## PART I: ABOLITION OF OBSTACLES TO TRANSFRONTIER GOODS TRAFFIC

21. For many people in the Community it is a mystery why, despite the fact that the European Community is a customs union and customs duties between Member States have been abolished, there is still a need for so many formalities and checks at the Community's internal frontiers. Simplification of these formalities would undoubtedly do a great deal to foster a European consciousness. What are the tasks carried out by the customs authorities at the Community's internal border posts? The collection of VAT on imported goods, the collection of statistical data, checks relating to monetary compensatory amounts in the agricultural field, the checking of transport quotas, combating the drug trade and terrorism, etc. are the main tasks carried out at the borders. The work of the customs authorities at external frontiers and relating to goods from third countries is a separate issue. The question needs to be examined how these border formalities can be kept to a minimum or possibly be transferred to offices within the country.

### (a) Collection of VAT on imported goods - 14th VAT directive

22. The Community system of indirect taxation, namely VAT, operates on the basic principle that goods are taxed at the point of consumption. In the case of imports, the Member States were free to collect VAT at the border where the imported goods entered the country or to do so subsequently within the framework of normal contacts between industry and the tax authorities. The Committee on Economic and Monetary Affairs held the view that, if VAT on imported goods were collected within the country and not at the border, it would significantly simplify border formalities. It therefore urged the Commission to submit proposals to this effect. The Commission has complied with this request in its proposal for a 14th VAT directive on the deferred payment of the tax payable on importation by taxable persons (Doc. 1-550/82). Parliament endorsed this proposal in its resolution of 13 January 1983. However, the proposal has come up against opposition within the Council from a number of Member States owing to the repercussions that the deferred payment of VAT on imports would have on their national budgets. A further argument against the proposal is that it would put imported goods at an advantage vis-à-vis domestic production.

23. In the explanatory memorandum on its proposal the Commission gives a number of examples that refute this argument and Parliament, in its resolution, put the case that implementation of the proposal is indeed necessary to comply with the principle of the EEC Treaty that imported

and domestic products are to be treated on an equal footing; various rulings by the Court of Justice have in fact declared this principle to be essential for the proper functioning of the common market. Finally, the proposal offers adequate guarantees that opportunities for fraud will be minimized. If agreement is to be reached on this directive, there must be sufficiently long transitional periods so that the Member States that now collect VAT at their borders have time to build up a reserve fund to offset the effects of deferring the collection of VAT on imported goods. The objections to the proposals cannot outweigh the administrative advantages and benefits for industry and the European economy as a whole that would result from the deferred payment of VAT on imported goods. However, the deadlock at the level of the Finance Ministers, who are too closely involved with the customs authorities who assess the proposal merely by means of a short-term cost/benefit analysis and entirely disregard the need to ensure the free movement of goods, can only be broken by a decision at the highest political level. The Committee on Economic and Monetary Affairs therefore calls for the 14th VAT directive to be adopted as soon as possible.

The long-term objectives pursued by the European Parliament, and detailed in its resolution of 17 November 1983 on the harmonization of taxation, should be recalled, however. Non-discrimination in tax terms, from the point of view of competition, can only be achieved through the gradual harmonization of the collection, basis of assessment, number and level of VAT rates.

Only then will the fiscal obstacles to the free circulation of goods be completely eliminated, which is the long-term aim.

(b) Statistical data on trade between Member States

24. The various Member States are required to fill in a whole series of forms for the purposes of compiling statistics on trade flows. Trade between Member States is divided into three stages: shipment or export, Community transit and, finally, consumption or importation. Each of these stages requires a specific form, which imposes an undeniable burden on those concerned. In the context of its general campaign to strengthen the Community's internal market, the Commission has submitted a proposal designed to standardize and simplify statistics on trade between Member States (Doc. 1-1181/82) and a proposal introducing a specimen declaration form to be used in intra-Community trade (Doc. 1-1190/82).
25. The second of these proposals is designed to replace the forms used in intra-Community trade, namely the declaration of dispatch and the documents for internal Community transit and use, with a single document throughout



the Community. The single form is not filled in all at once; the exporter fills in only the data required for exportation, the remaining data on transport, internal Community transit and importation being filled in later. After consulting those involved, Parliament came to the conclusion in its resolution of 20 May 1983, that the single form proposed by the Commission would ultimately make the situation a good deal easier for industry once it was accustomed to the document. One argument against a single form which came up repeatedly in our contacts with the national authorities is the fact that the various Member States want to compile different data and that the single form is ultimately the sum of the data required by the various Member States, which makes it a complex and impractical document.

26. The 'internal Market' Council of 25 November 1983 has since approved an abbreviated and harmonized list of data that may be required by the Member States for intra-Community trade. Considerable progress has also been made in the drawing-up of a single form: no further data has been added to the 47 items contained in the Commission's proposal, but agreement still has to be reached on certain data required by Germany concerning transportation.

