COUNCIL REGULATION (EC) No 2674/1999

of 13 December 1999

amending Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Act of Accession of Spain and Portugal, and in particular the first subparagraph of Article 25(4) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament [1],

Having regard to the opinion of the Economic and Social Committee [2],

Whereas:

(1) by virtue of Article 25 of the 1985 Act of Accession, the Treaties and the acts of the Institutions of the Communities apply to the Canary Islands, subject to the derogations set out in that Article and in Protocol 2 to that Act;

(2) on account of their geographical situation, the Canary Islands are faced with special difficulties due in particular to their remoteness, their island status, their volcanic terrain unpropitious to the development of agricultural and industrial production and their lack of natural resources; the Council has adopted a number of measures to integrate the Canary Islands more fully into the Community and the customs union in particular;

(3) in this context, existing indirect taxation arrangements intended in particular to compensate for the region's island status and geographical isolation needed gradual reform and modernisation in accordance with Community legislation; to that end and among other measures adopted, Regulation (EEC) No 1911/91 [3] allowed a new tax on production and imports (the 'arbitrio sobre la producción y sobre las importaciones' (APIM)) to be applied in the Canary Islands until 31 December 2000;

(4) this temporary tax is intended to enable local production to adjust to the requirements of the single market through a system of exemptions; certain total or partial exemptions from the tax are accordingly granted in respect of locally produced goods, according to economic needs and on condition that such exemptions contribute to the promotion of local activities without being liable to affect trading conditions to an extent contrary to the common interest;

(5) pursuant to Article 5(6) of Regulation (EEC) No 1911/91, the Commission has examined the impact of the measures taken in the context of the APIM on the economy of the Canary Islands and the prospects for integration of the region into the Community's customs territory; that examination has found that the impact of eliminating the APIM is broadly positive as regards prices and negative as far as output and employment are concerned;

(6) the negative impact on output and employment nevertheless varies greatly according to the sector concerned; although the time that has elapsed has allowed most sectors to adjust, this is not the case for certain products in sensitive sectors; the Commission has, at the request of the Spanish authorities, studied the most vulnerable sectors and identified the sensitive products, and has concluded that such vulnerability could in some cases lead to the virtual disappearance of the sector concerned;

(7) after consultation with the Spanish authorities, it has become clear that the phasing-out of the tax should be suspended until 30 June 2000 in the case of certain sensitive products, in order to facilitate their adjustment to market conditions before the tax disappears; this suspension does not call into question the objectives of introducing the Common Customs Tariff and eliminating the APIM, but is confined solely to mitigating the effects of the economic adjustments which are necessary in order to arrive at abolition of the tax;

(8) Regulation (EEC) No 1911/91 should therefore be amended accordingly;

(9) The APIM will disappear on 31 December 2000; before that date, the Commission will nevertheless examine with the Spanish authorities the impact of suspending the phasing-out of the tax on the economic sectors concerned, and more particularly on the products covered by this Regulation; in the light of the conclusions of that examination, the Commission will, if necessary, present to the Council a proposal concerning the measures to be taken under the Treaty to avoid jeopardising the existence of certain local production activities that are particularly vulnerable, whilst still ultimately achieving the objective of eliminating the tax,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 1911/91 is hereby amended as follows:

[1] Opinion delivered on 19 November 1999 (not yet published in the Official Journal).
[2] OJ C 329, 17.11.1999, p. 27.
[3] OJ L 171, 29.6.1991, p. 1. Regulation as amended by Regulation (EEC) No 284/92 (OJ L 31, 7.2.1992, p. 6).

1. The following subparagraph shall be added to Article 5(2):

   'By way of derogation from the provisions of the first subparagraph, the reduction in the rates of the tax shall be suspended from 30 December 1999 until 30 June 2000 in the case of the products listed in the Annex.'

2. The Annex which appears in the Annex to this Regulation shall be added.

Article 2

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

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

Done at Brussels, 13 December 1999.

For the Council

The President

S. HASSI

ANNEX

'ANNEX

List of products, referred to in the second subparagraph of Article 5(2), classified according to the nomenclature of the Common Customs Tariff (CCT)

Miscellaneous foodstuffs:

0403 10, 0407 00 90, 0701 90, 0702, 0703, 0803, 0901 21, 0901 90 90, 1101, 1601, 1602, 1704 90 71, 1806 (except 1806 20 95), 1901 90 99, 1902, 1904 10 10, 1905 10 00, 1905 20, 1905 30, 1905 40, 1905 90, 2002 10 90, 2002 90 91, 2007 91 10, 2007 99 39, 2008 99 61, 2008 99 68, 2101, 2103, 2105, 2106 90 98, 2309.

Tobacco:

2402 10 00, 2402 20.

Chemicals:

2804 30 00, 2804 40 00, 2851 00 30, 3208, 3209, 3213, 3401, 3402 (except 3402 11 00, 3402 12 00 and 3402 13 00), 3809 91 00.

Paper:

4808, 4818 10, 4818 20, 4818 30, 4818 40, 4819, 4821, 4823 59 10, 4909, 4910, 4911, 5601 22 10, 5601 22 99.

Textiles:

6112 31, 6112 41, 6213, 6302, 6303.

Metalworking industries I:

7308, 7309 00 (except 7309 00 90), 7317, 7325, 7604, 7608, 7610, 9406 00 31.

Other manufactured goods:

3923 10 00, 3923 21 00, 3923 30 10, 3924 10 00, 4012 10, 4418, 4601, 4602, 6802, 7010, 8544 59 10, 9401, 9403, 9404.'