



European Communities

EUROPEAN PARLIAMENT

SESSION DOCUMENTS

English Edition

26 April 1991

A3-0105/91



R E P O R T

by the Political Affairs Committee

on the Commission proposal for a Council regulation (EEC)
on the application of the provisions of Community law to the
Canary Islands
(COM(90)0686 final - C3-0100/91)

Rapporteur: Mr Manuel MEDINA ORTEGA

DOC_EN\RR\108742

PE 148.415/fin.
Or. ES

A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)

* = Consultation procedure requiring a single reading

**II = Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

**I = Cooperation procedure (first reading)

*** = Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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By letter of 12 March 1991 the Council consulted the European Parliament, pursuant to the first subparagraph of Article 25(4) of the Act of Accession of Spain and Portugal to the European Communities, on the Commission proposal for a Council regulation on the application of the provisions of Community law to the Canary Islands.

At the sitting of 15 April 1991 the President of Parliament announced that he had referred this proposal to the Political Affairs Committee as the committee responsible and to the Committee on Agriculture, Fisheries and Rural Development, the Committee on Budgets, the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Regional Policy and Regional Planning, for their opinions.

At its meeting of 6 February 1991 the Political Affairs Committee appointed Mr Medina Ortega rapporteur.

At its meetings of 21 March and 24 April it considered the Commission proposal and draft report.

At the latter meeting it adopted the draft legislative resolution by 13 votes to one with no abstentions.

The following took part in the vote: Cassanmagnago Cerretti (chairman); Medina Ortega (rapporteur); Calvo Ortega (for Morodo Leoncio, Rule 111.2), Coates, da Cunha Oliveira (for Dury, Rule 112.2), Dillen, Escuder Croft (for Fantini, Rule 111.2), Hänsch, Newens (for Balfe), Pasmazoglou, Piermont, Robles Piquer, Sakellariou and Verde i Aldea.

The opinions of the Committee on Agriculture, Fisheries and Rural Development, the Committee on Budgets, the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Regional Policy and Regional Planning will be published separately.

The report was tabled on 26 April 1991.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A

Commission proposal for a Council regulation
on the application of the provisions of Community law to the Canary Islands

Commission text¹

Amendments

(Amendment No. 1)

fifth recital

Whereas application of the common agricultural policy to the Canary Islands will make possible the free movement of products on the conditions applicable to mainland Spain (end of the transitional period: 31 December 1995) with the exception of the supplementary trade mechanisms as regards the supplying of the Canary Islands; whereas, in this framework, the free movement of products between the Canary Islands and the rest of Spain will be ensured; whereas full application of the common agricultural policy is subject to the entry into force of specific supply arrangements; whereas the application of this policy will have to be accompanied in addition by specific measures relating to the agricultural production of the Canary Islands; whereas it is therefore necessary to maintain the provisions of the Act of Accession relating to the application of the common agricultural policy to the Canary Islands until the entry into force of such supply arrangements with the exception of those governing the access of agricultural products originating in the Canary Islands to the other parts of the Community; whereas the provisions of Protocol 2 relating to bananas must remain in force; whereas they will have to be adjusted later, once the Council has adopted common measures for bananas;

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¹ For full text see COM(90) 0686 final, OJ No. C 067, 15.3.1991, p. 8

AMENDMENT No. 1 (contd.)

whereas such common measures must provide effective guarantees concerning Community preference in respect of products originating in the Member States, while also ensuring equitable income levels for the producers, whereas, at all events, the common measures shall not result in any worsening of the situation of the producers;

(Amendment No. 2)

Article 4(2)

2. Pursuant to Article 26 in conjunction with Annex I, V, 3 and 4 to the Act of Accession, Spain may refrain from applying the provisions of Council Directives 72/464/EEC¹ and 79/32/EEC² to the Canary Islands.

2. Pursuant to Article 26 in conjunction with Annex I, V, 3 and 4 to the Act of Accession, Spain may refrain from applying the provisions of Council Directives 72/464/EEC¹ and 79/32/EEC² to the Canary Islands, as well as any other provisions of a similar nature which may be adopted in the future.

(Amendment No. 3)

Article 5(3)

3. The rates applicable may vary depending on the category of product between 0.1% and 5%; they may under no circumstances be increased by more than 15% of the initial rate. This variation in rates must in no case be such as to give rise to discrimination against products of Community origin.

