

2. EUROPE 1992: AUTOMOTIVE SECTOR DEVELOPMENTS

2.1 Existing Barriers to Automotive Trade within the EC

The EC automobile market is highly fragmented due to technical, fiscal and physical barriers that undermine the creation of a "single market." The major barriers include:

- a lack of standardization of national technical requirements;
- widespread differences in exhaust emission requirements of Member States which can lead to costly modifications being necessary before a car fits the requirements of an importing state;
- various national requirements for the standard equipment of vehicles such as yellow headlamp bulbs in France, dim-dip headlamps in the U.K., etc.;
- wide taxation differences on car sales in different Member States, ranging from over 200 per cent in Denmark to 12 per cent in Luxembourg;
- inconsistent rates of tax payable for the annual usage of a car from Member State to Member State;
- differing attitudes to government intervention in the national car industries which may distort free competition (subsidies, loans, debt write-offs, etc.);
- difficulties in the form of excess paperwork, long delays, etc., involved in the shipping of parts and vehicles.

Each of these elements serves to compartmentalize the Community market with significant costs to producers and consumers. Recent surveys have indicated

the large savings that would occur if the EC car industry could become totally integrated across the board including manufacturing, marketing and distribution. This rationalization of the market could increase the demand for new cars and cut non-EC imports.

2.2 The EC's 1992 Strategy for the Automotive Sector

The general objective of the EC's automotive strategy is to provide a regulatory environment that enables the auto sector to derive the full benefits from the largest single automotive market in the world.

The major 1992 regulatory changes that will impact on the automotive sector include:

Reduction of technical obstacles to trade. Type-approval accounts for a very substantial amount of EC legislation in the area of motor vehicles. Type-approval can be succinctly summarized as an effort to harmonize, at the Community level, the technical requirements of motor vehicles which hitherto have varied from state to state and therefore constituted a barrier to free trade. Once a certificate of conformity is issued by the authorities of a Member State, if a specific technical requirement laid down at Community level is met, this certificate must be recognized by all other Member States.

The Commission will continue to submit to the Council the draft Directives required to complete the type-approval of cars.

Furthermore, the Commission will also submit to the Council in 1990 a draft revision of framework Directive 70/156/EEC to allow technical