

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 410 final

Brussels, 13th July 1979

PROPOSAL FOR A COUNCIL REGULATION (EEC)  
OPENING, ALLOCATING AND PROVIDING FOR THE ADMINISTRATION  
OF A COMMUNITY TARIFF QUOTA FOR PROCESSING WORK  
IN RESPECT OF CERTAIN TEXTILE PRODUCTS UNDER COMMUNITY  
OUTWARD PROCESSING ARRANGEMENTS

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(presented by the Commission to the Council)



EXPLANATORY MEMORANDUM

1. In an Arrangement <sup>(1)</sup> concluded with the Swiss Confederation on 1 August 1969, the European Economic Community undertook to open an annual duty-free Community tariff quota of 1 870 000 units of account of added value for various kinds of processing work in respect of certain textile products under the outward-processing traffic arrangements between the Community and Switzerland.

Under the terms of the memorandum agreed at the time the Arrangement was made, this annual tariff quota is divided into three categories of processing, based on the quantities recorded under the former bilateral agreements (concluded with Switzerland by France, Germany and Italy), but taking into account the possibilities of extending it to the Benelux countries.

On the basis of that division the total quota amount of 1 870 000 units of account is allocated, in accordance with certain amendments, as follows:

- (i) 1 520 000 units of account for processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
- (ii) 123 000 units of account for twisting or throwing, re-twisting, cabling, texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff;
- (iii) 227 000 units of account for processing work on articles falling within headings Nos 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff, subject to the setting up of a Community reserve of 230 000 u.a. to be drawn from the above quotas, i.e. 160 000 u.a., 13 000 u.a. and 57 000 u.a. respectively.

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(1) OJ No L 240, 24.9.1969.

2. The question whether this Arrangement should continue beyond 31 August 1977 has been examined on several occasions, notably at the meeting of the EEC-Switzerland Joint Committee held on 3 November 1976, in regard to the quota amounts which should be adopted thenceforth, account being taken of the fact that the transitional period in the Free Trade Agreement concluded with Switzerland, under which textile products qualifying for Swiss origin status by reason of the processing work they have undergone can enter duty-free, expired on 1 July 1977.

This question was reconsidered at the meeting of the Joint Committee held on 8 May 1979 in order to examine, in the light of the experience gained and of the economic information available, the adaptations to be made to the Arrangement especially as regards the following points:

- reduction to be made to the total quota amount;
- division of this amount into three categories of processing;
- allocation of quota amounts among Member States,

With regard to the first three points raised, the Swiss delegation laid stress on the retention of the Arrangement and its Memorandum in their present form, but agree provisionally to the abolition of the division of the total quota amount of 1 870 000 EUA into the three categories of processing initially adopted and hence to the aggregation of the shares allotted to certain Member States.

3. The attached proposal for a Regulation therefore serves no other purpose than to open, in European units of account, the tariff quota provided for in the Arrangement in question for the period 1 September 1979 to 31 August 1980 and to allocate it among the Member States along the lines set out in the Memorandum covering the Arrangement, account being taken of the adaptations that have taken place meanwhile and of the need to ensure that the new Member States share in the allocation of this tariff quota.

**Proposal for a  
COUNCIL REGULATION (EEC)**

**opening, allocating and providing for the administration of a Community tariff quota for processing work in respect of certain textile products under Community outward processing arrangements**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof,

Having regard to the proposal from the Commission,

Whereas on 1 August 1969 the Community concluded an arrangement with Switzerland on processing traffic in textiles; whereas under that arrangement the Community undertook to open on 1 September of every year an annual duty-free Community tariff quota for processed goods of 1 870 000 units of account of added value, apportioned as follows:

- (a) 1 650 000 units of account for processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
- (b) 143 000 units of account for the twisting or throwing, cabling and texturizing (whether or not combined with other processing work) of yarns, falling within Chapters 50 to 57 of the Common Customs Tariff;
- (c) 77 000 units of account for processing work on products falling within heading Nos 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff;

Whereas, in order to facilitate the administration of this tariff quota, it has been decided to no longer allocate a quota amount provisionally to each of the three abovementioned categories of processing work;