3. The rates applicable may vary depending on the category of product between 0.1% and 10%; they may under no circumstances be increased by more than 15% of the initial rate. This variation in rates must in no case be such as to give rise to discrimination against products of Community origin.

(Amendment No. 4)
Article 5(5)

5. The arrangements for exemptions adopted by the competent authorities pursuant to paragraph 4 shall be notified to the Commission, which shall have three months to assess their conformity with the aims defined in that paragraph. If the Commission has made no comment within that period, the arrangement shall be deemed to have been approved.

5. The arrangements for exemptions adopted by the competent authorities pursuant to paragraph 4 shall be notified to the Commission, which shall have two months to assess their conformity with the aims defined in that paragraph. If the Commission has made no comment within that period, the arrangement shall be deemed to have been approved.

(Amendment No. 5)
Article 5(6)

6. During 1995, the Commission, after consulting the Spanish authorities shall examine the impact of the measures taken on the economy of the Canary Islands and the prospects for their integration into the Community's customs territory. On the basis of this examination the Spanish authorities may be authorized, in accordance with the criteria in paragraph 4 and the procedure in paragraph 5, to maintain some of the exemptions in force, in whole or in part until 31 December 2000 at the latest.

6. During 1995, the Commission, after consulting the Spanish authorities shall examine the impact of the measures taken on the economy of the Canary Islands and the prospects for their integration into the Community's customs territory. On the basis of this examination the Spanish authorities may be authorized, in accordance with the criteria in paragraph 4 and the procedure in paragraph 5, to maintain the necessary exemptions until 31 December 2000 at the latest.

(Amendment No. 6)
Article 6(3)

New paragraph

Apart from the exceptions specified in the POSEICAN programme, no quantitative restrictions shall be applied to imports into the Canary Islands.

(Amendment No. 7)
Article 6(4)

4. The charge known as the 'arbitrio insular - tarifa especial' of the Canary Islands shall be applied to products supplied by other parts of the Community on the terms laid down in Article 6(3) of Protocol No. 2, though it may not be extended beyond 31 December 1992. Without prejudice to obligations arising out of existing agreements, the levying of this charge on imported products originating in non-Community countries shall be phased out from 1 January 1996 so as to be completely eliminated by 31 December 2000.

4. The charge known as the 'arbitrio insular - tarifa especial' of the Canary Islands shall be applied to products supplied by other parts of the Community on the terms laid down in Article 6(3) of Protocol No. 2, though it may not be extended beyond 31 December of the year 2000. Without prejudice to obligations arising out of existing agreements, the levying of this charge on imported products originating in non-Community countries shall be phased out from 1 January 1996 so as to be completely eliminated by 31 December 2000.

(Amendment No. 8)
Article 6(4)
New paragraph

Nevertheless, on the request of the Kingdom of Spain and on a proposal from the Commission, subject to a qualified majority vote by the Council, in respect of certain sensitive products originating either elsewhere in the Community or in third countries, the charge known as the 'arbitrio insular-tarifa especial' may be extended up to 31 December of the year 2000.

(Amendment No. 9)

Article 10(3)

3. The provisions of Protocol 2 relating to bananas shall continue to apply. They shall be adjusted if the Council, before the date specified in Article 4(2)(b) of Protocol 2, adopts common measures for bananas.

3. The provisions of Protocol 2 relating to bananas shall continue to apply. They shall be adjusted if the Council, before the date specified in Article 4(2)(b) of Protocol 2, adopts common measures for bananas, with a view to guaranteeing Community preference in respect of products originating in the Member States, thus protecting them effectively in the face of imports from third countries and ensuring equitable income levels for the producers.

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament
on the Commission proposal for a Council regulation
on the application of the provisions of Community law
to the Canary Islands

The European Parliament,

- having regard to the Commission proposal to the Council (COM(90) 0686 final)¹,
 - having been consulted by the Council pursuant to Article 25(4) of the Act of Accession of Spain and Portugal (C3-0100/91),
 - having regard to the report of the Political Affairs Committee and the opinions of the Committee on Regional Policy and Regional Planning, the Committee on Agriculture, Fisheries and Rural Development and the Committee on Budgets (A3-0105/90),
1. Approves the Commission proposal subject to Parliament's amendments and in accordance with the vote thereon;
 2. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
 3. Instructs its President to forward this opinion to the Council and Commission.