27. It should also be pointed out here that the form will be very important in computerizing the exchange of data at Community level, which is the objective of the CADDIA project on Community cooperation aimed at the computerization of data and documentation on imports, exports and agriculture. In the area of computerization, one of the results of the 'Internal Market' Council was the setting-up of an ad hoc group of top-level officials to study the feasibility of introducing a computerized procedure at Community level for intra-Community trade. The Commission is to submit a proposal for the computerization of customs clearance by 31 March 1984. It is vital that the various national computer systems should be compatible. Finally, it should not be forgotten that the ultimate aim must be to free intra-Community trade of all formalities at internal frontiers. The proposed single form should therefore be seen only as a provisional solution, since in the longer term the systematic collection of statistical data at the borders between one Member State and another should be abolished and replaced by the collection of statistical data within the Member States.

(c) Temporary importation of goods from another Member State

28. Intra-Community trade in services is seriously hampered by administrative formalities and the payment of guarantees when those supplying the services cross borders within the Community with the equipment they require for professional purposes. This particularly affects craftsmen, advertising and film photographers and artists. The European Parliament has therefore urged the Commission to submit proposals designed to simplify considerably the administrative formalities involved in the temporary importation of goods from another Member State. Although the Commission has responded favourably to Parliament's request, its proposal (Doc. 1-499/81) has nonetheless met with objections from certain Member States owing to the possibility of frauds and resulting losses. This fear of possible fraud meant that the Council was able to reach agreement only on a restricted regulation which excludes samples, works of art and paintings. This limited directive is a step in the right direction, but it must be followed by the drawing up as soon as possible of a regulation covering the categories now excluded. This point needs to be insisted on most strongly.

(d) Facilitation of formalities and inspections in respect of the carriage of goods between Member States

29. In an effort to reduce delays at frontiers, the Commission submitted a proposal on the facilitation of formalities and inspection in respect of the carriage of goods between Member States (Doc. 1-226/82). On 1 December 1983 the Council reached agreement on this Commission proposal, which is a realistic step towards the objective it sets out to achieve. The measures taken relate to reducing the time required for physical inspections and administrative formalities by centralizing when and where they are carried out, the conducting of physical inspections by random checks, mutual recognition of the findings of the inspection authorities and the declarations and certificates issued by them, the opening hours at border posts, cooperation between the inspection authorities and users, appropriate physical layout at frontiers and cooperation between the Member States in the event of problems.

30. With regard to the physical layout at frontiers, it should, however, be pointed out that this should not be allowed to lead to any growth in customs infrastructure as the latter would be likely to increase inspections. Any work carried out at border posts should be designed exclusively to facilitate the formalities and inspections; major infrastructure work may be carried out only at the Community's external frontiers.

(e) Checks on travellers at the Community's internal frontiers

31. Despite the Council's willingness to adopt a number of measures to ease the formalities and inspections relating to goods traffic within the Community, with the exception of the 14th VAT directive, the easing of checks on travellers at the Community's internal frontiers has met with considerable opposition. The Council's discussions of the draft resolution submitted by the Commission on the easing of the formalities relating to checks on citizens of Member States at the Community's internal frontiers (Doc. 1-550/82) have shown that the Home Affairs Ministers of the various Member States are far from willing to give up systematic checks on individuals at the Community's internal frontiers. The only area in which the Council seems to be prepared to take action is in shortening the average time taken for checks on citizens by the introduction of computerization. The replacement of systematic control by random checks is rejected as impossible owing to the need to combat terrorism and the drug trade. The Council diverts attention from the lack of agreement in this area by emphasizing the gradual progress towards agreement on a European passport. However, this is not essential whereas it is intolerable that systematic checks at the Community's internal frontiers should be maintained and measures should therefore be taken as soon as possible to facilitate checks on individuals, the ultimate aim being the complete abolition of checks on Community citizens at internal frontiers. Action to combat terrorism, crime and the drug trade cannot go on for ever being used as a pretext for maintaining systematic checks. Efforts should therefore be made to see what measures should be taken to combat terrorism, crime and the drug trade other than by checks on citizens at the Community's internal frontiers. The Committee on Economic and Monetary Affairs firmly believes that such checks are not the most effective means available. Mr NARJES, Member of the Commission, has suggested in this connection that one way of combating the present situation would be cooperation between the police forces at European level in a sort of 'Europol' capable of effective action against crime, terrorism and the drug trade.

It should be remembered here that, in order not to jeopardise the removal of systematic checks on passengers at the Community's internal frontiers, the Member States should not carry out any major infrastructure projects.

(f) Duty-free allowances for individuals travelling from one Member State to another

32. The Foreign Ministers' opposition to the removal of checks on citizens at the Community's internal frontiers is reinforced by deep-seated opposition on the part of the Finance Ministers, who fear that frauds by citizens exceeding their duty-free allowances would mean losses in tax revenue. There is no doubt that different VAT rates and differences in taxes on alcohol and tobacco sometimes make it attractive for citizens to shop in another Member State. If duty-free allowances were raised to a realistic level in anticipation of full harmonization of turnover taxes and excise duties, frauds by citizens crossing the Community's internal frontiers would be cut to a minimum and there would cease to be any grounds for checks on individuals at the Community's frontiers. As at 1 January 1983 the amount of duty-free allowances for passengers between Community Member States was 210 ECU. The successive increases approved by the Council since 1972 have always been a source of problems and have never entailed any real increase in the duty-free allowance but, at most, an adjustment to take account of inflation. In its proposal for a 6th Directive on exemption from turnover tax and excise duty on imports in international travel (Doc. 1-1003/83) the Commission also comes out in favour of the gradual rise in the duty-free allowance to 400 ECU by 1 January 1987. In addition, it is proposed that the quantity of duty-free wine that may be imported should be raised from 4 to 6 litres and that the limits on the quantities of tea and coffee that may be imported should gradually be abolished. This proposal meets the wishes formulated by the European Parliament (resolution of 14.12.1983). The Council should be urged to adopt the proposed increases as soon as possible.

