COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.2.2006
COM(2006) 61 final

2006/0017 (ACC)

Proposal for a

COUNCIL REGULATION

concerning the implementation of the Agreement on Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs) by amending Annex I to Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff

(presented by the Commission)

EXPLANATORY MEMORANDUM

1) CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

Multi-chip integrated circuits, or "multi-chip packages" (MCPs), are a relatively new category of assembled semiconductors that did not exist at the time the tariff-cutting mechanism of the ITA (the WTO Agreement on Information Technologies) was concluded in 1996. If MCPs had existed at the time the ITA was negotiated, it is likely that they would have been incorporated into the ITA at zero duty.

The five Members of the Government / Authorities Meeting on Semiconductors (GAMS), which are the European Community represented by the European Commission, Japan, Korea, the United States and Chinese Taipei, negotiated an Agreement on Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs) (hereinafter referred to as the "MCP Agreement").

- **General context**

On behalf of the European Community, the Council concluded the MCP Agreement with Council Decision 2005/964/EC of 21 December 2005.

- **Existing provisions in the area of the proposal**

The present proposal for a Council Regulation would implement the conclusion of the MCP Agreement by amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

- **Consistency with the other policies and objectives of the Union**

The proposal would support the competitiveness of the relevant European industry.

2) CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

The relevant European industry considers the MCP Agreement as a key initiative to support the competitiveness of the European semiconductor industry.

- **Collection and use of expertise**

This proposal merely seeks to implement an international agreement concluded by the Community.

- **Impact assessment**

This proposal does not require an impact assessment.

No other regulatory approaches are conceivable.

3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The proposed Regulation would reduce to zero the rate of all customs duties and other duties and charges applied to MCPs.

The date for entry into force of the MCP Agreement is still to be agreed with the other four Parties having ratified it. It is anticipated that the MCP Agreement would enter into force on 1 April 2006.

- **Legal basis**

The proposed Regulation is based on Article 133 of the Treaty establishing the European Community.

- **Subsidiarity principle**

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reason(s).

The proposed regulation is limited to what is strictly necessary to implement the international agreement concluded by the Community.

The proposed regulation does not create any additional adminstrative burden.

- **Choice of instruments**

Proposed instruments: regulation.

Other means would not be adequate for the following reason(s).

A regulation is the only possible means to amend the existing legal provisions.

4) BUDGETARY IMPLICATION

In budgetary terms, duty-free treatment of MCPs is estimated to entail less customs revenue for the EU budget in the order of € 7.9 m/year.

2006/0017 (ACC)

Proposal for a

COUNCIL REGULATION

concerning the implementation of the Agreement on Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs) by amending Annex I to Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission[1],

Whereas:

(1) Council Regulation (EEC) No 2658/87[2] established a goods nomenclature, hereinafter referred to as the "Combined Nomenclature", and set out the conventional duty rates of the Common Customs Tariff.

(2) By its Decision 2005/964/EC[3], the Council has concluded, on behalf of the European Community, the Agreement on Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs) (hereinafter referred to as "the Agreement").

(3) The Agreement reduces to zero the rate of all customs duties and other duties and charges applied to MCPs.

(4) The Secretary General of the Council of the European Union as the depository designated by the Agreement has received instruments of acceptance from four Parties. Pursuant to Article 7(a) of the Agreement, these four Parties have agreed that the Agreement shall enter into force on [1 April 2006].

(5) The Agreement should now be implemented by amending Annex I to Council Regulation (EEC) No 2658/87.

---

1 OJ C xx, xx.xx.xxxx, p.xx.
2 OJ L 256, 7.9.1987, p.1, as amended.
3 OJ L 349, 31.12.2005, p.24.

HAS ADOPTED THIS REGULATION:

Article 1

In Annex I, Part One, Section II "Special Provisions" of Regulation (EEC) No 2658/87, a letter G "Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs)" as contained in the Annex to this regulation is added.

Article 2

This Regulation shall enter into force the day following its publication in the *Official Journal of the European Union*.

It shall apply from [1 April 2006].

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

Done at Brussels,

For the Council
The President

ANNEX

G. Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs)

(1) Relief from customs duty is provided for multi-chip integrated circuits (MCPs) consisting of two or more interconnected monolithic integrated circuits combined to all intents and purposes indivisibly, whether or not on one or more insulating substrates, with or without lead frames, but with no other active or passive circuit elements.

(2) Goods eligible to this relief of customs duty are covered by the following headings: 8418, 8422, 8450, 8466, 8473, 8517, 8518, 8522, 8523, 8525, 8528, 8529, 8530, 8531, 8535, 8536, 8537, 8538, 8543, 8548, 8708, 9009, 9026, 9031, 9504.

(3) Upon presentation to the Member State's customs authorities of the customs declaration for release into free circulation of MCPs, the declarant shall indicate in box 44 of the Single Administrative Document ("SAD") the reference number C500.

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS HAVING A BUDGETARY IMPACT EXCLUSIVELY LIMITED TO THE REVENUE SIDE

1. NAME OF THE PROPOSAL:

Proposal for a Council Regulation Implementing the Agreement on Duty-Free Treatment of Multi-Chip Integrated Circuits (MCPs)

2. BUDGET LINES:

Chapter and Article: Chapter 12 - Article 120

Amount budgeted for the year concerned: 12 905 400 000 Euro

3. FINANCIAL IMPACT

☐ Proposal has no financial implications

x Proposal has no financial impact on expenditure but has a financial impact on revenue – the effect is as follows:

(€ million to one decimal place)

Budget line	Revenue[4]	12 month period, starting 01/04/2006	2006
Article 1	*Impact on own resources*	-7.9 M€	-5.9 M€
Article …	*Impact on own resources*		

[4] Regarding traditional own resources (agricultural duties, sugar levies, customs duties) the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % of collection costs.

Situation following action					
	2007	2008	2009	2010	2011
Article 1	-7.9 M€*	-7.9 M€*	-7.9 M€*	-7.9 M€*	-7.9 M€*
Article …					

4. ANTI-FRAUD MEASURES

N.A.

5. OTHER REMARKS

The volume of customs currently levied in the EU on MCPs is estimated on the basis of data provided by the relevant European industry association.

* Please note that there is likelihood that duties and other charges on MCPs will be eliminated in any event either as a result of the Doha Round of trade talks, or of another agreement which may be concluded under the auspices of the WTO.