

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

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## Report

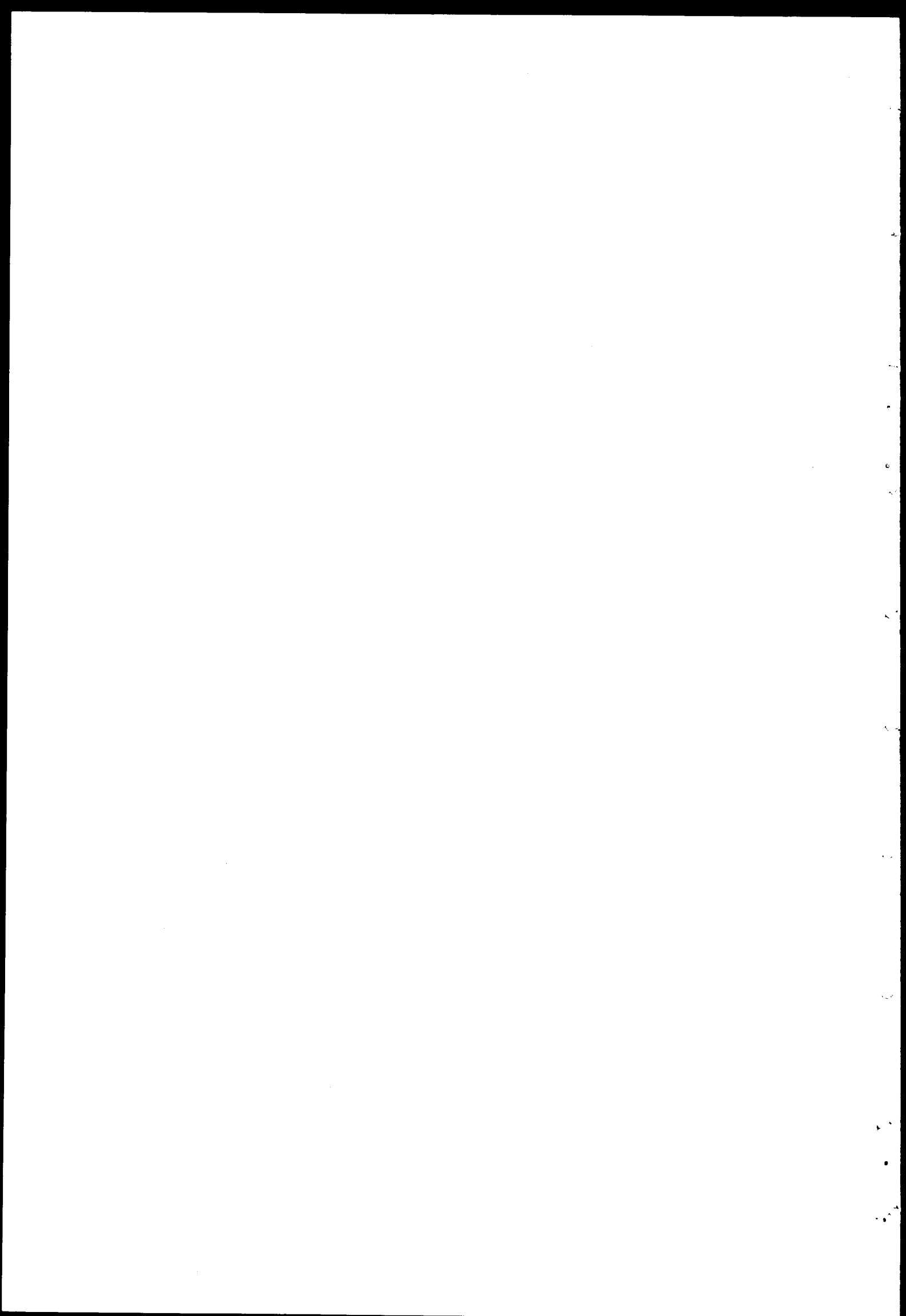
drawn up on behalf of the Committee on Economic and Monetary Affairs

on the customs union, including the programme for the simplification of customs procedures (Doc. 22/75), and the achievement of the internal market

Rapporteur: Mr K. MITTERDORFER

PE 39.005/fin.