(g) Other provisions resulting in inspections and formalities at the Community's internal frontiers:

- Monetary compensatory amounts in agriculture

33. Efforts should ultimately be made to abolish monetary compensatory amounts completely. The proposal submitted by the Commission for the

gradual abolition of existing MCAs and an automatic and fairly rapid dismantling of possible new MCAs resulting from fluctuations in exchange rates is only a first step in the right direction. However, until the principle of MCAs is abolished, there will continue to be checks and formalities connected with them. However, these checks and formalities, particularly to combat fraud, should be carried out within the Member States and not at the frontiers. Parliament has already asked the Commission to submit a proposal along these lines<sup>1</sup> but the latter has not yet responded to the request.

34. Rapid progress in implementing the CADDIA project also needs to be urged; this will provide an effective and up-to-date information system at Community level to facilitate and speed-up the formalities associated with intra-Community trade in agricultural products and improve the management and financial control of the agricultural market organizations.

- Inspections relating to the carriage of goods by road between Member States

35. The fact that annual quotas for goods carried by road from one Member State to another are still determined by bilateral agreements or, to a lesser extent, agreement at Community level, is a clear indication that there is no such thing as a common market in transport. The application of these quotas also gives rise to a number of formalities and inspections that impede intra-Community trade. In a proposal recently submitted by the Commission, an effort is made to create an organization of the market in road haulage between Member States which would allow market forces to operate as freely as possible. The proposal provides for the gradual dismantling of the present quota system and, after a 5-year transitional period, its replacement with a system of access to the market.

The principle of the need to abolish quota systems should be endorsed. This is necessary to do away with the formalities and inspections that are incongruous in a common market.

36. There are also various national regulations with regard to weight and other characteristics of road haulage vehicles which create significant obstacles to intra-Community goods traffic. Compliance with the regulations

<sup>1</sup> Resolution on Customs Union, 16.10.1980

imposed by the various Member States receiving international traffic creates a whole range of problems, costs and uncertainties for road haulage operators, while at the same time leading to extra inspections and formalities at the borders. Furthermore, the divergent provisions tend to safeguard national markets, which means that a common market for road haulage vehicles with harmonized conditions of competition simply does not exist. And, after 20 years of discussion, the Council has still not managed to work out a compromise.

Further measures that would facilitate transfrontier traffic are the abolition of fuel controls for road haulage vehicles and buses and the transit tax on transfrontier bus traffic.

- Veterinary and health inspections

37. In this area, the inspections required differ from one Member State to another and failure to recognize the inspections and certificates issued in other Member States constitutes a major barrier to transfrontier traffic. As long ago as 16 October 1980 Parliament adopted a resolution on the Commission's multi-annual programme to create a Customs Union, calling on the Commission to submit a proposal on the mutual recognition by the Member States of veterinary and health inspections. Since such controls constitute a serious barrier to transfrontier traffic, Parliament asked for a proposal to be submitted by 1 July 1981; however, the Commission has not yet responded to this request. The Commission must again be urged to submit a proposal in this area as soon as possible.

(h) Closer cooperation between the Customs authorities of the Member States and the Community

38. The opening-up of the Community's internal frontiers cannot be achieved unless there is a parallel strengthening of the Community's external frontiers and safeguards affording a comparable degree of protection at these external frontiers throughout the Community. The Community customs legislation and Community guidelines on products from third countries that this will entail will require changes in both administrative regulations and structures on the part of the national civil services; in the opinion of the Committee on Economic and Monetary Affairs, it will be extremely difficult to persuade the Member States to approve such measures.

39. The Commission's efforts to foster mutual trust between the national authorities by training measures and the temporary secondment of national customs officials to other Member States therefore constitute an initial step towards the necessary cooperation between the various national customs authorities.

40. The Customs Union can be administered in a uniform manner only by means of a Community administrative service. Consequently, the long term objective should be gradually to integrate the customs authorities of the Member States into a Community customs authority which would have the task of managing and controlling trade with third countries.

(i) Conclusion:

41. The large number of obstacles at the Community's internal frontiers is incompatible with the spirit of the Customs Union and also gives rise to substantial costs. The Commission should therefore draw up a practical action programme designed to remove one by one the various factors now causing problems at the Community's internal frontiers. In the immediate future, priority should be given firstly to adopting the fourteenth VAT directive on the deferred payment of VAT on imported goods and adopting the necessary measures to limit checks on citizens of the Member States at the Community's internal frontiers, where it is essential to give up the principle of systematic checks. In addition, the Commission should draw up in the immediate future a proposal on veterinary and health inspections stipulating which inspections may be required and ensuring that inspections and certificates carried out or issued by one Member State are recognized by the other Member States. As far as possible, formalities and inspections should not be carried out at the Community's internal frontiers. Total removal of internal frontiers will not, however, be possible until there is a far-reaching harmonization of tax systems, more specifically of indirect taxation (VAT and excise duties). This also implies harmonization of the rates of VAT and excise duties. This should be the long-term objective. In the meantime, however, everything ought to be done to remove or at least simplify the formalities and inspections at the Community's internal frontiers so as to reduce to a minimum at an early date the barriers to trade that exist at the Community's internal frontiers.

