Proposal for a Council Regulation (EC) amending Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands

(1999/C 274 E/02)

COM(1999) 226 final — 1999/0111(CNS)

(Submitted by the Commission on 3 June 1999)

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 paragraph of Article 25(4) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

(1) Whereas, by virtue of Article 25 of the Act of Accession of Spain and Portugal, 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) Whereas, 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; whereas the Council has accordingly adopted a number of measures to integrate the region more fully into the Community and the customs union in particular;

(3) Whereas, 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; whereas, to that end and among other measures adopted, Council Regulation (EEC) No 1911/91 [1], as amended by Regulation (EEC) No 284/92 [2], 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) Whereas this temporary tax is intended to enable local production to adjust to the requirements of the single market through a system of exemptions; whereas 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) Whereas, 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; whereas 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) Whereas the negative impact on output and employment nevertheless varies greatly according to the sector concerned; whereas, although the time that has elapsed has allowed most sectors to adjust, this is not the case for certain products in sensitive sectors; whereas the Commission has, at the request of the Spanish authorities, accordingly 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) Whereas, 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; whereas 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) Whereas Regulation (EEC) No 1911/91 should therefore be amended accordingly;

(9) Whereas the APIM should disappear on 31 December 2000; whereas, 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; whereas, 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,

[1] OJ L 171, 29.6.1991, p. 1.

[2] OJ L 31, 7.2.1992, p. 6.

HAS ADOPTED THIS REGULATION:

Article 1

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

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

'By way of derogation from the provisions of the preceding paragraph, the reduction in the rates of the tax shall be suspended from 1 January 1999 until 30 June 2000 in the case of the products listed in the Annex to this Regulation.'

2. An Annex as shown in the Annex hereto is added.

Article 2

This Regulation shall enter into force on the twentieth day following that 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.