1.2.2



By letter of 9 May 1973 the Committee on Economic and Monetary Affairs requested authorization to submit a report on the customs union and the achievement of the internal market.

At its sitting of 11 May 1973, the European Parliament authorized the committee to draw up a report on this matter.

On 24 May 1973, the Committee on Economic and Monetary Affairs appointed Mr Mitterdorfer, rapporteur.

By letter of 21 March 1975, the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 100, on the programme of the Commission of the European Communities for the simplification of customs procedures.

At its sitting of 7 April 1975, the European Parliament referred the programme to the Committee on Economic and Monetary Affairs as the committee responsible (the committee incorporated this subject in its report on the customs union and the achievement of the internal market) and to the Committee on Budgets and the Committee on External Economic Relations for their opinions. On 9 April 1975 the enlarged Bureau of the European Parliament decided also to request the opinions of these two committees on the customs union and the achievement of the internal market.

The Committee on Economic and Monetary Affairs discussed all these questions at its meetings of 20/21 June 1974, 3/4 July 1974, 24/25 October, 1974, 6/7 February 1975, 20/21 March 1975, 22/23 May 1975 and 5/6 June 1975.

At its meeting of 6 June 1975, the committee adopted the motion for a resolution and the explanatory statement unanimously with one abstention.

Present: Mr Notenboom, acting chairman; Sir Brandon Rhys-Williams, vice-chairman; Mr Mitterdorfer, rapporteur; Mr Artzinger, Mr Burgbacher, Mr Carpentier, Mr De Keersmaeker, Lady Elles (deputizing for Mr Dykes), Mr Klepsch (deputizing for Mr Starke), Mr Lange, Mr Leonardi, Mr Normanton, Mr Scholten, Mr Schwörer, Mr Suck.

The opinions of the Committee on Budgets and the Committee on External Economic Relations are attached.

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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 customs union including the programme for the simplification of customs procedures, and the achievement of the internal market.

The European Parliament,

- having regard to its resolutions of 6 July 1971 on the removal of controls on travel within the Community<sup>1</sup> and of 9 October 1972 on controls on traffic within the Community<sup>2</sup>.
  - having regard to the programme submitted by the Commission on the simplification of customs formalities (COM(75) 67 final),
  - having been consulted by the Council (Doc. 22/75;)
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets and the Committee on External Economic Relations (Doc. 135/75),
1. Notes with concern that the implementation of the customs union, which has been in existence since 1968, is being hindered by the still incomplete harmonization of customs law;
  2. Stresses the political and economic significance of the customs union for the process of European integration;
  3. Expresses its concern at the continued existence of many controls on the movement of goods and persons within the Community, which are due to failure to harmonize national economic and fiscal legislation;
  4. Regards the abolition of obstacles to the free movement of goods, services and capital as an urgent task for the Community institutions in the near future;
  5. Regards as indispensable the introduction of improved and simplified customs formalities and the increased abolition of technical and administrative obstacles to trade, as essential preconditions for the speedy development of European integration;
- with regard to the improvement and simplification of customs formalities
  - movement of persons
6. Takes the view that the present customs duty exemptions for goods carried in travellers' personal luggage make travel and movement across frontiers within the Community easier, and urges that these exemptions should basically be kept at a generous level and continually adapted to the increased cost of living;

<sup>1</sup> OJ No. C 78, 2.8.1971, p.48

<sup>2</sup> OJ No. C 112, 27.10.1972, p.10

- movement of goods

7. Approves the measures contained in the programme submitted by the Commission on the simplification of Community provisions applied by customs administrations;
8. Stresses particularly in this connection the economic, political and psychological significance of the Commission proposals relating to
  - simplification of the nomenclature of the common customs tariff with a view to establishing a nomenclature valid throughout the Community, which can be operated with the help of data-processing techniques;
  - simplification of the rules on origin of products in trade with the EFTA countries and other trading partners by means of a single certificate attesting country of origin;
  - improvement of Community transit procedure (abolition of transit documentation for goods in free circulation after end of transitional period; greater flexibility in the guarantee system; abolition of transit advice note; replacement of customs controls by examination of companies' accounts);
9. Requests the Council to adopt as soon as possible the Commission's simplification programme and the proposals already submitted to it for regulations and directives in this matter;
  - with regard to the abolition of administrative and technical obstacles to trade
    - administrative obstacles
10. Expresses the wish that the procedure for mutual recognition of controls be extended to controls on health, animals and plant life;
11. Points out that so little progress has been made in the matter of harmonization of legal and administrative provisions on public contracts that a large part of the European economy does not enjoy the benefits of the customs unions;
12. Takes the view that competition at Community level in the matter of public contracts could help to lighten the burden on the taxpayer, favour the most energetic undertakings and lead to a better distribution of economic activity within the EEC;
13. Deplores the Council's delay in dealing with this matter and urges that the Council should immediately adopt the Commission's proposals of March 1973 on the coordination of procedures for opening the market for public supply contracts since there are no major technical or legal obstacles to such a decision, and requests the Commission to