PART II: CREATION OF A FRAMEWORK FOR ACHIEVING A REAL EUROPEAN INTERNAL MARKET, PARTICULARLY FOR NEW PRODUCTS

42. It is particularly important to create a European internal market in the field of advanced technology. Here, the development of new products frequently requires a level of investment which can only be justified if it is possible to sell them to a continental market.

43. This has not been the case hitherto in the European Community. National markets are still completely sealed off from each other precisely in the field of advanced technology. This is due to the fact that the technical acceptance requirements for many such products are still different, owing to different national standards, so that various expensive acceptance procedures have to be gone through or else different versions of the same product have to be made for the various Member States. A further factor making for the compartmentalization of national markets is that national authorities, which are among the main purchasers of advanced technology, especially in the postal and defence sectors, give consideration almost exclusively to national firms in tender procedures. Albert and Ball estimate the additional costs arising from the impossibility of large-scale production at about 40,000 million ECU per annum.

44. The lack of a European home market is a particular disadvantage for small and medium-sized undertakings. For large firms, which have subsidiaries in all the Member States, the existing technical barriers to trade are a cost factor and an inconvenience. For small and medium-sized undertakings, however, they are often an insuperable obstacle. Your rapporteurs are convinced that the Community is thereby losing a substantial potential for innovation. European engineers are just as inventive and enterprising as those in the United States, but the basic conditions for finding a market for inventions in Europe cannot be compared.



45. An engineer or physicist who wishes to set up his own business with an invention has to spend the same amount on developing the product and preparing it for the market as his colleague in the United States. In order to recover these costs, however, the market available to him is merely a European national market, rather than one of continental dimensions. As a result it can easily happen that the same investment calculation that works out in the United States will not in Europe. Your rapporteurs are convinced that the national compartmentalization of markets in Europe to a large extent holds back investment in the technologies of the future, particularly for highly-innovative smaller businesses.

46. The Committee on Economic and Monetary Affairs regards the following instruments as particularly suitable for achieving a European home market in advanced technology: European standards, European tender procedures, the further development of the European patent and the European trade mark.

(a) European standards

47. In the high technology field, different national technical regulations create the main barriers to trade. Many of these technical regulations are based on technical standards issued by the standards institutes in the Member States. Some of these have a substantial output. It is reported that the German standards institute, DIN, issues two to three technical standards every day. The British Standards Institute and AFNOR, the French standards institute, however, are not far behind DIN in terms of productivity. These activities help to ensure that the fragmentation of European markets grows worse day by day.

48. This situation can only be improved if closer cooperation can be achieved between the European standards institutes; in the long term this should lead to national standards systems being replaced by a European system.

49. The Council directive on the exchange of information between European standards institutes was a step in this direction. The Community has entrusted this task to the European standards institute, CEN/CENELEC. This information process must be organized in such a way that duplication is avoided and the causes of new barriers to trade are recognized in their initial stages.

50. The next step, however, must be to strengthen the instruments of European standardization. This includes improving the organization and operational structure of the European standards institute, CEN/CENELEC. A very high quality technical input is a prerequisite for the rapid implementation of standardization projects.

51. There are some technical standards, such as those for hi-fi equipment, that are used throughout the world because of their technical quality, without being prescribed by any legislation. This example shows that technical quality is extremely important, particularly in the complicated European context.

52. Another problem which has to be solved is that of the decision-making procedure. In CENELEC decisions are theoretically taken by qualified majority, although this is apparently still disputed in individual cases. CEN, on the other hand, still uses the principle of unanimity. In order to ensure efficient operation, the principle of majority voting should become the rule.

53. Particular care should be taken to strengthen the role of European standards, when technical regulations are harmonized by the European Community in accordance with Article 100. In the past it has often been the case that the technical details of such directives were drawn up by the Commission. This sometimes led to monstrosities whose technical quality left something to be desired, but which as a result were all the more amusing for journalists and their readers. A good example of this was provided by the initial drafts of a directive on the safety of children's toys, which included details about the duration of combustion of wigs and false beards and about the requisite declarations on aquatic toys.

54. The Committee on Economic and Monetary Affairs proposes that the system of reference to technical standards should be used for technical harmonization directives. This legislative system is already widely used at national level. The national authorities contract the drafting of technical details for such regulations to a national standards institute, which initially prepares a voluntary technical standard in the prescribed field. In order to make it generally applicable, the legislative authority then refers to this norm and makes it generally binding.

55. This system has two advantages: first, the technical provisions are drawn up by experts outside the civil service, with the participation of consumer protection representatives and secondly, the legislative authority retains ultimate control of the process.

56. At Community level this system was first used for drawing up the low voltage directive. Despite some difficulties that have arisen in the application of this directive, your rapporteurs believe that this system, perhaps in an improved form, should be increasingly widely used. This presupposes, however, that the European standardization instruments will be improved as urged above.

