

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 406 final.

Brussels, 2 August 1978

Proposal for a
COUNCIL REGULATION (EEC)
maintaining quantitative restrictions on
the importation into Belgium, Luxembourg
and the Netherlands of certain textile
products originating in Greece

(submitted to the Council by the Commission)

COM(78) 406 final.



EXPLANATORY MEMORANDUM

1. As was established at the beginning of 1977, all Greek exports of textile products benefit from various incentives, notably an interest rate subsidy on loans to the supplier, calculated as a variable proportion of the export price (Decision No 1574 of the Greek Monetary Committee).

The subsidy is aimed at encouraging exports paid for in convertible currency and takes the form of a repayment of part of the fob price on exportation; at the moment, this refund can be as high as twelve per cent on textile products, depending on the amount of value added in Greece. In the case of cotton yarn, the average is 8.5 % of the price. A measure of this kind is equivalent to an export subsidy, and as such is contrary to the very principle of Article 92 of the Treaty. Article 51 of the Athens Agreement states that the Contracting Parties recognize that the principles laid down in Article 92 of the Treaty should be applied in their relations within the Association. To that end, Article 52(1) provides that the Association Council shall, by 1 November 1964, adopt the rules and conditions for the application of these principles. Since no decision has so far been taken, Article 55 enables the Community to adopt any protective measures which it considers to be needed to overcome difficulties due to the absence of a decision of the Association Council on the matter.

It should be noted that the measure concerned constitutes an aid which under normal Community practice would never qualify for exemption under Article 92 (2) or (3).

This measure, which is presented by Greece as a reimbursement of indirect taxes on export, even though such a presentation cannot be accepted by the Commission, would, from that point of view, be contrary to the provisions of Article 53 (2) which forbids reimbursements on export greater than the actual internal charges.

Even on the Greek interpretation, the details provided by Greece indicate a real level of tax paid of no more than about 2.5 %. An examination of the Greek calculations shows first of all that only 4.284 % as against a reimbursement rate of 8.5 % is accounted for and that as to the remainder even Greece does not seem to be able to establish a breakdown of charges. Out of the 4.284 % a further 0.714 %, representing a financing charge for the tax before it is reimbursed and 1.102 % for stamp duty reimbursed by other measures, should be deducted leaving only 2.468 %.

2. Another export incentive with a more limited effect should also be mentioned. It consists of a flat-rate percentage deduction from the exporter's taxable income, for entertainment expenses etc., irrespective of the value of his exports (Article 35 of Law No 3323/1955).

This concession is set at two per cent of export turnover; no supporting evidence is required and the deduction is allowed in addition to any expenditure on promotion duly substantiated and accepted by the tax authorities. Its value as a proportion of the price depends on the rate of direct tax payable by the exporter and may be as much as 0.8 %.

This measure is a remission of direct tax which constitutes an export aid; the same considerations therefore apply as for the first one.

These matters were laid before the Association Council in January 1977 but no decision has so far been taken. In October and December 1977, however, a modus vivendi was worked out between the parties with a view to remedying the cumulative market disruption caused by imports of the products in question.

3. Since the beginning of 1978, this modus vivendi has been called into question on the Greek side. At the same time a number of the agreed limits have been exceeded at regional level, and the a priori surveillance system reveals that others will be exceeded shortly.

These developments are causing the Member States considerable anxiety, and several of them have lodged formal request for limits on various products originating in Greece. These requests have obliged the Commission to carry out the undertakings as regards Greece given to the Council on 20 December 1977 and subsequently reaffirmed on 6 and 27 June, when it promised to take without delay all appropriate political and economic measures consonant with the Community's international obligations in order to protect the interests of its textile sector.

4. However, before having recourse to the provisions of Article 55 the Commission made a final effort to resolve the problem within the EEC - Greece Association Committee at a meeting which took place on 30 June, but no solution was reached.

5. Normally, the establishment of a countervailing duty is sufficient to deal with a situation of abnormal competition. In the present situation such a solution would be totally inadequate because of technical difficulties involved and the exceptionally large quantities of imports concerned. In these circumstances, the most appropriate course of action is to limit imports of products originating in Greece, which is possible under Article 55 since the type of measure to be invoked is not specific.

The limits must however be established at such a level that Greece does not suffer more than by the application of a countervailing duty.

As the limits agreed in the modus vivendi of December 1977, which are based on traditional trade flows, also represent "acceptable" levels for the Community, since they are in line with the policy of internal global ceilings, they meet the criterion stated above.

6. In view of the foregoing, and in view of the breaches already registered in respect of certain regional levels and requests received from the Member States affected, the Commission has decided to use the procedure provided in Article 12 of Regulation (EEC) No 1439/74 to introduce quantitative restrictions on some of these imports, by adopting Regulation (EEC) 1858/78.

7. Article 12 (6) of Regulation 1439/74 stipulates that within ten working days of the entry into force of measures which it has adopted under that Article, the Commission shall make a proposal to the Council on appropriate measures to be adopted by the Council to carry on from the Commission's emergency measures. In this connection it is pointed out that Commission regulations adopted pursuant to Article 12 of Regulation (EEC) No 1439/74 expire six weeks after their entry into force unless confirmed by the Council.

Accordingly, the Commission proposes that the Council adopt the proposal for a regulation set out in the Annex, which is aimed at confirming the measures adopted by the Commission regulation mentioned above.

PROPOSAL FOR COUNCIL REGULATION (EEC) No

maintaining quantitative restrictions on the importation into Belgium, Luxembourg and the Netherlands of certain textile products originating in Greece.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 1439/74 of 4 June 1974 on common rules for imports (1), and in particular Article 13 thereof,

After consultation within the Advisory Committee established by Article 5 of that Regulation,

Having regard to the proposal from the Commission,

Whereas by Regulation (EEC) No 1858/78 of 27.7.78 (2), the Commission introduced quantitative restrictions on the importation into Belgium, Luxembourg and the Netherlands of certain textile products originating in Greece;

Whereas the factors which caused these restrictions to be introduced still persist; whereas it is accordingly necessary for them to remain in force until 31 December 1978;

HAS ADOPTED THIS REGULATION :

(1) OJ No L 159, 15.6.1974, p. 1

(2) OJ No L 212, 2.8.1978, p.

Article 1

The quantitative restrictions on the importation into Belgium, Luxembourg and the Netherlands of certain textile products originating in Greece, introduced by Regulation (EEC) No 1858/78 shall remain applicable until 31 December 1978.

Article 2

This Regulation shall enter into force on 2.8.1978.

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

Done at Brussels,

For the Council
The President