¹ OJ No. C 067, 15.3.1991, p. 8

EXPLANATORY STATEMENT

I. BACKGROUND

1. The Canary Islands are an Atlantic archipelago of volcanic origin, situated at some thousand kilometres from the Iberian peninsula. They may be considered part of a European cultural and geographical unit along with the Portuguese archipelagos of the Azores and Madeira. There are thirteen islands in all, seven of them habitable, with a surface area of rather less than 8 000 square kilometres and a population of one and a half million. The islands, inhabited by indigenous peoples with a pre-historic culture, were conquered by the French and Spanish in the fifteenth century and incorporated into the territories of the Castilian crown, prior to the establishment of the Spanish state with which the islands identify politically, historically and culturally. They form one of the seventeen autonomous communities of the Spanish state with a regional parliament and autonomous government and a high court.

2. From an economic point of view, the Canaries have always enjoyed a special status with regard to the rest of Spanish territory, characterized by free trade and exemption from certain indirect taxes. This special status was recognized by Royal Decree issued by Bravo Murillo on 11 July 1852, establishing the so-called "Canaries free-port arrangements" which, despite their name, were much more than a free-port system and not merely continued but strengthened the traditional status quo. A whole series of later provisions gave increasingly sharp definition to these special arrangements, establishing taxes on imports to the benefit of local estates, and providing protection for specific local products and industries, not only within the islands themselves but also in respect of possible competitors in the rest of Spanish territory, even including exports from Spain to other European states. This unique system of special fiscal provisions and economic protection measures was codified and articulated in the "Ley de Regimen Economico y Fiscal Canario (Ley del REF) (law on the economic and fiscal arrangements for the Canaries) of 22 July 1972, which extended and systematized the special provisions obtaining in the islands. More recent legislation includes new measures to protect industry in the islands, such as the Pérez de Bricio Decree of 1976, which allowed industrial products made in the Canaries using foreign components to be freely imported into mainland Spain and the Balearic Islands, a step which enabled television and sound equipment factories to be set up.

3. The continuity and consistency of these special arrangements for the Canary Islands within a traditionally protectionist Spanish state reflects the authorities' recognition of the structural deficiencies of the Canaries' economy: communications with the rest of Spanish territory are difficult, there are no mineral or energy resources and arable land and water are in short supply because of the islands' volcanic origin. All of this, together with the lack of a native industrial base, meant that free trade was absolutely necessary if there was to be economic activity in the form of commerce and shipping. Support for industrial activity of any kind, such as tobacco-processing, and the adoption of measures to stimulate the export of farm produce such as bananas and tomatoes, were likewise essential. Despite the fact that during the 60s and 70s there had been a certain amount of

economic development as a result of tourism, when democracy arrived in Spain in 1977 the Canaries were still amongst the least economically developed regions of the country. The democratic Constitution of 1978 therefore guaranteed that the special status of the islands would be upheld and the Organic Law establishing the Canaries Autonomous Community laid down that an explicit statement by the Canaries Parliament would be required for any changes to be made in the special arrangements obtaining there.

4. For political reasons, the population of the islands welcomed the decision to seek admission to the European Community taken by the democratic Spanish Government elected on 15 June 1977. Nonetheless, this raised problems with regard to the special status of the Canaries. For this reason, the first statement made by the Canaries Parliament in 1983 on the subject of the details of the islands' accession was cautious in the extreme. The version approved by parliament known as 'option 2' as opposed to options 1 ('full integration') and 3 ('non-integration') attempted to secure the integration of the Canaries in the Community without any loss of their traditional special status.

5. The Spanish Government accepted the Canaries' request for integration with special provisos and, after lengthy negotiations, these special provisions were incorporated in the Spanish and Portuguese Act of Accession, particularly in Articles 25, 155, 185, 186 and 187 and Protocol No. 2 concerning the Canaries, Ceuta and Melilla. Improvements were introduced by means of complementary provisions in 1987 concerning access for agricultural and fisheries products from the Canaries to the customs territory of the Community.

