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EUROPEAN PARLIAMENT

# Working Documents

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DOCUMENT 1-316/82

## Report

drawn up on behalf of the Committee on External  
Economic Relations

on the proposal from the Commission of the European  
Communities to the Council (Doc. V-974/81 - COM(80)  
916 final) for a regulation on ~~inward~~ processing  
relief arrangements

Rapporteur: Mr RIEGER

PE 77.877/fin.



By letter of 27 January 1982 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 113 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on inward processing relief arrangements.

The President of the European Parliament referred this proposal on 3 February 1982 to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture, the Committee on Budgets and the Committee on Economic and Monetary Affairs for their opinions.

On 23 February 1982 the Committee on External Economic Relations appointed Mr Rieger rapporteur.

The committee considered the Commission's proposal and the draft report at its meetings of 18 March, 31 March and 26 May 1982.

At the latter meeting the committee decided unanimously to recommend that Parliament should adopt the Commission's proposal without amendment.

The committee then unanimously adopted the motion for a resolution as a whole.

The following took part in the vote: Sir Fred Catherwood, chairman; Mrs Wiczorek-Zeul, vice-chairman; Mr van Aerssen, vice-chairman; Mr Seal, vice-chairman; Mr Rieger, rapporteur; Mr Almirante, Mr Baduel Glorioso, Mr Beazley (deputizing for Sir Fred Warner), Mr Del Duca (deputizing for Mr Filippi), Mr Irmer (deputizing for Mr Gawronski), Mr Jonker, Mr Lemmer, Mrs Lenz (deputizing for Mr Majonica), Mr Maher (deputizing for Mr Pininfarina), Mrs Moreau, Mrs Nikolaou, Lord O'Hagan, Mr Paulhan, Mrs Pauwelyn (deputizing for Mr Damseaux), Mr Pelikan, Mrs Phlix (deputizing for Mr Mommersteeg), Mrs Poirier, Mrs Pruvot, Mr Radoux, Mr Stella and Mr Welsh.

The opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs are attached. The Committee on Agriculture decided not to give an opinion.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation (EEC) on inward processing relief arrangements

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(80) 916 final),
  - having been consulted by the Council (Doc. 1-974/81),
  - having regard to the need to improve the operation of the common commercial policy (pursuant to Article 113 of the EEC Treaty),
  - having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs (Doc. 1-316/82),
  - having regard to the result of the vote on the proposal from the Commission,
1. Stresses that the proposal for a regulation is part of the Commission's programme for the attainment of the customs union;
  2. Recalls that on several occasions it has expressed support for the Commission programme and has urged the Council to delegate more power to the Commission in customs matters;
  3. Welcomes the transformation of a number of directives concerning 'economic' customs procedures into regulations;
  4. Welcomes the fact that pursuant to Article 155 of the EEC Treaty this regulation delegates appropriate powers to the Commission to carry out such customs procedures, which are of economic importance;

5. Stresses further that inward processing is very important for external trade, particularly with regard to the employment situation in the Community;
6. Approves the Commission proposal for a regulation;
7. Suggests that problems relating to the functions of the committee procedure should be investigated and commented upon by the Institutional Committee.

EXPLANATORY STATEMENT

1. As the Commission states in its explanatory memorandum to the proposal for a regulation, the latter is part of a multiannual programme for the attainment of the customs union and also a contribution towards the establishment of Community customs law.

Because of its importance amongst the various customs procedures, the Commission selected inward processing arrangements as a pilot project for the implementation of the abovementioned programme. Essentially this involves the transformation into a proposal for a regulation of the principles set out in Council Directive 69/73/EEC of 4 March 1969, although certain aspects have been dealt with in more detail and account has been taken of the extent to which the customs union has been attained.

2. The main objective of the proposal for a regulation is to ensure that goods may be imported under the inward processing arrangements without incurring liability to payment of import duties and can be exported outside the customs territory of the Community free of export levies after processing.