57. There are sometimes objections to this system being used on the grounds that some countries represented in the European standards institute, CEN/CENELEC, do not belong to the European Community.

58. This objection should be countered by a special decision-making procedure in those cases where the institute is acting on behalf of the European Community.

59. During the last meeting of the 'Internal Market' Council, on 25 November 1983, a broad consensus was reached on the principles of a European policy on standardization. The guidelines for such a European standardization policy should contain the following points:

- the Member States should undertake to monitor continuously the need for the technical provisions in force and abolish any such provisions which are superfluous or have outlived their usefulness;
- mutual recognition of the results of tests;
- consultations at Community level in cases where specific national regulations may disrupt the functioning of the internal market;
- more frequent reference to standards;
- greater standardization at European level to make harmonization easier.

60. When the Council has reached a formal decision embodying these principles for a European standardization policy, the Commission should draw up proposals as soon as possible for practical measures implementing these principles.

61. It is also important to stress that harmonization should not be pursued as an end in itself. The introduction of regulations in any given country should not automatically lead to a proposal for harmonization to avoid technical barriers to trade. Under the case law of the Court of Justice, national technical and administrative licensing provisions cannot lead to a ban on imports unless justified by cogent health or safety considerations.

(b) Opening up of the public sector market

62. As pointed out above, the public sector is one of the most important outlets and, in some cases, the only outlet for certain high-technology products. Since efforts to create a real common market must be concentrated in these sectors because such will have a decisive impact on their competitiveness and they, in turn, will determine future economic development, it is essential to open up the public sector market. It is important to put a stop to the protection of national markets through the application of national standards and complicated national procedures which are designed to reserve government contracts for national industry. The question of standards is discussed elsewhere in this document. Attention is now being turned to the procedures for awarding government contracts. It is obvious that if there are no European standards, however, transparent, objective and neutral these tender procedures may be, the use of national standards will still mean that government contracts are largely reserved for national industry.

63. A start has been made on the harmonization of legislation by a directive on public works contracts in the construction sector and by a directive on government supply contracts. Furthermore, an agreement has been reached under GATT to open up public sector markets at international level. Notwithstanding these directives, which are designed to introduce non-discriminatory and transparent procedures, the number of government contracts with foreign firms is still extremely limited. The Commission should provide Parliament with detailed data on this. The Commission should closely monitor implementation of the directive already adopted and if the Member States are seen to be failing to comply with the procedure laid down it should take the necessary action.

64. It would also be useful to study the degree of harmonization of legislation on public works and supply contracts that it is feasible to achieve. The directives currently in force exclude a good many sectors, in which advanced technology plays a major role. Since these deserve priority, the Commission should draw up a proposal whereby the governments are obliged to issue European invitations to tender and to buy European in areas of advanced technology in the telecommunications and military sectors in particular. But a European tendering procedure will never become a reality if national standards are used as the basis for invitations to tender. A directive should therefore also specify that Member States are required when issuing invitations to tender to use European or international standards where these exist.

65. A first step towards opening up the telecommunication market was made in a Commission proposal in 1980 (Doc. 1-434/80). One of the recommendations specified that national governments should seek competitive proposals from suppliers in other Community countries for at least 10% of their annual orders in the telecommunications field. Although this is only a first and very small step towards opening up the telecommunications market, the Council has still not managed to reach agreement. One of the stumbling blocks here is whether or not the opening-up of the telecommunications market should be limited to producers from other Community countries or should include suppliers from countries outside the Community. The question occasionally arises of how in fact the term 'Community undertaking' can be defined. A pragmatic solution should be found in accordance with GATT rules.

66. A new communication from the Commission to the Council on telecommunications (COM (83) 573 final) lays down lines of action for opening-up the Community telecommunications market, partly by means of a Community policy on standards. The Council should arrive at an early decision on the proposed lines of action and the Commission should draw up without delay practical proposals designed to implement these guidelines.

(c) Patents and trademarks

67. So far the necessary conditions have not been created for an internal European market either in relation to patents or trademarks. The differences in national patent and trademark law and their territorial restrictions have instead hindered trade and led to distortions of competition. It is therefore essential for the implementation of the common market that one standard patent and trademark law should be introduced for all the Member States. This would give Community undertakings the basis they needed for operating in a unified economic area. The treaty signed in Luxembourg on the Community patent and a future regulation on the Community trademark will provide instruments which will considerably facilitate the manufacture and marketing throughout the Community of products protected by patent or trademark. Community trademarks and Community patents will thereby help to strengthen the internal market and increase the competitiveness of European undertakings.

68. As far as the European trademark is concerned, then it is important to insist that the present draft proposal as amended by Parliament should be adopted by the Council as soon as possible. The agreement on the Community patent has still not been ratified by all the signatory States and therefore cannot enter into force. All the governments and national parliaments in the Member States which have still not ratified the agreement should be asked to take the necessary steps as a matter of urgency to enable this agreement to enter into force as soon as possible. If it is not possible, it will be necessary for the treaty to enter into force between those countries which have already ratified it.