submit to the Council without delay a programme designed to increasingly open the market for public supply and services contracts (railway, post, electricity supply, telecommunication etc.) taking account of the latest research;

- technical obstacles to trade

14. Points out once again that technical obstacles to trade delay the implementation of free movement of goods, which is an essential element in the internal market;
15. Refers to its resolutions of 14 December 1974 (Doc. 323/74) and 10 March 1975 (Doc. 517/74) and strongly reiterates its conviction that the abolition of technical obstacles to trade could be accelerated by means of action programmes in legally binding form with framework directives for the various sectors and also by means of implementing provisions to be enacted by the Commission, pursuant to Article 155 of the Treaty;
16. Requests the Committee on Economic and Monetary Affairs to keep itself continuously informed on the development of the customs union and the further achievement of the internal market and to submit a new report in due course;
17. Instructs its President to forward this resolution and the committee's report to the Council and Commission of the European Communities and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENTIntroduction

1. Since 1970, the Committee on Economic and Monetary Affairs has had regular discussions on ways to render the free movement of goods brought about by the Customs Union achieved on 1 July 1968 secure. In this connection it points to the fundamental importance and validity of the findings of the European Parliament in its reports on controls on intra-Community traffic (Doc. 109/72) by Mr BOS and on the abolition of controls in intra-Community travel (Doc. 80/71) by Mr CALIFICE.
2. The Committee on Economic and Monetary Affairs holds the view that the continued existence of multifarious controls despite justified complaint on the part of public opinion is an expression or consequence of the lag in the European integration processes. To import any product from one Member State to another it is still necessary to provide the customs tariff heading, according to the Common Customs Tariff which runs to 3,500 headings, to each of which a particular rate of duty applies, yet this information has become entirely useless because, in internal Community trade between the original six Member States at least, these headings are all zero rated. In trade between the Community and the EFTA countries, the introduction of the Commission's proposals on the rules of origin requires no less than 11 operations, an unacceptable administrative complication.
3. Admittedly, harmonizing the legal provisions of nine Member States as a precondition for reducing or abolishing controls takes a lot of time and trouble by itself. When complex special regulations for certain economic sectors, such as agriculture, are added, and when overall economic development in some Member States induces the national authorities to take single-handed trade policy measures, the action and reaction of such measures on the economic factors in an only partially integrated market can lead to a dangerous slackening of progress in integration, just at a time when everything ought to be being done to constantly reduce friction in the free movement of goods.
4. In its efforts to make a genuine contribution to the requisite acceleration of progress in integration, the Committee on Economic and Monetary Affairs intends to go beyond its specific terms of reference regarding the functioning of the internal market and develop some suggestions for further improving the free movement of goods under the heading 'Customs union and achievement of the internal market'. For pragmatic reasons it deliberately restricts itself in this to critically investigating Community actions towards abolishing the administrative and technical obstacles to the free movement of goods.



5. The committee would point out straight away that the topic dealt with here is only one aspect of economic liberalization. On the principle that equality and freedom complement and condition one another, it is plain that what makes many obstacles particularly detrimental to the free movement of goods is that the law approximation provisions of the Treaty have not yet sufficiently moderated or removed the differences in general economic law and taxation law between the individual States. This point is particularly stressed so as to make clear that a distinction between the causes and effects of the obstacles has to be drawn when the topic of customs union and achievement of the internal market is being discussed. As long as the free movement of persons, services, capital and payments has not been achieved as part of economic liberality aimed at the mutual opening of national markets, obstacles to the free movement of goods will always exist and the freedom of trade theoretically created by the customs union will be permanently in jeopardy.