To achieve this the 20 articles of the Commission proposal cover the following main points:

- definition, criteria for approval and implementation of inward processing relief arrangements, and
- a 'committee procedure' as well as transitional provisions.

In this context it is important to mention Article 1(3), which states that inward processing relief arrangements shall also be used for the processing of import goods subject to commercial policy measures.

Unlike the existing directive the proposal for a regulation covers not only the tariff aspect of the arrangements but also the quantitative aspect (quotas) of that part of external trade covered by inward processing arrangements.

3. In addition to Article 5, which defines the economic conditions which must be fulfilled before inward processing relief is authorized, Article 6 is also of particular importance as it requires the operator to provide a security. The security (bank guarantee or cash deposit) which must be provided when the goods to be processed are imported and which is not redeemed or refunded until the processed goods are re-exported, is designed to prevent the goods in question from entering uncontrolled into free circulation in the Community.

4. Article 16 provides for a committee to deal with customs procedures having an economic impact; this committee is to supervise the implementation of the regulation pursuant to Article 17.

As the European Parliament has repeatedly called for a reduction in bureaucracy and has opposed the creation of new committees, the rapporteur was given assurances by the Commission that this committee was not in fact entirely new but would replace the committee set up under the existing directive. In addition, the committee would deal not only with questions relating to inward processing but also with other customs matters (outward processing arrangements....).

It is worth noting that this committee is to be given corresponding responsibilities for the implementation of the customs union in this field in accordance with the wishes of the European Parliament and pursuant to Article 155 of the EEC Treaty.

5. The most important products covered by inward processing arrangements include: salmon, cod, wheat, maize, rice, casein, polyvinylchloride, mineral oil derivatives, wool, paper, bauxite, etc.

This far from exhaustive list shows that inward processing arrangements affect a wide variety of economic sectors in the European Community.

It is difficult to obtain an accurate picture of the major economic importance of this type of customs procedure from the available statistics. As a proportion of the total external trade of the European Community in volume terms inward processing arrangements cover 4% and 8% respectively of total imports and



exports to and from third countries. These figures do not give an accurate picture, as trade with countries enjoying preferential access (e.g. EFTA) is not covered by inward processing arrangements since it is not subject to customs duties..

It is however safe to say that on average the value of imported goods is doubled by processing and that the proportion of total external trade of the Community accounted for by inward processing arrangements lies somewhere between 15% and 20%.

6. In this connection the Committee for External Economic Relations would point out that the European Parliament welcomed the Commission's programme for the attainment of the customs union and urged that it be implemented rapidly.

The committee supports the proposal for a regulation as part of this programme and underlines the importance of inward processing arrangements in the present economic climate, particularly with regard to the employment situation in the Community.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Sir Frederick CATHERWOOD,  
chairman of the Committee on External Economic Relations

Brussels, 2 June 1982

Subject: Proposal from the Commission of the European Communities to  
the Council for a regulation on inward processing relief  
arrangements (Doc. 1-974/81)

Dear Sir Frederick,

The Committee on Budgets considered the above-mentioned proposal  
from the Commission at its meeting of 27/28 May 1982 and unanimously  
recommended that the Committee on External Economic Relations, as the  
committee responsible, should approve it.

Yours sincerely,

Erwin LANGE

The following took part in the vote: Mr Lange, chairman; Mrs Barbarella,  
vice-chairman; Mrs Boserup, Mr Croux, Mr Fich, Mr Gouthier, Mrs Hoff,  
Mr Newton Dunn, Mr Price and Mr Protopapadakis.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr P. BEAZLEY

On 24 February 1982 the Committee on Economic and Monetary Affairs appointed Mr Beazley draftsman.

It considered the draft opinion at its meeting of 28 April 1982 and adopted its conclusions unanimously save for 3 abstentions.

