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

2021/0209(CNS) - 14/07/2021 - Legislative proposal

PURPOSE: to extend the suspension of Common Customs Tariff duties on imports of certain industrial products into the Canary Islands.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

CONTENT: Council Regulation (EU) No 1386/2011 provided for the temporary suspension of the autonomous Common Customs Tariff duties on imports of certain industrial products into the Canary Islands. The measures introduced by this Regulation have made a positive contribution to the development of the Canary Islands' economy, particularly in the industrial and construction sectors, thus reducing the severe impact of economic and commercial disadvantages caused by the remoteness, the insularity and the small size of those islands.

In April 2021, Spain requested the prolongation of the suspension of the autonomous Common Customs Tariff duties for a number of products. In the same context, they requested the suspension of Common Customs Tariff duties for seven new product categories.

According to the request, the Canary Islands' economy continues to be negatively affected by the small size of the islands' market, its fragmentation and remoteness from Europe, particularly high-level unemployment and higher costs in production and distribution than those of economic operators in continental Europe.

Moreover, the COVID19 crisis halted tourism activity in the Canary Islands which, in 2020, led to an estimated drop of around 20 % in the GDP. In addition, there was a contraction in the construction and industrial activity with an estimated decline of 13 %, in relation to 2019.

The Commission therefore considers it appropriate to prolong the suspension of Common Customs Tariff duties for certain products listed in Annexes I and II to Regulation (EU) No 1386/2011.

CONTENT: this proposal is intended to replace Regulation (EU) No 1386/2011 and aims to help the Spanish outermost region to make the most of its assets in order to promote local growth and job creation. The measures provided for in the proposed regulation would apply from **1 January 2022 to 31 December 2031**.

The proposal aims to **prolong the suspension of Common Customs Tariff duties on certain products** listed in Annexes I and II of Regulation (EU) No 1386/2011 in order to:

- ensure sustainability of positive effects of Regulation (EU) No 1386/2011;

- contribute to the diversification of the economy;

- ensure constant growth and the creation of jobs in industry and construction;

- enhance innovation;

- reduce the dependence of the local economy on the service sector;

- complement other measures dedicated to the stabilisation of the economic and social environment in the Canary Islands.

The proposal also provides for the suspension of Common Customs Tariff duties for seven new categories of products including machinery for industrial use and raw materials, which will help to strengthen the Canary Islands' economy.

In order to ensure that only economic operators established on the territory of the Canary Islands benefit from these tariff measures, it is foreseen that the suspensions are conditional on the end-use of the products.

In case of a deflection of trade and in order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission allowing the Commission to temporarily withdraw the suspension

Budgetary implications

The proposal has no financial impact on expenditure but has a financial impact on revenue. Uncollected customs duties amount to a total of approximately EUR 3.3 million per year. The impact on the budget’s traditional own resources is **EUR 2.5 million per year** (i.e. 75% of the total).

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