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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	22 May 2017
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2017) 245 final
Subject:	Proposal for a COUNCIL REGULATION amending Regulation (EU) No 1387/2013 suspending the autonomous Common Customs Tariff duties on certain agricultural and industrial products

Delegations will find attached document COM(2017) 245 final.

Encl.: COM(2017) 245 final



Brussels, 22.5.2017
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Proposal for a

COUNCIL REGULATION

**amending Regulation (EU) No 1387/2013 suspending the autonomous Common Customs
Tariff duties on certain agricultural and industrial products**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

Certain agricultural and industrial products are not produced in the European Union, or not in sufficient quantity. To ensure sufficient and uninterrupted supplies and to prevent market disturbance for these products, Council Regulation (EU) No 1387/2013 partially or totally suspended some autonomous Common Customs Tariff duties.

The Regulation is updated every six months to accommodate the needs of EU industry. The Commission, assisted by the Economic Tariff Questions Group (ETQG), reviews all Member State requests for autonomous Common Customs Tariff duties to be suspended temporarily.

Following this review, the Commission considers that a suspension of duties is justified for some new products currently not listed in the Annex to the Regulation. The conditions governing the description, classification or end-use requirement of some other products should be changed. Products for which a tariff suspension is no longer in the EU's economic interest should be withdrawn.

- **Consistency with existing policy provisions in the policy area**

This proposal does not affect countries that have a preferential trading agreement with the EU, candidate countries or potential candidates for preferential agreements with the EU (e.g. the Generalised System of Preferences, the African, Caribbean and Pacific group trading arrangements, or free-trade agreements).

- **Consistency with other Union policies**

The proposal is in line with EU policies on agriculture, trade, enterprise, development and external relations.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis of this proposal is Article 31 of the Treaty on the Functioning of the European Union (TFEU).

- **Subsidiarity (for non-exclusive competence)**

The proposal falls under the EU's exclusive competence. The subsidiarity principle therefore does not apply.

- **Proportionality**

The proposal complies with the principle of proportionality. The measures envisaged are in line with the principles for simplifying procedures for operators engaged in foreign trade, as stated in the Commission Communication concerning autonomous tariff suspensions and quotas. This Regulation does not go beyond what is necessary to achieve the objectives pursued in accordance with Article 5(4) of the Treaty on European Union (TEU).

- **Choice of the instrument**

By virtue of Article 31 of the TFEU, "*Common Customs Tariff duties shall be fixed by the Council on a proposal from the Commission*". Therefore, a regulation is the appropriate instrument.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

A 2013 evaluation of the entire autonomous suspensions scheme concluded that the core rationale for the scheme remains valid. The cost savings for EU businesses importing goods under the scheme can be significant. In turn, depending on the product, company and sector, those savings can have wider benefits, such as boosting competitiveness, making production methods more efficient, and creating and keeping jobs in the EU.

- **Stakeholder consultations**

The ETQG, brings together delegates from all Member States plus Turkey, assisted the Commission to prepare this proposal. The group met three times before agreeing the changes in this proposal.

It carefully assessed each request (new, or for an amendment). It focused especially on the need to prevent any harm to EU producers, and to strengthen and consolidate the competitiveness of EU production.

All listed suspensions were the subject of agreements or compromises reached in the ETQG's discussions. No potentially serious risks with irreversible consequences were mentioned.

- **Impact assessment**

The proposed amendment is technical and concerns only the coverage of suspensions listed in the Annex to Council Regulation (EU) No 1387/2013. Therefore, no impact assessment has been carried out for this proposal.

- **Fundamental rights**

The proposal has no impact on fundamental rights.

4. BUDGETARY IMPLICATIONS

This proposal has no financial impact on expenditure but has a financial impact on revenue. Uncollected customs duties total approximately EUR 16,4 million per year. The effect on the budget's traditional own resources is EUR 13,1 million per year (i.e. 80 % of the total). The legislative financial statement sets out the budgetary implications of this proposal in greater detail.

The loss of revenue in traditional own resources shall be compensated by Member States' Gross National Income (GNI) based own resource contributions.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The measures proposed are managed under TARIC (the Integrated Tariff of the European Union) and applied by Member States' customs administrations.