(d) Removal of technical barriers through harmonization on the basis of Article 100 of the EEC Treaty

69. Under Article 30 of the EEC Treaty, all quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States. Despite this, there are a good many national regulations and provisions which constitute non-tariff barriers to trade. The Member States invoke Article 36 of the EEC Treaty, which, in derogation of Articles 30 to 34, permits the Member States to take such measures on grounds of 'public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property'. Article 36 also states that the prohibitions or restrictions in question shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States. There are numerous technical barriers to trade resulting from these provisions.

70. Initially, efforts were made in every case to remove such technical barriers to trade by harmonizing the legal and administrative provisions of the Member States insofar as they directly affected the creation or functioning of the common market. These harmonization proposals are based on Article 100 of the EEC Treaties. Action programmes were drawn up to establish the priority sectors for harmonization and the timetable that should be adhered to. However, experience has shown that the procedure for removing technical barriers to trade through harmonization pursuant to Article 100 is extremely slow: there has generally been an extremely long period between the drawing-up of the relevant proposals and their final adoption by the Council; technical specifications give rise to very lengthy discussions in view of the interests of the national industries involved; the number of technical barriers to trade is so great that their removal pursuant to Article 100, whereby the Commission itself is involved in formulating the technical specifications, is impractical; application by the Member States of the directives finally adopted often leaves a great deal to be desired. In view of this past experience, certain developments in court judgments and the economic trend, the earlier approach and priorities in this area need to be reconsidered.

(e) Ruling by the Court of Justice in the 'Cassis de Dijon' case

71. The judgment delivered by the Court of Justice in the 'Cassis de Dijon' case, states that all products lawfully produced and marketed in one Member State should in principle be allowed onto the market of any other Member State. Maximum use should be made of the possibilities afforded by this ruling by the Court of Justice to eliminate technical barriers to trade. Only where this interpretation of Article 30 cannot be applied to ensure free trade within the Community, should recourse be had to harmonization pursuant to Article 100 of the EEC Treaty. In all cases where barriers to intra-Community trade are reported to the Commission, it should investigate whether or not the Court of Justice's ruling in the 'Cassis de Dijon' case can be applied and do its utmost to remove unlawful barriers to trade by reference to the Court.

72. Individual undertakings may also appeal to the Court for the removal of unfair barriers to trade of which they are the victims. However, since this procedure is time-consuming and expensive for firms (particularly SMUs), there is a certain reluctance to appeal to the Court and the Commission should therefore assume the task of bringing proceedings in the case of barriers to trade of which it is notified, where the Court's interpretation of Article 30 could be applicable. In this context, the complete reorganization of the Commission department concerned with the removal of technical barriers to trade should be considered. Instead of concentrating its activities on technical harmonization proposals, which is costly in terms of energy and time, a greater contribution might be made towards the free movement of goods by setting up advisory bureaus in the various Member States to assist firms exporting to other Member States. Such bureaus would be able to advise firms that have come up against barriers in exporting their products to other Member States and, in cases where the Court's judgment in the 'Cassis de Dijon' case is applicable, the necessary action should be taken immediately by the Commission to ensure that the Member State concerned removes the barrier in question; should the latter refuse to do so, proceedings could be brought in the Court of Justice. The setting up of such information and advisory bureaus, which would cooperate closely with the Commission, would encourage small and medium-sized firms to export to other Member States; they are hesitant to do so at present owing to the problems that this can involve. They are badly informed in this field and do not know where to turn for advice when difficulties arise. It would also give the Commission a much more accurate picture of the provisions being applied or drawn up in the various Member States which might result in barriers to trade, and would enable it to take much more rapid counter measures. Such bureaus could also monitor the application of existing directives.



(f) Priorities for the removal of technical barriers to trade

73. In many cases application of the principles formulated by the Court of Justice in the 'Cassis de Dijon' case will be sufficient to open up the internal market. But to assess the potential and limits of this procedure, further decisions by the Court of Justice will be needed. At all events a fairly large area will remain in which it will be necessary to enact technical licensing provisions for the European Community by means of a directive based on Article 100.

74. This, however, raises the question of priorities. If one considers the Commission's activities in this sphere, for instance, it is surprising to note that proposals are put forward at regular intervals for harmonizing the safety provisions for children's toys whereas none of the necessary steps have been taken in relation to innovatory technology. Without wishing to deny the importance of toy safety, responsibility for this field is chiefly a matter for national legislation. To create a common market, however, priority should be given to those areas in which major savings can be made by large-scale production which would enhance international competitiveness. For example it would certainly have been more important to take action at the proper time to replace PAL and SECAM by a common European television technology system.

(g) More powers for the Commission in accordance with Article 155 of the EEC Treaty

75. Progress with the implementation of Article 100 of the EEC Treaty relating to the removal of technical barriers is extremely slow. In order to speed up the process of harmonization the European Parliament has proposed to the Commission that the use of Article 100 of the EEC Treaty should be restricted to framework directives establishing the key political principles for a given sector, while the Commission should be empowered to issue technical provisions in implementing directives in accordance with Article 155.

76. The Commission has responded positively to this suggestion from Parliament by proposing this procedure for harmonization in the building industry. The proposal has been under discussion in the Council for a long time, but some national authorities are too reluctant to delegate powers to the Commission. Every effort should be made, however, to reach agreement on this proposal. By providing a better definition of the products concerned, so that they are limited in number, and by including a clause guaranteeing that the Member States will be informed in good time that the Commission is preparing an implementing directive, it should be possible to arrive at a consensus.