Whereas the tariff quota in question should therefore be opened for the period 1 September 1979 to 31 August 1980, in accordance with the detailed rules laid down in the arrangement referred to above and in the adaptations thereto, and in compliance with the provisions of Council Regulation (EEC) No 2779/78 of 23 November 1978 on the procedure for applying the European unit of account (EUA) to legal acts adopted in the customs sphere (1), and in particular Article 2 thereof;

Whereas provision should be made in particular to ensure equal and continuous access for those concerned with this quota and consistent application of the rate of duty prescribed for the said quota until the quota is exhausted, to all goods reimported into any of the Member States which have received one or other of the treatments listed above; whereas in the light of these principles arrangements for the utilization of the quota based on an allocation among the Member States would seem to be consistent with the Community character of the said quota; whereas it therefore seems appropriate to make the allocation on the basis of the amount of the traffic under the previous bilateral agreements, but without precluding participation by Member States not previously involved in such traffic, among which the new Member States are included; whereas, to safeguard the Community character of the quota, provision

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(1) OJ No L 333, 30. 11. 1978, p. 5.

should be made to meet requirements which may arise in those Member States in the future by permitting them to draw adequate amounts from the Community reserve;

Whereas to take account of future trends in the traffic in question in the various Member States, the total quota volume of 1870000 European units of account should be divided into two instalments, the first being allocated among certain Member States and the second held as a reserve to cover the subsequent requirements of Member States when one of their initial shares has been exhausted and also requirements which may arise in certain Member States in respect of processing work for which no initial share of the quota was allocated; whereas in order to give the parties concerned in each Member State some degree of certainty it would seem appropriate to fix the first instalment of the Community quota at a relatively high level, namely 1640 000 European units of account;

Whereas the Member States may exhaust their initial shares at different rates; whereas to avoid disruption of supplies on this account it should be provided that any Member State which has almost used up one of its initial shares should draw an additional share from the reserve; whereas each time its additional share is almost exhausted a Member State should draw a further share, and so on, as many times as the reserve allows; whereas the initial and additional shares should be valid until the end of the quota period; whereas this form of administration requires close collaboration between the Member States and the Commission, and the Commission must be in a position to keep account of the extent to which the quota has been used up and to inform the Member States accordingly;

Whereas if at a given date in the quota period a considerable quantity of a Member State's initial share remains unused it is essential, in order to prevent a part of the quota from remaining unused in one Member State while it could be used in others, that such State return a significant proportion thereof to the reserve;

Whereas, since the Kingdom of Belgium, the Kingdom of the Netherlands and the Grand Duchy of Luxembourg are united within and jointly represented by the Benelux Economic Union, any measure concerning the administration of the shares allocated to that economic union may be carried out by any one of its members,

HAS ADOPTED THIS REGULATION:

## Article 1

1. From 1 September 1979 to 31 August 1980, a Community tariff quota of 1870 000 European units of account (EUA) of value added shall be opened in the European Economic Community in respect of goods resulting from processing work as provided for in the arrangement with Switzerland on processing traffic in textiles as set out below:

- (a) processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
- (b) twisting or throwing, cabling and texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff;
- (c) processing work on products falling within the following headings of the Common Customs Tariff:
  - 58.04 Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within heading No 55.08 and fabrics falling within heading No 58.05);
  - 58.05 Narrow woven fabrics, and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No 58.06;
  - 58.07 Chenille yarn (including flock chenille yarn), gimped yarn (other than metallized yarn of heading No 52.01 and gimped horsehair yarn); braids and ornamental trimmings in the piece; tassels, pompons and the like;
  - 58.08 Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), plain;
  - 58.09 Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), figured; hand or mechanically made lace, in the piece, in strips or in motifs;
  - 60.01 Knitted or crocheted fabric, not elastic or rubberized.

