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ADDENDUM TO "I/A" ITEM NOTE

from:	General Secretariat
to	Permanent Representatives Committee/Council
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Subject:	Proposal for a Council Regulation amending Annex I to Regulation (EEC) No 2658/87 on the Tariff and Statistical Nomenclature and on the Common Customs Tariff – Statement by Hungary – Statement by Poland

**Statement by Hungary to the
Proposal for a Council Regulation amending Annex I to Regulation (EEC) No 2658/87 on the
Tariff and Statistical Nomenclature and on the Common Customs Tariff**

As previously declared at the 6 September 2013 COREPER, Hungary could not agree with the new classification rules in the Proposal for a Council Regulation amending Annex I to Regulation (EEC) No 2658/87 on the Tariff and Statistical Nomenclature and on the Common Customs Tariff, and the consequent decrease in the rate of import duties on a wide scope of monitors.

- Recalling the conclusions of the European Council adopted on 1-2 March 2012¹ stating that *“The European Union is taking all necessary measures to put Europe back on the path to growth and jobs.to foster growth, competitiveness and employment”*;
- Having regard to the conclusions of the European Council adopted on 22 May 2013², which lays down as a basic principle that *“In the current economic context we must mobilise all our policies in support of competitiveness, jobs and growth.”*;
- Considering the conclusions of the European Council adopted on 27/28 June 2013 stating that *“...more determined efforts are required at all levels to boost competitiveness and employment.”*³

Despite repeated requests, no assessment of the impact of the proposal on industry and jobs in the EU has been prepared.

Furthermore, during discussions of the proposal, there has not been an adequate account of how the proposed measures are advantageous for the Union. Therefore, in our view, it is still questionable whether the scope of products to be covered by 0% import duty rate, according to the proposed new classification, would exceed the obligations under the Information Technology Agreement (ITA) and the WTO panel decision or not.

The decrease in the rate of import duties and the resulting decrease in competitiveness compared to imports from third countries would seriously damage one of Hungary’s most important industries - manufacturing monitors, where the tariff classification would be amended by the proposal. It is a very serious issue for Hungary, because more than 6000 employees are involved in the production of these monitors or their parts in Hungary, mostly in regions suffering from some of the highest unemployment rates within the EU. In addition to jobs in Hungary, more than 1000 jobs would also be put at risk in neighbouring Member States with companies of Hungarian origin.

¹ EUCO 4/2/12 REV 2, page 1, point I/1

² EUCO 75/1/13, page 1, first introductory paragraph

³ EUCO 104/2/13 REV 2 page 1, third introductory paragraph

In addition to the above mentioned concerns, the proposed new tariff classification is not clear, which will lead to abuse and circumvention of the rules. The period available until the proposed date of application of the proposed regulation will likely not be sufficient for the adoption of the implementing rules that would give the necessary guidance for the proper application, especially regarding the interpretation of the wording “acceptable level of functionality”.

Therefore, Hungary considers that adoption of the proposal to be in clear contradiction of the priorities set by the European Council, especially by putting existing industries and jobs unnecessarily at risk.

***Poland’s statement regarding the draft regulation amending Annex I to
Regulation (EEC) No 2658/87 on the Tariff and Statistical Nomenclature and on the Common
Customs Tariff***

Poland is against the modification of Combined Nomenclature concerning structure of CNcode 8528 59 (*other monitors*). The two key negative outcomes of these changes have not been enough deeply discussed by the Customs Union Working Group (CUG), namely:

- The possibility of import to the EU incomplete TV’s, e.g. without TV tuner, as a monitors under the 0% duty rate (the duty rate for TV’s is 14%) and mounting them in the EU. The EC presented the draft of the regulation preventing that practices. However Poland is of the opinion that this regulation would be ineffective.

- The possibility of import to the EU video monitors with the TV functionality, avoiding the 14% duty rate for TV's. Poland has formally submitted to the EC and the Presidency 3 alternative proposals. The aim was to limit the scope of duty free import of the monitors with TV functionality, avoiding the inconsistency with the EU international obligations and the ECJ judgment in the Kamino case. Poland has been of the opinion that this proposal should be discussed on the CUG. This is an appropriate EU expert forum, to analyze and consider these kind of proposals submitted by the Member States.

In consequence the proposed modification of Combined Nomenclature will have a very negative impact on both TV and monitors manufacturers based in the EU. The customs rate reduction from 14% to 0% will cover 80% imported to the EU monitors classified under subheading 8528 59. This would result in significant job losses and risk of production relocation outside the EU. Polish sector of TV and monitors manufacturing produces almost 25 million devices of which 90% of the production is distributed in the EU market. This sector also employs around 60 000 people. The EC still have not presented to the CUG the socio-economic impact assessment of proposed regulation, especially the impact on the labour market.

The electronic manufacturers sector is protected in the EU mainly by the customs rates. In other countries e.g. USA or Japan customs rate level is quite low, at the same time access to the above-mentioned countries market is restricted by the Non-Tariff Barriers (NTB's). Poland had consequently underlined that liberalization of the EU customs tariff level should be linked with the liberalization of the third parties NTB's e.g. USA and Japan. However these partners are not ready to liberalize the NTB's.

Moreover, there is a negative correlation between the modification in question and ongoing ITA revision negotiations. Proposed broad unilateral liberalization of customs duties for imported to the EU monitors affects ITA negotiations due to the fact that this tariff line is at the same time subject of these negotiations. We underlined that fact and proposed to postpone the decision until the conclusion of the ITA negotiations.

For the above mentioned reasons Poland cannot accept proposed changes in structure of the CN code 8528 59. Poland is of the opinion that this issue should be once again analyzed by the Working Party on Customs Union. Poland reserves the right to oppose against the final proposal of the ITA revision.
