Community law: application to the Canary Islands (amend. Regulation (EEC) No 1911/91)

1999/0111(CNS) - 03/06/1999 - Legislative proposal

PURPOSE: suspending the phasing out of the APIM ('arbitrio sobre la produccion y sobre las importaciones) tax for a number of sensitive products in the Canary Islands. CONTENT: Under Art. 5(1) of Council Regulation 1911/EEC of 26 June 1991, the tax on production and imports is no longer to be applied in the Canary Islands after 31.12.2000. In accordance with that Regulation and with Commission Decision 96/34/EC, the Spanish Government has accordingly taken the necessary measures to gradually reduce the tax, by 20% per year starting from 31 December 1996, with a view to eliminating it completely on 31.12.2000. The Canary Islands are at the same time being integrated into the Community's customs territory and customs duties are being phased in so as to apply fully from 01.01.2001. The economic repercussions, particularly in terms of employment, of elimination of the APIM prompted the Spanish Government to submit, in December 1996, a request for extension. The report drawn up by the Commission in 1995 which examined the impact of the tax on the local economy and the consequences of its elimination, already found that certain sectors would be heavily affected by its disappearance. In addition to the sectors identified in the Commission report, the Spanish authorities have requested that a phasing-out of the A APIM be suspended in other areas in the economy also. All the sectors have been examined by the Commission and the Spanish authorities and it was concluded that the following sectors will particularly sensitive : - chemicals, which in the new classification used by Spain includes some of the products examined under the heading of mining in the Commission report; - paper; - miscellaneous foodstuffs; and - tobacco. The Commission acknowledges that elimination of the APIM, as provided for by Regulation 1911/91/EEC, could have adverse effects on the Canary Islands economy, contrary to the aims of that instrument, which are to integrate the region gradually into the Community and to overcome the economic disadvantages due to its situation. It should also be borne in mind that Regulation 1911/91 /EEC provides for the elimination of the APIM. Any measure derogating from the principles laid down in the Regulation must therefore form part of the process of integrating the Canary Islands into the Community and can only be aimed at mitigating the effects of the economic adjustments that will have to take place, without jeopardising the ultimate objective of doing away with the APIM altogether and applying the Common Customs Tariff. This proposal, therefore, which is confined to suspending until 30.06.2000 the phasing out of the APIM for a very small number of sensitive products, will provide an initial response to the difficulties encountered by businesses in the Canary Islands. Nevertheless, since the APIM is to disappear on 31 December 2000, the Commission will have to examine before that date the impact of phasing out the tax on the sectors concerned, and, more particularly, on the products covered by this measure. In the light of the findings of that study, which will be conducted in cooperation with the Spanishauthorities, it will, if necessary, present to the Council a proposal for maintaining special measures in favour of the sectors concerned so as to achieve the objective of eliminating the tax without jeopardising the existence of certain local production activities that are particularly vulnerable. The Commission stresses that the proposed measure will have very limited consequences as regards distortion of competition, since it will only apply to some 10% (in value terms) of total imports into the Canary Islands and will be confined to goods for which the maintenance of local production in the region is desirable.