6. These special arrangements for the Canaries within the Community, as laid down by the Act of Accession and later provisions, may be characterized as follows:

- (1) In general, the Treaties and the acts of the Community institutions apply to the Canaries; the islands are Community territories and their citizens are represented within the Community not only by the Spanish Government but also by directly elected Members of the European Parliament;
- (2) The provisions of the Treaties concerning the free movement of goods and the acts of the Community institutions in the areas of customs and of trade policy also apply, but subject to the conditions laid down in Protocol No. 2;
- (3) The common agricultural and fisheries policies do not apply, saving the exceptions provided for in Article 155 of the Act of Accession, although the application of the Community social structural measures is allowed for.

II. MODIFYING THE SPECIAL ARRANGEMENTS

7. Although these special arrangements were in accordance with the requests of the Canaries Parliament, difficulties were soon encountered with regard to exports of agricultural and industrial products. This gave rise to complaints from the sectors concerned and on 22 January 1988 the EP adopted the Griffiths report (Doc. A2-0245/87, OJ C 49, 22.2.1988, p. 176-180) on setting up an integrated development programme for the Canary Islands. The Commission did

not in fact submit such a programme, but in the following years the Islands were granted significant structural aid from Community funds.

8. The setting up of an Interservices Group within the Commission for the French Overseas Departments and the Azores, Madeira and the Canaries, in conjunction with the drawing up and adoption of the POSEIDOM programme in December 1989, gave rise to the idea that the Canaries could alter their status and achieve closer integration with the Community without as a result having to give up the special arrangements completely. On 20 and 21 December 1989, the Canaries Parliament adopted a resolution calling on the Spanish Government to apply the mechanism provided for in the first subparagraph of Article 25(4) of the Act of Accession, authorizing the inclusion of the Islands within the customs territory of the Community. The Spanish Government forwarded this request to the Commission on 7 March 1990; on 17 January 1990, the Commission had already issued a preliminary report on possible changes with regard to the Canaries. On 19 December 1990, the Commission adopted a proposal for a Council regulation on the application of the provisions of Community law to the Canary Islands and a proposal for a Council decision setting up a programme of options specific to the remote and insular nature of the Canary Islands (POSEICAN). At the same time the Commission adopted the POSEIMA programme for the Azores and Madeira.

9. The Political Affairs Committee is the committee responsible for the proposal for a regulation, while the proposal for a decision on POSEICAN was assigned to the Committee on Regional Policy which is also responsible for the POSEIMA programme. Both the Committee on Regional Policy and the Committees on Agriculture and on Budgets have been invited to deliver opinions on the proposal for a regulation to the Political Affairs Committee.

III. THE PROPOSALS FOR NEW ARRANGEMENTS FOR THE CANARIES

10. The proposal for a regulation reflects the need to integrate the Canary Islands fully into Community policies and the completion of the internal market by incorporating the islands into the customs territory of the Community. Such integration cannot take place overnight and must be done on a gradual basis, with a transitional period and specific measures taking into account the constraints imposed by the remote and insular nature of the Canaries and the existence of special historical economic and fiscal arrangements for the Islands. The measures in question are contained in the POSEICAN programme which is to be considered and approved by the Committee on Regional Policy, and need not, therefore, be considered in minute detail here.

11. As soon as the specific supply arrangements provided for in POSEICAN are adopted, the CAP will apply in accordance with the provisions applicable to the rest of Spain, although account will be taken of the special characteristics of local production, and the supplementary trade mechanisms shall not apply to the entry into the Canary Islands of the products in question. The rules in force in mainland Spain shall apply to products originating in the Canary Islands and sent to other parts of the Community upon the entry into force of the regulation.

12. The common fisheries policy shall apply to the Canary Islands on the terms laid down for mainland Spain, accompanied by specific measures to take account of the special features of Canary Islands production.

13. The Canary Islands shall remain outside the field of application of the common VAT system and Spain may refrain from applying the provisions of Council Directives 72/464/EEC and 79/32/EEC. For a transitional period which shall not extend beyond 31 December 2000, the Spanish authorities are authorized to impose a tax on production and imports (APIM), at rates which are to be gradually reduced. The application of this tax to agricultural products is linked to the entry into force of the specific supply arrangements referred to above.