Proposal for a

COUNCIL REGULATION

amending Regulation (EU) No 1387/2013 suspending the autonomous Common Customs Tariff duties on certain agricultural and industrial products

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 31 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The Union production of 69 agricultural and industrial products that are not listed in the Annex to Council Regulation (EU) No 1387/2013¹ is inadequate or non-existent. It is, therefore, in the interest of the Union to suspend completely the autonomous Common Customs Tariff ('CCT') duties on those products.
- (2) It is necessary to modify the conditions for 71 suspensions of autonomous CCT duties listed in the Annex to Regulation (EU) No 1387/2013 to take account of technical product developments and economic trends on the market. Certain product classifications have been amended to allow industry to fully benefit from the suspensions in force. Moreover, the Annex to Regulation (EU) No 1387/2013 has been updated due to the need to align or clarify texts in some cases. The modified conditions relate to changes in the product description, classification or end-use requirements. The suspensions in respect to which modifications are necessary should be deleted from the list of suspensions in the Annex to Regulation (EU) No 1387/2013 and the modified suspensions should be inserted into that list.
- (3) It is no longer in the interest of the Union to maintain the suspension of autonomous CCT duties for 2 products currently listed in the Annex to Regulation (EU) No 1387/2013.
- (4) In the interests of clarity, the entries modified by this Regulation should be marked with an asterisk.
- (5) Regulation (EU) No 1387/2013 should therefore be amended accordingly.
- (6) To avoid any interruption of the application of autonomous suspensions scheme and to comply with the rules set in the Communication from the Commission concerning autonomous tariff suspensions and quotas² the changes regarding the suspensions for the products concerned provided for in this Regulation have to apply from 1 July 2017. Therefore, this Regulation should enter into force as a matter of urgency,

¹ Council Regulation (EU) No 1387/2013 of 17 December 2013 suspending the autonomous Common Customs Tariff duties on certain agricultural and industrial products and repealing Regulation (EU) No 1344/2011 (OJ L 354, 28.12.2013, p. 201).

² OJ C 363, 13.12.2011, p. 6.

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EU) No 1387/2013 is amended as follows:

- (1) the rows for the products listed in Annex I to this Regulation are inserted following the order of the CN codes indicated in the first column of the table in the Annex to Regulation (EU) No 1387/2013;
- (2) the rows for the products for which the CN and TARIC codes are set out in Annex II to this Regulation are deleted from the Annex to Regulation (EU) No 1387/2013.

Article 2

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

It shall apply from 1 July 2017.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council
The President*

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL

Council Regulation amending Regulation (EU) No 1387/2013 suspending the autonomous Common Customs Tariff duties on certain agricultural and industrial products

2. BUDGET LINES

Chapter and Article: Chapter 12, Article 120

Amount budgeted for the year 2017: EUR 20 000 500 000 (B 2017)

3. FINANCIAL IMPACT

- Proposal has no financial implications
- Proposal has no financial impact on expenditure but has a financial impact on revenue. The effect is as follows:

(EUR million to one decimal place³)

Budget line	Revenue ⁴	6-month period, starting dd/mm/yyyy	[Year: second half of 2017]
Article 120	<i>Impact on own resources</i>	01/07/2017	-6,56

Situation following action	
	[2018 – 2021]
Article 120	- 13,1/year

This Annex contains 69 new products. The corresponding uncollected duties, calculated on the basis of requesting Member State projections for the period 2017 to 2021, amount to EUR 9.4 million per year.

However, statistics for previous years point to the need to increase this amount by an average factor, estimated at 1.8, to take account of imports into other Member States using the same suspensions. This will result in uncollected duties of around EUR 16.9 million per year.

³ The annual amounts should be estimated using the formula in section 5, with a footnote to that effect, e.g. 'indicative amount based on the agreed formula'. For the first year, the annual amount is normally paid without a reduction or pro rata.

⁴ As regards traditional own resources (agricultural duties, sugar levies, customs duties), the amounts indicated must be net amounts, i.e. gross amounts minus a 20 % deduction for collection costs.

Two products have been withdrawn from the Annex, reflecting the reintroduction of customs duties. This will increase the duties collected by EUR 0.5 million. Both products were withdrawn from 1 January 2017; therefore, statistics are not available and the increase has been calculated using requesting Member State projections.

On the basis of the above, the impact that this Regulation will have on the EU budget in terms of the loss of revenue for is estimated at EUR 16,4 million (EUR 16,9 – 0,5 million). Multiplying this gross amount, including collection costs, by a factor of 0,8 gives a total of EUR 13,1 million per year for the period running from 1 July 2017 to 31 December 2021.

4. ANTI-FRAUD MEASURES

Checks on the end-use of some of the products covered by this Council Regulation will be carried out in accordance with Article 254 of Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code.