I. Improvement and simplification of customs procedures and formalities

A. The present situation

6. The simplification of customs procedures and formalities has a three-fold significance: economic, political and psychological.

(a) Scope of the simplification measures

Despite some welcome progress in Community legislation regarding controls in the movement of goods (the Community transit procedure) and travel (abolition of green cards, higher duty-free amounts for goods in personal baggage), controls, often long drawn out, and related formalities at frontiers are still not a thing of the past. Above all, those affected ought to be adequately informed by the customs authorities on the sense and purpose of controls which are suddenly introduced, lest these are felt to be arbitrary acts and the peoples of the Community become lukewarm towards the work of European integration.

Simplifying or abolishing controls and formalities clearly means an enormous amount of very difficult and detailed administrative work for the Commission. The Committee on Economic and Monetary Affairs nevertheless requests the Commission to work more intensively on harmonizing customs legislation. The variety of the regulations applying in each Member State to goods imported from third countries into the Community customs zone can lead to deflections of trade and activity and might thereby justify the retention of controls in inter-Community trade.

The committee is also convinced that the simplification of present customs procedures as a prerequisite for the proper functioning of the customs union will have its effects in the fiscal sphere. Considering

the Community's backwardness in tax harmonization, the possibilities of simplifying customs procedures are limited by the necessity for tax controls at frontier crossings - at least for the foreseeable future.

(b) Entry into force of Community provisions

7. In an endeavour to simplify the tasks of the customs authorities, the Council resolved on 27 June 1974 that customs tariff provisions applicable within the Community should be published in the Official Journal of the European Communities at least six months before their entry into force, and that they should enter into force annually on 1 July.

(c) Simplification of the nomenclature of the Common Customs Tariff

8. At the same time the Council called on the Commission to submit proposals to simplify the nomenclature of the Common Customs Tariff, in particular by reducing the number of sub-headings, with a view to avoiding difficulties and delays in customs processing of goods and possible associated frauds.

(d) Harmonization of customs provisions

9. During 1973 and 1974 the Commission attempted in various proposals for regulations and directives supplementing earlier provisions to simplify the procedures for the carriage of goods in customs-exempt movement, to regulate payment delays and secure the application of the Common Customs Tariff and the various provisions under the common agricultural policy, in particular by pointing out that Member States could help to bring about certain simplifications in just this area of CAP provisions.

10. The Commission is also aiming at Community-wide regulation of administrative assistance between customs authorities in the collection of customs debts and the recovery of illegally received compensatory amounts in agriculture. Moreover, the Commission is in favour of not applying the Common Customs Tariff to goods imported for experimental purposes, and has induced the Council, by one of its proposals for directives, to regulate inward processing traffic. The Commission is also aiming at simplifying the general rules of origin in trade with the EFTA countries and other trading partners.

(e) The Community transit procedure

11. The Community transit procedure which came into force with Regulation EEC 542/69 of 18 March 1969 has great significance - especially since this procedure, which simplifies intra-Community trade, has also been introduced with Switzerland and Austria since 1 January 1974. Considering how much easier this procedure makes frontier controls, it should be more extensively used. Regarding the tax controls which are still necessary and Parliament's evaluation of the Community transit procedure at the time, we shall note here only that the introduction of the common transit procedure has meant that the collection of duties and the accompanying control procedures have been shifted from the frontiers to the interior of the Member States.

12. In a communication to the Council of 25 June 1973 (Doc. SEC(73) 2334 final) the Commission proposes various improvements to the Community transit procedure. The committee notes with satisfaction that the Commission, as asked for in Parliament's report (Doc. 109/72), envisages the possibility of reducing the multiplicity of customs documents to a few standard documents, to meet the explicit demands, in particular from the professional associations, for the simplification of frontier procedures. The Commission has since further proposed the abolition of the obligation to furnish a guarantee in Community transit operations imposed on the principle by Article 27 of regulation (EEC) No 542/69 on Community transit. In view of the repeated requests by the Committee on Economic and Monetary Affairs for the Commission to look into ways of simplifying the statistics on goods movement inside the Community and submit proposals on them to the Council, it should be noted that the Commission uses the Community transit procedure as the basis for obtaining transit statistics. Accordingly, if the common transit procedure is applied, no more statistical forms need be used at customs posts. This is yet another reason for using the Community transit procedure more intensively than hitherto.

