

Madeira and Azores: temporary suspension of autonomous Common Customs Tariff duties on imports of certain industrial products

2009/0125(CNS) - 07/09/2009 - Legislative proposal

PURPOSE: to suspend temporarily autonomous Common Customs Tariff duties applicable to imports into the autonomous regions of Madeira and the Azores of finished goods for agricultural, commercial or industrial use from 1 January 2010 to 31 December 2019.

PROPOSED ACT: Council Regulation.

BACKGROUND: Madeira and Azores belong to the outer most regions of the Community for which special measures may be foreseen in accordance with Treaty establishing the European Community in order to overcome the economic disadvantages these areas suffer due to their geographical situation.

In August and December 2007 the regional authorities of Madeira and Azores requested with the support of the Portuguese Government an autonomous suspension of the common customs tariff duties for a number of products. They justified their requests that in view of the remoteness of those islands the economic operators suffer severe commercial disadvantages which have negative effects on demographic trends, employment and social and economic developments.

The local economies of Madeira and the Azores are to a large extent dependant on national and international tourism, a fairly volatile economic resource. It is determined by factors on which the local authorities and the Portuguese government have hardly any influence. As a result, the economic development of Madeira and the Azores is severely restrained. In these circumstances it is necessary to support those economic sectors which are less dependent on the tourist industries in order to compensate the fluctuations of the touristic sector and thus to stabilise local employment.

It is therefore appropriate to provide for new suspensions which are not restricted to industries located in free zones but can benefit to all types of economic operators located on the territory of those regions. The scope of commercial sectors benefitting from the suspensions should therefore cover the fishery, agricultural, industrial and service sectors.

In order to ensure economic effect of the suspensions laid down in this Regulation it is appropriate to **extend the range of products** to finished goods for industrial use, to raw and other materials and to parts and components used for agricultural purposes, industrial transformation, maintenance and other services.

IMPACT ASSESSMENT: an individual impact assessment of the measure as such is not possible given the fact that the suspension of duties is only one measure in a whole row measures enacted for the improvement of the social and economic situation on these islands. To this effect the Commission publishes frequently communications setting out the effects of these measures for the different outer most regions. The last communication was forwarded to the Council on 17.10.2008 ([COM\(2008\)0642](#)).

CONTENT: in order to give a long term perspective to investors and enable economic operators to reach a level of industrial and commercial activities which stabilises the economic and social environment in the regions concerned, it is appropriate to suspend in full the Common Customs Tariff duties for certain goods for a period of **10 years** starting on 1 January 2010.

The proposed suspension of the Common Customs Tariff duties allows the local economic operators in Madeira and Azores to import a certain number of raw materials, parts, components and finished products duty free. In order to avoid any misuse or change in traditional trade flows of these goods it is foreseen that goods benefitting from duty suspension are subject to end use controls.

Therefore, finished goods will have to be used by local companies on the islands for a period of at least two years before they could be sold freely to other companies located in the other part of the customs territory of the European Community.

Moreover, raw materials, parts and components will have to be used for agricultural purposes, and industrial transformation and maintenance in the autonomous regions in order to benefit from the duty suspension.

Where the Commission has reasons to believe that the suspensions laid down in this Regulation has led to a deflection of the trade for a specific product it may provisionally repeal the suspension by a Commission Regulation for a period not longer than 12 months. Import duties for products for which the suspension has been provisionally repealed shall be secured by a guarantee, and the release of the products concerned for free circulation in the autonomous regions of Madeira and the Azores shall be conditional upon the provision of such guarantee.

When the Council decides on a proposal from the Commission within the 12 months period that the suspension should definitively be repealed the amounts of duties secured by guarantees shall be definitively collected. If no definitive decision has been adopted within the 12 month period, the securities shall be released.

BUDGETARY IMPLICATIONS: the proposal has implications for the Community budget. The application of the suspension will lead to loss in revenue of Community's own resources. On the basis of the information provided by the regional authorities, the impact on the loss of revenue resulting from this Regulation may therefore be estimated at EUR 0.16 million (gross amount, expenses incurred in collection included) x 0.75 = **EUR 0.12million/year for the period 01.01.2010 - 31.12.2019.**

The loss of revenue in Traditional Own Resources shall be compensated by Member States contributions based on the GNI.