

The removal of barriers to intra-Community trade

Source: CVCE. Pierre Gerbet.

Copyright: (c) CVCE.EU by UNI.LU

All rights of reproduction, of public communication, of adaptation, of distribution or of dissemination via Internet, internal network or any other means are strictly reserved in all countries.

Consult the legal notice and the terms and conditions of use regarding this site.

URL: http://www.cvce.eu/obj/the_removal_of_barriers_to_intra_community_trade-en-d9c4a1fa-be1a-44fb-a1d6-05b022b2eeb3.html

Last updated: 08/07/2016



The removal of barriers to intra-Community trade

The completion of the single market and a 'European area without internal frontiers' involved the gradual removal of three types of obstacles to free movement: physical, technical and fiscal barriers.

The physical barriers were the checks carried out on goods and persons. They were abolished at the Community's internal borders and repositioned at its external borders.

With regard to goods, the administrative formalities which still remained after the disappearance of customs duties and quotas were simplified, reduced to a single form in 1988 and abolished completely on 1 January 1993. From 1 January 1993, the controls justified by the varying VAT rates from one country to another were no longer carried out at borders but within each State by the national tax authorities. Border veterinary checks and plant health controls — sometimes used as a protectionist measure — were replaced by harmonised veterinary legislation.

With regard to persons, free movement within an area without internal frontiers was more difficult to establish: it presupposed the creation of a European area of judicial and police cooperation, although, in fact, national legislative and regulatory provisions often differed greatly when it came to issues of immigration control, fighting terrorism and criminal trafficking. Because of the United Kingdom's hostility to the removal of border controls, the members of the 'Schengen Group' (France, Germany and Benelux) were the countries which drafted agreements aimed at resolving these problems and allowing the free movement of persons (see the heading 'The Schengen Agreements' in the section on the Maastricht Treaty).

The technical barriers to trade consisted of national regulations, which varied from one country to the next in a large number of areas. They were largely eliminated.

With regard to persons — who can move freely — the right of establishment, provided for in the Treaty of Rome and granted only to salaried staff and heads of undertakings, was gradually extended to members of the regulated professions (doctors, lawyers, etc.), subject to the equivalence and, subsequently, the mutual recognition of qualifications. National civil services were in part opened up to the nationals of other countries in the Community. Non-active persons (students, retired people, or those of independent means, for example) might live in any country on condition that they did not become a financial burden to this country.

With regard to goods, the national regulations imposing industrial consumer and environmental protection standards constituted a major obstacle. In 1987, in order to overcome this obstacle, and since the establishment of Community technical directives, which had to be unanimously approved, was impracticable, the Commission turned towards simpler regulations, adopted by a majority, which set out the main objectives concerning safety and health; a product which met these regulations in one Member State might be sold on the single Community market. This constituted the implementation of the principle of mutual recognition of manufacturing standards, upheld since 1979 by the Court of Justice of the European Communities.

With regard to services, definite progress was made with the freedom of establishment of banks (1993) and the freedom of insurance companies to provide services (1992). The single transport market was gradually opened up between 1986 and 1997 for sea, air and road transport systems. The telecommunications market has been completely open to competition since 1998. The railways, operated, except in the United Kingdom, by national companies, have established cooperation on a technical level.

A system for the free movement of capital has been in place since 1 July 1990 and constitutes the first stage in the preparations for Economic and Monetary Union. The European Union financial market was then completely liberalised in 1993.

Fiscal barriers, on the other hand, could not be eliminated, since decisions falling within this domain, one of prime importance for the individual States, had to be taken unanimously. VAT rates were approximated, but

a considerable spread has remained. Likewise, excise duties (on tobacco and fuel, for example) vary widely across borders. Direct taxes also remain unequal — hence the relocation of businesses to countries which practise ‘tax dumping’ and the transfer of savings to tax havens, an issue which will not be addressed until 2003.