The following took part in the vote: Mr Moreau, chairman; Mr Beazley, rapporteur; Mr Albers (deputizing for Mr Schinzel), Mr Bonaccini, Mr Carossino (deputizing for Mr Fernandez), Mrs Desouches, Mr Estgen (deputizing for Mr Collomb), Mr Herman, Mr Leonardi, Mr Purvis, Mr Wedekind (deputizing for Mr Schnitker), Mr Welsh (deputizing for Mr Hopper) and Mr von Wogau.

1. The Committee on Economic and Monetary Affairs and the European Parliament have repeatedly<sup>1</sup> called upon the Commission to draw up common, comprehensive and effective customs legislation; the committee therefore welcomes the fact that the Commission is now proposing a regulation on inward processing to replace the existing directive<sup>2</sup>, thus ensuring more uniform application of customs procedures in the Member States.
2. According to the Commission's explanatory memorandum, the principles of the existing directive have been retained in this proposal for a regulation. However, in respect of its scope, the Commission points out that the present directive confines itself to the tariff aspects of the arrangements, that is to say it covers only those goods that are subject to import duty; the proposed regulation would extend the procedure to goods not liable to import duties but subject to other commercial policy measures. The Committee on Economic and Monetary Affairs endorses this as a way of securing more uniform application of commercial policy measures throughout the Community.
3. The proposal for a regulation also naturally differs in a number of respects from the existing directive, as a regulation is binding in its entirety and directly applicable in all Member States.
4. Finally, it should be noted that the Commission is given powers in respect of the administration of the regulation and the adoption of the provisions required for its implementation. This conforms with the European Parliament's opinion of 12 April 1978 and helps limit the amount of technical detail in the proposal for a regulation.

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<sup>1</sup> e.g. European Parliament Resolution of 16.10.1980, OJ No. C 291, 10.11.1980, p. 43

<sup>2</sup> Article 189 of the EEC Treaty defines regulations and directives as follows:

'A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States.

A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.

However, as the Committee on Economic and Monetary Affairs pointed out in its report on the amendment of the outline directive on measuring instruments (Doc. 1-537/81), it is undesirable on principle that in some cases decisions may be taken by the Council without consultation of the European Parliament. The European Parliament therefore proposed an amendment to the procedure laid down, which was accepted by the Commission<sup>1</sup>.

The fact that we are now dealing with a regulation rather than a directive makes this aspect even more important.

5. No other points have been raised by the Committee on Economic and Monetary Affairs justifying amendments to the individual articles of the proposal for a regulation, although it should be noted that the dates proposed for its entry into force are impracticable.

Attention is further drawn to the fact that the question was raised whether Article 9(2)(d) might not mean that it would be possible to get round the national percentages of the quotas set by the Community for certain product groups. The committee decided not to delay the adoption of its opinion, in the belief that the committee responsible will discuss the matter with the Commission.

#### CONCLUSIONS

6. The Committee on Economic and Monetary Affairs therefore supports the Commission's proposal and calls upon the committee responsible to
- (1) add a paragraph to its motion for a resolution in which the European Parliament welcomes the transformation of a number of directives concerning 'economic' customs procedures into regulations,
  - (2) propose an amendment to Article 18 (3) of the proposal for a directive as follows:  
  
'Article 18 (3) to read:  
  
'3. (a) The Commission shall adopt the provisions envisaged where they are in accordance with the Opinion of the Committee.

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<sup>1</sup>The Commission's amended proposal for a directive on measuring instruments, OJ No. C 44, 18.2.1982

- (b) Where the provisions envisaged are not in accordance with the Opinion of the Committee, or if no Opinion is delivered, the Commission shall without delay propose to the Council the provisions to be adopted. The Council shall act by a qualified majority, after having consulted the European Parliament.
- (c) If the European Parliament has not delivered its opinion within three months of the date of consultation, the Council may act.
- (d) If within five months of the proposal being submitted to it, the Council has not acted, the proposed provisions shall be adopted by the Commission.'