In addition, the Commission is concerned to reduce the amount of information required in intra-Community trade and to ensure that the various documents at present required for export, transit operations and import are standardized over the Community and made suitable for data processing.

13. Though the aim is to replace direct controls on goods by accounting controls and to simplify these, the lack of tax harmonization will mean that not all controls in trade between the Member States can be got rid of. The Commission is therefore faced with the problem of combining in practice the principle of abolishing import duties and export tax relief in trade between the Member States with the other principle that revenue should go to the consumer state and no or very few complications or formalities should arise at the frontier. In the long run, it will only be possible to combine these principles by aligning the structures and rates

of indirect taxes (turnover taxes, taxes on consumption and comparable charges). For the present this means in practice that the multifarious formalities compel the trades concerned to call in customs agents or employ specially qualified personnel, whose fees or salaries in the end increase the final price to the consumer.

(f) Passenger traffic

14. In view of the delays in the Council discussions on the introduction of a uniform value-added tax assessment basis in connection with the Community's own resources regulations, of the failure to bring value-added tax rates closer together and of the slowness in harmonizing rates of taxes on consumption, the easing of customs controls on goods in personal baggage, made possible by the raising of the duty-free amount to 125 u.a., constitutes a psychological step forward. For frontier-crossing workers and international transport employees the fixing of a minimum duty-free amount of 12.5 u.a. per trip is a considerable improvement over the previous regulations; in view of consumer price rises in all the Member States, however, it would not be out of place to raise this amount within a short period.

In view of the large tourist mobility and for those travelling for occupational reasons these measures can be considered satisfactory. It must be stressed, however, that as regards the free movement of goods their significance is only partial, particularly when it is remembered that travelling Community citizens can still be subjected to personal searches.<sup>1</sup> Moreover, whatever the advantages of duty-free amounts, the fact that they constitute quota restrictions runs counter to the principle of the customs union.

(g) Conclusions

15. In view of the complex interactions between controls on goods movement and the absence of tax harmonization, the Commission should enlighten the public as to why the citizens of Europe are still subject to controls at internal frontiers after seventeen years of the Common Market, whether they cross them as travellers or seek to take advantage of the possibilities of the larger market as exporters or importers.

16. The Committee on Economic and Monetary Affairs calls on the Council to adopt the legislative acts presented to it in the form of proposals for regulations or directives as rapidly as possible, so as to make an essential

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<sup>1</sup> It was reported at the end of March 1975 that severe inconvenience had been caused to travellers held up at the Italian border by personal searches.

contribution towards harmonizing customs legislation. As far as international customs policy is concerned, it calls on the Council to support the Commission in its efforts to represent the Community as a customs union abroad. The Committee on Economic and Monetary Affairs, referring to its opinion on the Seventh Annual Report (PE 36.506 fin.) regrets that the Member States negotiate and conclude international customs agreements singlehandedly.

#### B. Simplification programme

17. While this report was being prepared, the Commission submitted a comprehensive work programme on the simplification of customs procedures and statutory provisions and the institutional methods of examining customs problems. The numerous preferential agreements with third countries, the introduction of the common agricultural policy, the enlargement of the Community and the existing monetary situation have all added to the complexity of the Community's customs system, introduced in stages starting 17 years ago. Moreover, the attitude of the customs authorities has not kept pace with progress towards customs union. In these circumstances, simplification was essential. It is not possible here to list the numerous measures recommended by the Commission. We shall give only the most important guidelines.

