

Key 1992 Changes

Effects of the Four Key 1992 Changes

Removing physical barriers

- will free the movement of goods and services within Europe;
- will assure that a product can enter any EC country, once it has entered one of them.

Removing technical barriers

- will allow free distribution to all EC countries once a product has met the technical standards of one EC country;
- will allow industry to produce for a wider market;
- will open the public procurement market to competition.

Removing fiscal barriers

- will eliminate the wide differences in indirect taxes that distort trade between Member states.

Liberalization of capital movements

- will enhance competition and choice in financial services;
- will make channeling savings into investment more efficient and less costly;
- will give borrowers access to more diverse and cheaper financing;
- will permit more competitive financing for investment and trade within the EC.

The key changes for 1992 are the elimination of physical, technical, and fiscal barriers, and the liberalization of capital movements. The EC has already eliminated tariffs on trade between member countries.

Removing physical barriers primarily involves removing customs controls, harmonizing public health standards, and removing immigration and passport controls.

Removing technical barriers involves the harmonization of technical regulations and standards through the adoption of Community-wide standards and the mutual recognition of a wide variety of national manufacturing and testing standards. All products will have to pass essential safety requirements, whether or not they are traded between EC countries. They can then be circulated freely throughout the EC.

A Community-wide patent system will be established. Currently, patents are protected throughout most of the EC, although not in Denmark, Ireland, and Portugal. It is best to register your trademarks in each country in which you trade.

EC countries will also remove protectionist measures that affect public procurement, and in progressive stages, develop a common market in the financial services sector. The industries most affected by technical trade barriers are:

- ❖ automobiles
- ❖ electrical and electronic equipment, including telecommunications
- ❖ machine tools
- ❖ pharmaceuticals, processed chemical products
- ❖ non-ferrous mineral products
- ❖ metal products
- ❖ precision instruments and medical equipment
- ❖ transport equipment
- ❖ food and beverages
- ❖ leather

Removing fiscal barriers involves reducing the wide differences between value-added taxes (VAT) and between various excise duties. Most countries allow exports to be VAT free, but imports are charged both VAT and excise taxes on a selective basis.