



Council of the
European Union

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PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 16 December 2015

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

No. Cion doc.: COM(2015) 653 final

Subject: Proposal for a COUNCIL DECISION authorising the signature of an
Agreement in the form of an Exchange of Letters between the European
Union and the People's Republic of China pursuant to Article XXIV:6 and
Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994
relating to the modification of concessions in the schedule of the Republic
of Croatia in the course of its accession to the European Union

Delegations will find attached document COM(2015) 653 final.

Encl.: COM(2015) 653 final



Brussels, 16.12.2015
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2015/0297 (NLE)

Proposal for a

COUNCIL DECISION

authorising the signature of an Agreement in the form of an Exchange of Letters between the European Union and the People's Republic of China pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

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

With the accession of the Republic of Croatia, the European Union enlarged its customs union. Consequently, the European Union was required under World Trade Organisation (WTO) rules (Article XXIV:6 of the GATT 1994) to enter into negotiations with WTO Members having negotiating rights related to the tariff schedule of Croatia in order to eventually agree on a compensatory adjustment. Such adjustment is due if the adoption of the EU's external tariff regime results in an increase in tariff beyond the level for which the acceding country has bound itself at the WTO.

On 15 July 2013, the Council authorised the Commission to open negotiations under Article XXIV:6 of the GATT 1994. The Commission has negotiated with the Members of the WTO holding negotiating rights with respect to the withdrawal of specific concessions in relation to the withdrawal of the schedule of the Republic of Croatia in the course of its accession to the European Union.

Negotiations with the People's Republic of China resulted in a draft Agreement in the form of an Exchange of Letters that was initialled on 7 October 2015 in Brussels (the Agreement). Consequently, the European Commission proposes to the Council to authorise the signature of the Agreement.

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

The proposal is consistent with EU practice followed in previous EU enlargements.

- **Consistency with other Union policies**

The proposal follows EU practice which is consistent with the EU external action, industrial and agricultural policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 207 of the Treaty on the Functioning of the European Union (TFEU), in conjunction with Article 218(5) of the TFEU for the signature of international agreements.

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

The proposal falls under exclusive competence of the Union, Article 3(1)(e) of the Treaty on the Functioning of the European Union. The subsidiarity principle therefore does not apply.

- **Proportionality**

The People's Republic of China was affected by the withdrawal of Croatia's concessions. The compensatory adjustments do not exceed China's rights in this respect. The proposal complies with the proportionality treatment.

- **Choice of the instrument**

A Decision of the Council authorising the signature of the Agreement is required under Article 218(5) TFEU.

3. STAKEHOLDER CONSULTATIONS

- **Stakeholder consultations**

The Council (Trade Policy Committee) has been regularly consulted on the content and advancement of the negotiations. The European Parliament (INTA Committee) has been informed.

4. BUDGETARY IMPLICATIONS

See Financial Statement.

5. OTHER ELEMENTS

- **Implementation plans**

The Commission proposes to the Council that the Agreement in the form of an Exchange of Letters with the People's Republic of China be signed on behalf of the Union. In parallel, a separate proposal on the conclusion of this Agreement is also being submitted to the Council.

The results of the Agreement will have to be incorporated, for industrial goods, into Annex I of Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff by means of a Commission implementing regulation amending the Annex, on the basis of Article 9 of Regulation, to reduce the conventional rate of duty fixed in the Common Customs Tariff as follows:

- On tariff line 6404 19 90 (footwear with outer soles of rubbers or plastics - other) lower the current bound EU duty of 17 % to 16,9%
- On tariff line 8415 10 90 (window or wall air conditioning machines "split-system") lower the current bound EU duty of 2,7 % to 2,5%.

For the agriculture quota increases, the Commission will adopt an implementing Regulation to open and administer the following quotas, pursuant to Article 187(a) of the Single Common Market Organisation (CMO) Regulation (Regulation (EU) No 1308/2013):

- On tariff line 0703 20 00 add 2 150 tonnes to the allocation for People's Republic of China under the EU tariff rate quota for garlic, maintaining the present in-quota rate of 9.6%.

