Canary Islands: temporary suspension of autonomous Common Customs Tariff duties on imports of certain industrial products

2011/0111(CNS) - 18/05/2011 - Legislative proposal

PURPOSE: temporarily suspend autonomous Common Customs Tariff duties on imports of certain industrial products into the Canary Islands.

PROPOSED ACT: Council Regulation.

BACKGROUND: the Canary Islands belong to the Outermost Regions of the European Union, for which special measures may be foreseen, in order to overcome the economic disadvantages these regions suffer due to their geographical situation.

The Canary Islands industrial sector, together with construction, has been severely affected by the recent economic crisis. The slump in building depressed all the auxiliary industry that depends on it. Unfavourable financial conditions had a serious impact on many areas of business.

In addition, the sharp rise in unemployment in Spain aggravated the slump in domestic demand, including demand for industrial products. The rate of unemployment on the Canary Islands has been consistently exceeding the national average for Spain for the last ten years and, since 2009, the Autonomous Community has recorded the highest level throughout the country. Moreover, more than half of the industrial production in the Canaries is consumed on the Islands, which is particularly serious since demand there has been hit harder.

The government of the Kingdom of Spain has made a request on behalf of the authorities of the Autonomous Community of the Canary Islands for a prolongation of the current regime providing for tariff suspensions on imports of certain industrial products. These measures are aimed at strengthening the competitiveness of the local economic operators and thus securing a more stable employment on these islands.

IMPACT ASSESSMENT: no impact assessment has been carried out.

LEGAL BASIS: Article 349 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposed suspension of the Common Customs Tariff duties allows the local economic operators in the Canary Islands to **import a certain number of raw materials, parts, components and capital goods duty free**. In order to avoid any misuse or change in traditional trade flows it is foreseen that products benefitting from duty suspension are subject to end use control.

Moreover, capital 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 other parts of the customs territory of the European Union. Raw materials, parts and components will have to be used for industrial transformation and maintenance in the Canary Islands in order to benefit from the duty suspension.

This proposal shall replace the measures introduced by Council Regulation (EC) No 704/2002 which expires on 31.12.2011. To enable the economic operators to make long-term investment decisions **the proposed suspensions should remain in force for 10 years** (01.01.2012 - 31.12.2021).

BUDGETARY IMPLICATIONS: the proposal has implications for the Union budget since the duty suspensions will lead to loss in revenue of the Union'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 2.96 million (gross amount, expenses incurred in collection included) x 0.75 = **EUR 2.22 million/year for the period 01.01.2012 - 31.12.2021.**

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