18. The simplification programme relates more specifically to revision of the CCT nomenclature, the purpose being to create a more integrated nomenclature suitable for computer processing. The classification of the agricultural regulations serves the same purpose. The problems involved in the prompt processing of data on the management of the customs union (import/export data) and the common agricultural policy are also covered in the Commission's proposals for priority measures in the field of data processing.<sup>1</sup>

19. In the matter of rules and criteria for determining origin, the existence of the 7 free-trade areas between the enlarged Community and the remaining EFTA countries made it necessary to introduce a definition of origin safeguarding the economic interests of the Member States of the various areas. This definition is based on the principle that goods must undergo substantial processing. In addition to this principle, which is sufficient in the majority of cases, a further criterion is applied to areas of production with complex structures, such as machinery and

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<sup>1</sup> See Doc. 21/75, Communication from the Commission of the European Communities to the Council containing initial proposals for priority projects in data-processing.

electrical installations; the application of this criterion has caused numerous administrative problems. The Commission intends to explore all possibilities of harmonization or simplification. In addition, it has approved further work on the replacement of existing specific certificates of origin by a common certificate (EUR 1, EUR 2).

20. The simplification programme also contains various regulations on the improvement of Community transit procedures (abolition of transit documents for goods enjoying freedom of movement after the transitional period; increased flexibility in applying the guarantee system; abolition of the requirement of evidence of crossing a frontier, Community provisions for placing in bond, etc.) and for the simplification of customs inspection procedures (replacement of inspection of goods by accounting checks).

Finally, the Commission also lists a series of institutional improvements which could accelerate the decision-making process within the various customs committees, thus making it easier to achieve the objectives necessary to complete the customs union.

21. The Committee on Economic and Monetary Affairs feels bound to welcome such a programme, since the simplification of the excessively complicated formalities<sup>1</sup>, irrespective of their cost, is from the point of view of the user, the authorities and, above all, the consumer an indispensable improvement if a genuine customs union is to be established. It urges the Council of Ministers to implement this programme as quickly as possible.

## II. Removal of obstacles to trade

22. The Commission has submitted numerous proposals to the Council, but there have often been too long delays in their adoption. The following categories of obstacle to trade must therefore be studied in more detail.

### (a) Removal of administrative obstacles

23. Since certain controls cannot yet be abolished, it would be advisable to extend the procedure of mutual recognition of controls. The mutual recognition of controls was already provided in the unification of manufacturing regulations and inspection methods for industrial products or foods with a view to a common procedure<sup>2</sup>. It would be appropriate to

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<sup>1</sup> It has been shown that the cost of administrative formalities in international trade account for about 7.5% of the value of goods. A reduction of these costs by a mere 1% (to 6.5%) would mean a saving of 130mua on the value of imports and exports between the Community and third countries (statistics for 1973).

<sup>2</sup> See the report by Mr BOS, Doc. 109/72

extend this procedure to health, veterinary and plant health controls. Since 1972 there has been no progress in this area<sup>1</sup>.

24. Moreover, the lack of progress on harmonizing legal provisions for public contracts is a further hindrance to free movement of goods inside the EEC. Neither the proposal of 15 March 1971 for a directive on the harmonization of contract-awarding procedures, nor the proposal of 18 March 1973 for a directive on the coordination of contract-awarding procedures has yet been adopted by the Council. The markets for supplies to the State, regional and local authorities and other legal entities under public law in the Member States therefore remain as before isolated from each other.

25. As a result, a large section of the European economy is still not able to enjoy the benefits of a larger market. Experts who have made an extensive study of the procedures for the award of public contracts, come to the conclusion that an overall programme for this sector should be drawn up as a matter of urgency.

In principle, there are no technical or legal obstacles to opening up public markets for supplies to the authorities. The obstacles that do exist are political.

26. The various State authorities see themselves as administrators of public funds and are more likely to prefer domestic suppliers. They regard internal procedures for awarding public contracts as an instrument for reviving economic life in a given sector of industry or a given region. More international competition, more Community competition would, however, bring numerous advantages. It could help to improve quality and relieve the burden on the tax-payer.

27. In addition, the development of genuine European undertakings would be facilitated, which would result in a better distribution of economic activity in the territory of the European Economic Community. In this context, it is to be regretted that the Council has still not adopted the Commission's proposal that there should be improved coordination of contract-awarding procedures for supplies to State authorities.

28. Where the awarding of public contracts is concerned, general access to contracts awarded by the public service sector, e.g. railway undertakings, electricity works, postal and telecommunications services, is of particular importance. This sector in fact faces special problems: the undertakings concerned develop technical systems which are entirely national in character and which led in the 19th century to the creation of the undertakings. Since their establishment, about 100 years ago, privileged relations have developed between the service undertakings and the supplying industry, and these privileged relations are in many cases still encouraged by State aid for research and development.