(h) Harmonization proposals currently under discussion

77. For some time now, proposals to harmonize technical provisions in a number of areas have been completely blocked in the Council because it was feared that the introduction of EEC type-approval would give producers from third countries easier access to the Community market.

78. Proposals were made to introduce a special Community type-approval procedure for industrial products from third countries, but the Council has not yet

reached agreement on this issue. Pending a political decision on the relevant principle, the approval of all harmonization proposals has been blocked, even in the case of products for which Community industry need fear no competition from third countries and the problem of the approval procedure therefore does not arise. The Council recently reconsidered the possibility of ending the vertical blockage of all harmonization directives due to the third country problem and of adopting, one by one, the directives in respect of which all the major problems have been solved. Of the 21 directives that have been blocked, there are 15 in respect of which all the major problems have been solved without creating specific problems in relation to products from third countries. Following the meeting of the 'Internal Market' Council of 25 November 1983, the Commission announced that the Council was prepared to adopt the 15 directives on which a consensus had been reached as part of a package involving, however, the approval of a new Community instrument on trade policy. This instrument is discussed in greater detail in the following section.

(i) A new instrument of trade policy

79. In response to a request from the heads of government that the Community trade policy be able to react quickly to protect European interests, a proposal has been submitted for a Community trade policy instrument similar to the Trade Expansion Act in the United States. As explained above, the liberalization of trade within the Community would be linked to this instrument. A more general comment should here be made, namely, that the free movement of goods is directly related to implementation of a common trade policy. The discussion about the proposed trade policy

instrument within the Council has become polarized with, on the one hand, the fairly liberal attitude of certain Member States and on the other the more protectionist position of other Member States. A number of Member States fear that the instrument might, in breach of Article 110 of the EEC Treaty be misused for protectionist purposes. According to the Commission the trade policy instrument could only be applied in a very small number of cases, it would first be necessary to prove the damage to European firms and to have exhausted all the possibilities of compensation offered by GATT. In the Commission's view there is only one case in which the instrument could be used, namely that in which a country exporting raw materials creates obstacles to the export of such raw materials in order to be able to carry out primary and further processing itself. The objections of certain Member States might be overcome by making explicit reference to Article 110 of the EEC Treaty in the recitals.

80. In view of the extremely close link between the free movement of goods in the Community and external trade policy, it might perhaps be useful to have such a trade policy instrument. Agreement should be reached as soon as possible on this issue, all the more so since certain Member States are making adoption of the outstanding harmonization proposals conditional upon the adoption of such an instrument. In doing so, efforts should be made to ensure that the cases in which the instrument may be used are extremely restricted and that free trade policy within the Community is not put at risk.

(j) Cooperation in the industrial and research fields and the legal form of European firms

81. If firms are to be competitive and to run as efficiently as possible, they must be able to operate on a European, rather than a national, scale. Suitable legal forms must be available so as to provide a European basis for industry and research. The proposals regarding the introduction of the European company and European cooperation groupings were submitted to the Council a long time ago, but the work is still far from complete. The discussions within the Council must be revived so that these forms of undertakings, which meet the need for a European dimension, can be introduced at an early date.

82. The organization of research at national level, especially in advanced technology sectors, inevitably leads to inefficiency and duplication, which is detrimental to the innovation capacity and competitiveness of European undertakings in those sectors which are of decisive importance for economic growth and employment in Europe. Every effort must be made to organize research at European level. Acting on the basis of a study of how research is organized in the Community, the Commission should submit a document analyzing the options, so that rapid progress can be made towards organization and cooperation in the research field. This study should lead to the Council taking the requisite decisions at an early date. The adoption of the ESPRIT programme was a first step in this direction in the information technology sector.

(k) Conclusions

83. The list of barriers to be removed and measures to be taken for the creation of a European home market is by no means exhaustive, and focuses mainly on the free movement of goods and people. To complete the picture, it must be stated that the creation of a common market also includes the freedom to provide services and the free movement of capital. While the importance of making progress in these fields must be stressed, they are covered in other reports and are not dealt with here.

84. Given the difficult economic situation in Europe, priority must be given to measures to create a real common market in the sectors which will determine the economic future of Europe and hence the well-being of the next generation. The sectors in question, essentially in the advanced technology field, are precisely those characterized by minimum integration at European level. It is imperative to open up the public sector market in order to achieve a common market in these advanced technology sectors, and European standards are essential for this purpose.

EUROPEAN PARLIAMENT

# Working Documents

1983 - 1984

---

25 May 1983

DOCUMENT 1-355/83

MOTION FOR A RESOLUTION

tabled by Mr WEDEKIND, Mr JANSSEN van RAAY and  
Mrs PHLIX

on behalf of the EPP Group (Christian-Democratic Group)