- Add 650 tonnes to the allocation for People's Republic of China under the EU tariff rate quota for mushroom of species agaricus, prepared, preserved or provisionally preserved; maintaining the present in-quota rates.

These implementation measures are being prepared in parallel to this proposal.

Proposal for a

COUNCIL DECISION

authorising the signature of an Agreement in the form of an Exchange of Letters between the European Union and the People's Republic of China pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(4), first subparagraph, in conjunction with Article 218(5) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 15 July 2013 the Council authorised the Commission to open negotiations with certain other Members of the World Trade Organization under Article XXIV:6 of the General Agreement on Tariffs and Trade (GATT) 1994, in the course of the accession to the European Union of the Republic of Croatia.
- (2) Negotiations have been conducted by the Commission within the framework of the negotiating directives issued by the Council.
- (3) These negotiations have been concluded and an Agreement in the form of an Exchange of Letters between the European Union and the People's Republic of China pursuant to Article XXIV:6 and Article XXVIII of the GATT 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union was initialled on 7 October 2015.
- (4) This Agreement should be signed on behalf of the European Union, subject to its conclusion at a later date,

HAS ADOPTED THIS DECISION:

Article 1

The signing of the Agreement between the European Union and the People's Republic of China pursuant to Article XXIV:6 and Article XXVIII of the GATT 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union is hereby approved on behalf of the European Union, subject to the conclusion of the said agreement.

The text of the Agreement is annexed to this Decision.

Article 2

The President of the Council is hereby authorised to designate the person(s) empowered to sign the Agreement on behalf of the Union.

Article 3

The Decision shall enter into force on the day of its adoption.

This Decision shall be published in the Official Journal of the European Union.

Done at Brussels,

*For the Council
The President*

FINANCIAL STATEMENT

DATE: 16/10/2015

1.	BUDGET HEADING: Chapter 12 – Custom duties and other duties			
2.	TITLE: Proposal for a Council Decision authorising the signature of an Agreement in the form of an Exchange of Letters between the European Union and the People's Republic of China pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union			
3.	LEGAL BASIS: Treaty on the Functioning of the European Union, and in particular Articles 207 and 218.			
4.	AIMS: To authorise the signature of the Agreement in the form of an Exchange of Letters between the European Union and the People's Republic of China			
5.	FINANCIAL IMPLICATIONS	CURRENT FINANCIAL YEAR 2015 (EUR million)	FOLLOWING FINANCIAL YEAR 2016 (EUR million)	FINANCIAL YEAR 2017 (EUR million)
5.0	EXPENDITURE			
	- CHARGED TO THE EU BUDGET (REFUNDS/INTERVENTIONS)	-	-	-
	- NATIONAL AUTHORITIES			
	- OTHER			
5.1	REVENUE			
	- OWN RESOURCES OF THE EU (LEVIES/CUSTOMS DUTIES)	-	- 2.45	- 4.9
	- NATIONAL			
5.0.1	ESTIMATED EXPENDITURE			
5.1.1	ESTIMATED REVENUE	-	-	-
5.2	METHOD OF CALCULATION: -			
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			NO
	OBSERVATIONS: Following the accession of the Republic of Croatia, the European Union enlarged its customs union. Consequently, the European Union was required under WTO rules (Article XXIV:6 of the GATT 1994) to enter into negotiations with WTO Members having negotiating rights in the schedules of any of the acceding Members in order to agree on compensatory adjustment. Negotiations with the People's Republic of China resulted in the present Agreement containing: - an increase of the volumes of the existing tariff rate quotas allocated to China for garlic and mushrooms, - a EU tariff reduction of -0.1% for footwear classified in tariff line 6404 19 90 - a EU tariff reduction of -0.2% for air conditioning machines classified in tariff line 8415 10 90 It is foreseen that these measures will become effective by the second half of 2016.			