<sup>1</sup>Resolution of 28 May 1969, part III

29. This disparity, which is primarily caused by national thinking, will make it extremely difficult for markets to be opened up and systems harmonized in the near future since such projects are already very expensive and becoming more expensive all the time, simply because technical progress in railway and communications technology is so rapid. Since harmonization of the various technical systems is expensive and will become more costly from year to year, Community action is needed. The lack of liberalization in the field of public contracts lowers the quality of public services and limits the competitiveness of European technology on world markets. Progressive liberalization of this field should be the subject of a Community programme.

30. Such a programme should set out cooperation procedures and describe means of approximating national technical concepts so that the funds provided by the individual Member States for research and development can be pooled. It is obvious that account must at the same time be taken of legislation on safety and the protection of the environment.

The Commission is requested to submit a comprehensive programme for the harmonization of the whole public contracts sector as a matter of urgency.

(b) Removal of technical obstacles to movement of goods

31. In its resolutions of 21 May 1973 and 17 December 1973, the Council subjected the general programme<sup>1</sup> on removal of technical obstacles to the free movement of goods to further examination.

32. The Council's programmes to remove trade barriers are based on resolutions. Resolutions are, however, not binding, and one may well wonder whether the timetable for removing technical obstacles to trade by 1978, sketched by the Council in December 1973, is more likely to be observed than the timetable the Council set itself in 1969. Principles formulated in resolutions, which at the moment still seem to be generally recognized, to wit the principle of mutual recognition of controls, adjustment to technical progress or the standstill regulations, could also easily again be called into question.

33. The Committee on Economic and Monetary Affairs would prefer the Council to have chosen the binding form of a general directive to remove technical obstacles to trade, in view of their importance for the freedom of movement of goods. In the opinion of the Committee on Economic and Monetary Affairs, Parliament should, in view of the partly practical and partly procedural delays in abolishing technical obstacles to trade, develop proposals for improvement and make its political influence felt to induce the Council to take these proposals into account. In future the Council should adopt action programmes on removing technical obstacles to trade in the form of directives with principles.

<sup>1</sup>Resolution of 28.5.1969



34. The individual sectors defined in such an action programme should be the subject of outline directives pursuant to Article 100 of the EEC Treaty. The technical rules of application would then be decided by the Commission on its own responsibility, pursuant to Article 155.

35. If the Council did this, and at the Commission's proposal, Parliament's control in these areas would also acquire more effective forms. This kind of treatment would avoid the European Parliament repeatedly having to deal with completely unconnected proposals for removing trade barriers, so technical that only experts can understand what they actually mean.

36. Such outline directives must contain an account of the most important technical questions arising in the improvement of the free movement of goods, taking account of social needs, public health, safety at work and environment protection. We must also specify the kind of harmonization - complete or optional - and contain references to the other regulations etc. decided on in a particular sector.

37. The Committee on Economic and Monetary Affairs believes that doing it this way will put an end to the tactics the Community has hitherto followed in this important area, benefit the economic groups concerned and accelerate progress towards integration.

38. Systematic treatment and analysis of series of proposals for directives on the removal of technical obstacles to trade will secure more respect from the European public for the European Parliament's efforts to bring the freedom of movement of goods into line with the state of integration of the Community economy.

39. The Member States must be reminded that it is up to them to inform the Commission in good time of measures which might be considered for harmonization. If this obligation is not observed, there can in fact be no genuine progress in this area<sup>1</sup>.

Moreover, economic organizations should not take measures which might hinder the free movement of goods, such as the setting of industrial standards for their members.

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<sup>1</sup>Written Question No. 372/73 by Mr COUSTÉ

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Mr LEENHARDT,  
chairman of the Committee on Economic and Monetary Affairs

Brussels, 10 June 1975

Dear Mr Chairman,

At the request of your committee, the Bureau decided at its meeting of 9 April 1975 that the Committee on Budgets should be asked for its opinion on the draft report by the Committee on Economic and Monetary Affairs on customs union and achievement of the internal market.