pursuant to Rule 47 of the Rules of Procedure

on improving European standardization

The European Parliament,

- A. having regard to Articles 30 and 36, taken in conjunction with Article 100 of the EEC Treaty,
- B. whereas the European Council has repeatedly stressed the need to maintain and develop the internal market,
- C. whereas at its meeting of 16 November 1982, the Council recognized in particular the need for more rapid progress in the field of technical standardization,
- D. whereas a directive on an information procedure in the field of standards and technical requirements has been submitted to the Council; an information system of this kind is a step in the right direction but is quite inadequate to bring about the necessary dismantling of trade barriers in this field,
  - 1. Considers, therefore, that the Community requires a legislative procedure involving the European standardization institutes CEN and CENELEC;
  - 2. Hopes that the combined European standardization institute CEN/CENELEC will strengthen its present organizational structure with support from the secretariats of the technical committees on international standardization within the ISO and IEC which are served by the CEN/CENELEC members in the individual countries;
  - 3. Considers, in view of the fact that the working languages of CEN and CENELEC are English, French and German, that the texts of completed standards should be translated into the official languages of the Community by the national standardization institutes concerned and that the Commission of the European Communities or the national governments should provide appropriate assistance for this purpose;
  - 4. Is convinced that financial assistance is essential if European standardization activities are to be increased and hopes, therefore, that the Community will provide financial support for CEN and CENELEC. The financial assistance must be large enough to provide a genuine incentive for the standardization organizations to step up their activities without delay;



5. Considers that CEN and CENELEC on the one hand and the Commission on the other should conclude an agreement which guarantees the latter sufficient authority to ensure that certain standardization projects are adopted and implemented within a reasonable period, as is already the case with the agreement between the Government of the Federal Republic of Germany and the German Industrial Standards Organization;
6. Considers that if the EEC wishes to fulfil its task of attaining free movement of goods in a Common Market, it must pursue standardization for its market even though the ISO and IEC are active worldwide in the same field. In so doing, the priority of worldwide standardization should not be challenged; CEN and CENELEC should increasingly assimilate ISO and IEC standards and carry out the groundwork for these organizations, while favouring their own standards if worldwide standardization cannot be completed in time;
7. Considers it necessary, finally, to inform the EFTA States in good time of this EEC initiative so that an arrangement may be adopted which, while protecting the interests of EFTA Member States, also takes into account the special activities of the Commission and, where necessary, provides for a special arrangement for majority decisions at Community level;
8. Calls on the Commission to take appropriate measures to develop European standardization, pursuant to Article 155 of the EEC Treaty, and to report back to the European Parliament on this matter before the end of 1983.



---

EUROPEAN PARLIAMENT

**Working Documents**

1983-1984

---

29 September 1983

DOCUMENT 1-761/83

MOTION FOR A RESOLUTION

tabled by Mrs THEOBALD-PAOLI

pursuant to Rule 47 of the Rules of Procedure

on the organization of a European industrial area

The European Parliament,

- A. having regard to the need to increase the competitiveness of Community industry both inside and outside the Community,
  - B. whereas preference should be given to strengthening cooperation and links between industries established on the territory of the Member States in order to increase the Community's independence,
  - C. whereas in some sectors, however, the Community's potential for competitiveness may initially be increased by placing greater emphasis on cooperation between Community industries and industries in certain countries outside the Community which have a dominant position on the market or in a particular sector of technology and whereas the search for independence should therefore, play a subordinate role for the time being to the aim of improving the control of production within the Community,
  - D. whereas, in addition, the Community would like to strengthen North-South cooperation,
- 1. Calls on the Commission to consult the Member States and to propose financial and tax incentives to promote cooperation between Community industries;
  - 2. Stresses in this connection the decisive role which could be played by:
    - (a) a uniform reduction in the tax burden on producers who cooperate with each other rather than importing production materials,
    - (b) more effective use of the defence mechanisms provided by the Common Customs Tariff, particularly in combatting the shameful exploitation of workers in some countries which violate the rules governing competition with complete disregard for human dignity,
    - (c) priority for the use of Community borrowing and lending instruments, possibly coupled with interest subsidies, to encourage industrial cooperation projects between undertakings in different Member States;
  - 3. Invites the Commission to consider the application of such measures for the development of privileged industrial cooperation with those states which have signed the Lomé Convention;
  - 4. Instructs its President to forward this resolution to the Commission, the Council and the Governments of the Member States.

EUROPEAN PARLIAMENT

# Working Documents

1983-1984

---

6 October 1983

DOCUMENT 1-796/83

MOTION FOR A RESOLUTION

tabled by Mrs THEOBALD-PAOLI

pursuant to Rule 47 of the Rules of Procedure

on the legal environment necessary for the organization  
of a European Industrial Area

The European Parliament,

- A. having regard to motion No. 1-761/83 of 29 September 1983 tabled by Mrs THEOBALD-PAOLI on the establishment of a European Industrial Area,
- B. having regard to the need for a financial and political effort by the Ten to strengthen and integrate Community industry, accompanied by the updating and standardization of European or national company law,
1. Calls on the Commission to submit to the Council within three months a comprehensive plan of action for the modernization of the legal environment of undertakings including:
- a definition of 'Community producer'
  - a special statute establishing 'European Cooperation Groupings' restricted to those industries of the Ten engaged in joint collaboration
  - the wider opening of public contracts to 'Community producers' and improved dissemination of innovation techniques
  - a Community code of conduct for industrial investments by third countries
  - rules governing the risk of overconcentration in relation to the European economic area and not to that of a Member State;
2. Calls on the Commission to speed up and extend its efforts to introduce European standards;
3. Instructs its President to forward this resolution to the Commission, the Council and the Governments of the Member States.