

# COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 10.02.1995

95/ 0021 (CNS)

Proposal for a

COUNCIL DECISION

**authorizing the French Republic to apply a reduced rate of the excise duty imposed on  
the consumption of "traditional" rum produced in  
its overseas departments**

(presented by the Commission)



## Explanatory Memorandum

### **Background**

Article 2(b) of Protocol 6 to the Lomé Convention, on rum, specifies that the Community "shall establish the modalities for the projected abolition of the Community tariff quota" applicable to rum from ACP countries, taking into account the situation in the Community rum market and of the ACP states' exports. The Commission's report to the Council on that issue (SEC(94) 1572 final, 21 December 1994) proposed immediate abolition of the ACP tariff quota for light rum and staged abolition, by the year 2000, of the tariff quota for traditional rum.

However, the production of traditional rum is of fundamental importance to the economies of the French overseas departments, and under Article 227(2) of the EC Treaty the Institutions of the Community must ensure that the economic and social development of the French overseas departments is made possible.

Moreover, under the Declaration (n°26) annexed to the Treaty on European Union, and concerning the outermost regions of the Community, the Conference acknowledged that these regions suffer from major structural backwardness which severely restrains their economic and social development, and considered that it is possible to adopt "specific measures to assist them inasmuch and as long as there is an objective need to take such measures";

In the light of these elements, under point 8.3 of the POSEIDOM programme, the Commission reported to the Council (SEC(94) 1688 final, 21 December 1994) on the situation of the Community rum producers and the measures necessary to safeguard their vital interests. The report concluded that the effect of existing and additional measures to assist the sugarcane - sugar - rum sector will only be felt in the medium term and that, pending these effects, and in view of the consequences of the abolition of tariff quotas, taxation measures provide the only immediate means of maintaining a "commercial niche" for FOD rum at a level corresponding to the traditional trade recorded over recent years. The Commission therefore stated its intention of presenting a proposal for a Council Decision to give France the option of applying reduced rates to traditional rum produced in the FOD.

### **Commentary on the proposed provisions.**

**Article 1** authorises France to apply reduced rates of excise duty to "traditional" rum produced in the Overseas Departments.

**Article 2** specifies the meaning of "traditional" rum.

**Article 3** limits the quantity to which the reduced rate may be applied in metropolitan France to the quantities recorded in recent trade, limits the level to which the rate may be reduced, and limits the duration of the Decision.

**Article 4** is purely formal

## **COUNCIL DECISION**

**of**

**authorizing the French Republic to apply a reduced rate of the excise duty imposed on the consumption of "traditional" rum produced in its overseas departments**

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 227(2) thereof,

Having regard to the proposal from the Commission,<sup>1</sup>

Having regard to the opinion of the European Parliament,<sup>2</sup>

Whereas the French overseas departments form an integral part of the Community under Article 227(2) as interpreted by the case law of the Court of Justice, according to which the provisions of the Treaty and of secondary legislation apply in full to the said departments on the understanding that specific measures may nevertheless be taken to assist them insofar as there remains an objective need for such measures to secure the economic and social development of those regions;

Whereas Declaration 26 on the outermost regions of the Community, annexed to the Treaty on European Union, confirms the principle of the adoption of specific measures for the economic and social development of those regions;

Whereas point 8.3 of POSEIDOM (Council Decision 89/687/EEC of 22 December 1989)<sup>3</sup> requires the Commission to report on the situation of Community rum producers and on the implementation of measures to safeguard their essential interests; whereas the report in question (SEC(94) 1688 final) concludes that, in the new context of liberalization of imports and the drop in the quantity of rum from the French overseas departments marketed in recent years, Community producers must make a major effort to adjust in order to meet the new requirements and challenges of the Community market in rum; whereas the positive effects of existing and future measures on the competitiveness of the cane-sugar-rum sector will be felt only in the medium term; until then taxation provides the only effective and immediate means of maintaining a "commercial niche" for rum from the French overseas departments at a level corresponding to the traditional trade recorded in recent years;

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<sup>1</sup>

<sup>2</sup>

<sup>3</sup> OJ No L 399, 30.12.1989.

Whereas the Council decided on the basis of the Commission report on the situation and prospects of the rum market, with particular regard to rum originating in the ACP States (SEC(94) 1572 final), to abolish the tariff quota for imports of light rum originating in the ACP States as of 1 January 1996 but to maintain a tariff quota for imports of traditional rum originating in the ACP States set at 20 000 HPA/year, increasing by 2 000 HPA for each subsequent year, until 1 January 2000, when it will be abolished.

Whereas the French Republic should therefore be authorized to apply, by way of derogation from Article 95 of the Treaty, a reduced rate of the excise duty imposed on the consumption of "traditional" rum produced in its overseas departments;

Whereas a time-limit must be set on this option in the expectation that existing and future measures to improve the competitiveness of the cane-sugar-rum sector in the French overseas departments will prove effective; whereas these are structural measures, however, and therefore cannot achieve their objectives until a sufficiently long period has elapsed; **whereas on this basis the french authorities are prepared to consider, between 1 January 2000 and 31 December 2002, a progressive adjustment to the reduced rate for traditional rum produced in their overseas departments.**

Whereas the quantity of rum originating in the French overseas departments to which this measure applies may not exceed a level corresponding to the traditional trade flows recorded in recent years,

HAS ADOPTED THIS DECISION:

#### Article 1

By way of derogation from Article 95 of the Treaty, the French Republic is hereby authorised to apply to the consumption of "traditional" rum produced in its overseas departments, a rate of excise duty lower than the full rate of that duty applicable to ethyl alcohol falling within CN 2207 and 2208.

#### Article 2

The derogation provided for in Article 1 shall be confined to rum as defined in Article 1(4)(a) of Regulation (EEC) No 1576/89,<sup>4</sup> produced in the French overseas departments from sugar cane harvested at the place of manufacture, with a volatile element content, excluding ethyl and methyl alcohol, in excess of 225 grams per hectolitre and an alcoholic strength by volume in excess of 40%.

#### Article 3

1. In metropolitan France, the reduced excise duty applicable to the product referred to in Article 2 shall be applied to an annual quota of 90,000 Hl of pure alcohol.

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<sup>4</sup> OJ No L 160, 12.6.1989.

2. The reduced rate may fall below the minimum rate of excise duty for ethyl alcohol laid down in Council Directive 92/84/EEC, but may not be set more than 50% below the standard national rate of duty on ethyl alcohol.
3. The Decision shall apply from 1 January 1996 until 31 December 2002.

**Article 4**

**This Decision is addressed to the French Republic.**

**Done at Brussels,**

**For the Council  
The President**

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