2. For the purposes of this Regulation:

(a) 'processing work' means:

- for the purposes of paragraph 1 (a) and (c): bleaching, dyeing, printing, flocking, impregnating, dressing and other work which changes the appearance or quality of the goods, without however changing their nature,
- for the purposes of paragraph 1 (b): twisting or throwing, cabling and texturizing, whether or not combined with reeling, dyeing or other

which changes the appearance, quality or finish of the goods, without however changing their nature;

(b) 'value added' means the difference between the value for customs purposes as defined in Regulation (EEC) No 803/68 <sup>(1)</sup> at the time of reimportation and the value for customs purposes as it would be if the products were reimported in the state in which they were exported.

3. Within this tariff quota the Common Customs Tariff duties shall be totally suspended.

4. Reimports of products resulting from this processing work may not be charged to the tariff quota if they are already free of customs duties under other preferential tariff arrangements.

## Article 2

1. The quota laid down in Article 1 (1) shall be divided into two tranches.

The first tranche, of 1 640 000  
EUA, shall be allocated as set out below among  
the Member States covered by the aforesaid arrangements  
the shares, subject to Article 6, shall be valid from  
1 September 1980 to 31 August 1980:

	(EUA)
Benelux	20 000
Germany	1 080 000
France	520 000
Italy	20 000

2. The second tranche, of 230 000 EUA, shall constitute a Community reserve.

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(1) OJ No L 148, 28.6.1968, p.1.

*Article 3*

In case of need, in any of the new Member States, the State concerned shall, to the extent that the reserve so permits, draw from such reserve an appropriate share of the quota.

*Article 4*

1. If a Member State has used 90% or more of its initial share as fixed in Article 2 (1), or of that share minus any portion returned to the reserve pursuant to Article 6, it shall forthwith, by notifying the Commission, draw a second share, to the extent that the relevant reserve so permits, equal to 10% of its initial share, rounded up as necessary to the next whole number.

2. If a Member State, after exhausting its initial share, has used 90% or more of the second share drawn by it, that Member State shall forthwith, in the manner and to the extent provided in paragraph 1, draw a third share

equal to 5% of its initial share, rounded up as necessary to the next whole number.

3. If a Member State, after exhausting its second share, has used 90% or more of the third share drawn by it, that Member State shall, in the manner and to the extent provided in paragraph 1, draw a fourth share equal to the third.

This process shall apply until the reserve is used up.

4. By way of derogation from paragraphs 1, 2 and 3, a Member State may draw shares lower than those specified in those paragraphs if there are grounds for believing that those specified may not be used in full. Any Member State applying this paragraph shall inform the Commission of its grounds for so doing.

*Article 5*

Additional shares drawn pursuant to Article 3 shall be valid until 31 August 1980.



## Article 6

The Member States referred to in Article 2 (1) shall, not later than 1 July 1980, return to the reserve the unused portion of their initial share which, on 15 June 1980, is in excess of 20% of the initial volume. They may return a greater portion if there are grounds for believing that it may not be used in full.

Member States shall, not later than 1 July 1980, notify the Commission of the total quantities of the product in question reimported up to and including 15 June 1980 and charged against the Community quota and of any portion of their initial shares returned to the reserve.

## Article 7

The Commission shall keep an account of the shares opened by the Member States pursuant to Articles 2, 3 and 4 and shall, as soon as the information reaches it, inform each State of the extent to which the reserve has been used up.

It shall, not later than 5 July 1980, inform the Member States of the amounts still in reserve, following any return of shares pursuant to Article 6.

It shall ensure that when an amount exhausting this reserve is drawn the amount so drawn does not exceed the balance available, and to this end shall notify the amount of that balance to the Member State making the last drawing.

## Article 8

1. The Member States shall take all appropriate measures to ensure that additional shares drawn pursuant to Article 4 are opened in such a way that reimportation may be charged without interruption against their accumulated share of the quota.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*

*The President*

2. The Member States shall ensure that all persons established in its territory involved in the processing traffic have free access to the shares allocated to it.

3. The extent to which a Member State has used up its shares shall be determined on the basis of the value added, as established when upon reimportation the products concerned are entered with the customs authorities for home use.

## Article 9

At the request of the Commission, the Member States shall inform it of reimportations charged against their share.

## Article 10

Member States and the Commission shall cooperate closely to ensure that this Regulation is complied with.

## Article 11

This Regulation shall enter into force on 1 September 1979.

