Accordingly, the Commission has decided to reduce harmonizing legislation to a minimum, i.e., to harmonize only where this is essential in the interests of health, safety and consumer and environmental protection. The Single European Act ensures speedier passage of such legislation by replacing the requirement for unanimity by qualified majority voting in most cases.

In areas where harmonization is not absolutely necessary, the mutual recognition principles applies. Goods lawfully produced or marketed in any Member State can be sold in all other Member States. For example, a recent court decision has prevented Germany from attempting to ban the sale of sausages which do not contain 100% meat. Similarly, Italy can no longer insist that pasta be manufactured exclusively from durum wheat.

3. Fiscal Barriers

These barriers arise due to Member States operating different types and rates of indirect tax. In particular, problems are created in relation to Value Added Tax (VAT) and excise duties.

In the agricultural sector, the system of monetary compensatory amounts (MCAs) can also be viewed as a fiscal barrier. These artificial "green" exchange rates are used to translate CAP support levels defined in terms of European Currency Units (ECUs) into the national currencies of Member States. They have given rise to the well-known system of subsidies and taxes on Community trade in farm products known as MCAs. MCAs are necessary since the green rates diverge from the "real" or market exchange rates by differing amounts, and without MCAs the variation in effective support prices between countries would severely distort trade flows and over-burden certain CAP intervention systems.

Green rates and MCAs have existed since 1969 when mutual revaluation of the strengthening Deutschmark and devaluation of the weakening French franc was resisted by both governments in terms of its effect on agricultural prices. In the German case, there was a reluctance to reduce nominal levels of support to farmers, while in France there was a desire to avoid added inflationary pressures. To maintain existing farm price levels after a currency re-alignment, a positive MCA is needed as a tax on imports entering, and a subsidy on exports from, the country with the stronger currency. A negative MCA acting to the opposite effect is required in the case of a weaker currency.

Over the past 20 years, all EC countries have at one time or another used green rates for either of these purposes (and sometimes both, at different times). They have