The proposal lays down the principle of non-discrimination against products of Community origin, although the APIM rates may vary between 0.1% and 5% (but they may under no circumstances be increased by more than 15% of the initial rate). Total or partial exemptions for local products may be authorized during a transitional period ending on 31 December 1995 and must be notified to the Commission, which shall have three months to assess their conformity with the aims of the strategy for the economic and social development of the Canary Islands, their contribution to the promotion of local activities and their impact on trading conditions. During 1995, the Commission will examine the possible extension of the exemptions until 31 December 2000.

14. The common customs tariff shall be progressively introduced during a transition period to end 31 December 2000, although this is also conditional on the entry into force of the specific supply arrangements, and without prejudice to any specific tariff measures in respect of certain sensitive products or customs measures in respect of the arrangements applicable to free zones. The levying of the charge known as the 'arbitrio insular - tarifa especial' on imported products originating in non-Community countries shall be phased out from 1 January 1996 so as to be completely eliminated by 31 December 2000. In order to prevent deflection of trade, the Commission may levy the difference in import duties on goods in free circulation in the Canaries when these are introduced into the other parts of the Community.

15. The common commercial policy shall apply to the Canary Islands on the terms laid down for Spain, but the Commission shall adopt appropriate measures to prevent any speculative movement or deflection of trade resulting from the amendment of the trade arrangements applicable to the Canary Islands.

16. As stated above, these measures are complementary to the POSEICAN programme, which has to be approved by the Council and which will enable the islands to deal with the problems which will arise from the changes in their current status. Until these measures are adopted, the provisions of the Act of Accession shall remain applicable, with the exception of the provisions governing access for products originating in the Canary Islands to other parts of the Community. The Act of Accession shall also apply to bananas unless the Council, before the date specified in Article 4(2)(b) of Protocol 2 adopts common measures for this product.

IV. EVALUATION OF THE NEW MEASURES - PROPOSED AMENDMENTS

17. The new arrangements proposed by the Commission are to be welcomed, both because they meet the requests of the Canaries Parliament and because a real effort has been made to contextualize the development needs of the Islands within the framework of full integration into the Community. Nonetheless, various economic sectors in the Canaries have expressed their disagreement

with certain aspects of the new arrangements, and these objections must be examined by the Political Affairs Committee in formulating possible amendments which, if adopted, would bring about a clearcut improvement in the way in which the Canaries are to be fully integrated into the Community.

18. The amendments proposed in this report attempt to reflect the anxieties felt by the various economic sectors in the Canary Islands and do not essentially change the Commission proposal. These amendments take into account the way in which the current arrangements for the islands will have to be adapted in order to allow the new arrangements to become fully operative within the established deadlines without prejudice to the essential interests of the islanders, the various economic sectors and the islands' traditional types of production.

Amendments Nos. 7 and 8 propose to introduce the possibility of extending the application of the levy known as the 'arbitrio insular' to products supplied by other parts of the Community beyond 31 December 1992, as laid down in Protocol No. 2 to the Act of Accession, but only in exceptional cases and for specific products in the light of developments in the economic situation of the Canaries.

Amendment No. 3 seeks to establish a 10% maximum rate for the APIM while ensuring that only certain sensitive products should be subject to this maximum rate, the rate for most products remaining between 0.1% and 5%.

Amendment No. 4 seeks to reduce the deadline to two months because in other similar provisions, specifically those for the French Overseas Departments, a two-month deadline is laid down and there is no logical reason to have different deadlines for similar situations.

19. Given that, overall, this Commission proposal is to be welcomed, the Commission should be asked to submit a wide-ranging, cohesive global programme covering all ultra-peripheral regions, whether islands or not, suffering from their remote and/or insular nature.

Such a programme would provide the basis for a Community policy with regard to these regions, in which tens of millions of Community citizens live and which deserve to be more closely bound in with the process of the ongoing integration of the Community, as well as with its common policies and the completion of the internal market, always bearing in mind the specific conditions imposed on them by geography and distance.

From this point of view, the global programme in question should take into account the particularities of each and every one of the regions in question, so as to enable individualized measures to be adopted for each of them, without prejudice to the overall cohesiveness required in the case of a general Community policy, which needs long-term perspectives and will require regular consultation on the part of the Community institutions, specifically the European Parliament, with regard to the way in which it is to be articulated and applied.