At its meeting of 9/10 June 1975 the Committee on Budgets considered this problem and came to the following conclusions<sup>1</sup>:

Apart from an introductory section, the report drawn up by the Committee on Economic and Monetary Affairs deals with a Commission work programme for the simplification of customs procedures (Doc. 22/75)

This Commission document is primarily concerned with technical problems connected with the customs union, which do not fall within the terms of reference of the Committee on Budgets. The introductory section of the report, on the other hand, deals with the abolition of obstacles to trade in the Community.

For these reasons the Committee on Budgets took the view that this report was not the proper vehicle for setting out its ideas on tax harmonization.

It is, however, quite prepared to present its views on the matter on another occasion.

(sgd.) Erwin Lange.

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<sup>1</sup>Present: Mr Lange, chairman; Mr Berkhouwer (deputizing for Mr Houdet), Miss Flesch, Mr Früh, Mr Giraudo (deputizing for Mr Vernaschi), Mr de Keersmaeker (deputizing for Mr Galli), Mr Kirk, Lord Lothian, Mr Shaw and Mr Terrenoire.

OPINION

of the Committee on External Economic Relations

Draftsman: Mr K. THOMSEN

On 20 May 1975 the Committee on External Economic Relations appointed Mr THOMSEN draftsman for Doc. 22/75 and on 10 June it appointed him draftsman for Doc. PE 39.005/rev.

It considered the draft opinion at its meeting of 10 June 1975 and adopted it unanimously.

Present: Mr Thomsen, chairman and draftsman; Mr Bermani, vice-chairman; Mr Boano, vice-chairman; Lord Bethell, Mr Cousté, Mr Dunne, Mr Schwörer (deputizing for Mr Schulz), Mr Spicer and Mr Vandewiele.

1. Since the MITTERDORFER report<sup>1</sup> and the Commission work programme<sup>2</sup> deal to a certain extent with the same questions within the framework of the Community Customs Union, the Committee on External Economic Relations considers both these documents in this opinion.

At a time when in various Community Member States economic problems are adding to political problems and hindering the further development of the European Economic Community, when the Common Agricultural Policy is no more than an empty shell, the Community cannot even take satisfaction from its only remaining foundation, namely the Customs Union.

2. Since the beginning of 1973 the Community bodies have been responsible for the common commercial policy in accordance with Article 113 of the EEC Treaty and have been endeavouring to develop this policy vis-à-vis political, economic and regional groupings of States, and vis-à-vis individual countries throughout the world. It is in this broad and complex perspective that the issues submitted to the committee for its opinion must be considered. The Common Customs Union, as one of the foundations of the EEC, is also an essential basis of the common commercial policy.
3. The 'problem' areas referred to above mainly comprise matters which the uninvolved layman finds incomprehensible and of no interest e.g. the simplification of the customs tariff system, the harmonization of customs legislation, the regulation of the Community transit system, various provisions relating to passenger traffic and a great number of administrative and technical obstacles to trade. It is precisely these things, however, which constitute the basic elements of the Community's internal market and, because they are in daily use, at the same time - owing to their lack of coordination and harmony - daily cause fresh irritation, much waste of time and money and unjustified administrative expenditure.
4. The still unsatisfactory functioning of the common internal market also means, however, that in important multilateral negotiations the Community is unable to speak with a single voice on all issues. This was most recently demonstrated at the GATT negotiations which opened last February in Geneva, where the Community, while advocating - among other things - the dismantling of non-tariff obstacles to trade so important to world commerce, was nevertheless unable to work out any adequate negotiating basis in this area because of the internal Community situation and differing national preferences.

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<sup>1</sup> PE 39.005/rev.

<sup>2</sup> Doc. 22/75

5. The MITTERDORFER report, the numerous unsolved problems referred to in the Commission work programme and the periodic assessment of the functioning of the Common Market contained in the Commission's annual reports show all too clearly the unsatisfactory progress made in this field. The Committee on External Economic Relations therefore fully supports the Committee on Economic and Monetary Affairs and the Commission in their efforts to resolve these problems. At the same time, it invites the committee responsible to raise these matters afresh at every opportunity and to encourage Members of the European Parliament to exert the necessary pressure on their respective governments in their own national parliaments so that not only is the substantiation of every facet of the Community's internal market made apparent to all citizens but also so that the Community can speak with one voice on external economic matters in this area too and contribute to the development of world trade.

