

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(74) 556 final

Brussels, 24 April 1974

Proposal for a

REGULATION (EEC) OF THE COUNCIL

on the opening, allocation and administration
of a Community tariff quota for processing work
in respect of certain textile products under
Community outward processing arrangements

(submitted to the Council by the Commission)

COM(74) 556 final

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EXPLANATORY MEMORANDUM

1. In an Arrangement concluded with the Swiss Federation on 1 August 1969¹, the European Economic Community undertook to open an annual duty-free Community tariff quota of 1 870 000 units of account of added value in respect of the various kinds of processing work for certain textile products included in the outward processing traffic of the Community to Switzerland.
2. Under the Annex to the Arrangement this annual tariff quota is divided into three categories of processing, on the basis of the amount of the traffic under the former bilateral agreements (concluded with Switzerland by France, Germany and Italy) plus an allowance for the Benelux countries.

On the basis of that division the total quota amount of 1 870 000 units of account is appropriated as follows:

- (a) 1 650 000 units of account for processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
 - (b) 143 000 units of account for twisting or throwing, re-twisting, cabling and texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff;
 - (c) 77 000 units of account for processing work on articles falling within headings 58.04, 58.05, 58.07, 58.08 58.09 and 60.01 of the Common Customs Tariff.
3. At the request of the Swiss authorities and so that the appropriation of the quota to the three categories of processing referred to above should be better related to the actual movement of trade during the reference year which served as the basis for calculating the total amount of the quota, it has been decided:

¹OJ No L 240, 24 December 1960.

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- (a) to transfer 150 000 units of account from the amount allocated for processing operations on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff to the 77 000 units of account set aside for processing work on articles falling within headings 58.04 to 60.01 of the Common Customs Tariff. These 150 000 units of account, which have been allocated to France for operations on knitted or crocheted fabric (processing work under (c) above), have been deducted from that State's quota-share under the aforementioned Annex in respect of processing work on woven fabrics.
- (b) to increase the amount appropriated to processing work on articles falling within headings 58.04 to 60.01 of the Common Customs Tariff from 227 000 units of account to 377 000 units of account, without any corresponding increases in the total amount of the Community Tariff quota of 1 870 000 units of account. This additional amount of 150 000 has been drawn from the following sources:

- 10 000 units of account from the 30 000 units of account allocated to the Benelux countries for all categories of processing work;
- 120 000 units of account from the 900 000 units of account allocated to the Federal Republic of Germany for processing work on woven fabrics;
- 20 000 units of account from 120 000 units of account allocated to the Federal Republic of Germany for processing work on yarns.

The additional amount of 150 000 units of account thus obtained has been allocated as follows to operations to be carried out on articles falling within the abovementioned Tariff headings:

- Germany: 80 000 units of account (quota increased from 50 000 to 130 000 units of account)
- France: 20 000 units of account (quota increased from 150 000 to 170 000 units of account)
- Community reserve: 20 000 units of account (amount increased from 7 000 to 57 000 units of account).

4. This allocation among the Member States of the different amounts appropriated to the three categories of processing work raised a difficulty which was examined at consultations with experts from the various Member States organized by the Commission in the course of the year 1969. Under this allocation it would be possible for certain Member States (Italy and the Benelux countries) to apportion all or part of their shares among the three categories of processing work (or alternatively among two of those categories) in any way they wished, whereas the quotas set aside for each category of processing work are insufficient to allow this: if these Member States appropriated the full amount of their allocations entirely to the first category they would have to draw on the reserve for that category, while if they preferred to appropriate them exclusively to the second and third categories, then the quotas for those categories would be exceeded.

However, after consultation with the Member States, it appears that such a situation should not raise any difficulties in practice. This explains the absence of any provision relating to this problem in the proposal for a Regulation annexed hereto, it being understood that the relevant Commission departments acting in concert with the Member States, are to ensure that the allocation of the quota among the different categories of processing work is adhered to, and that adequate action is taken in the event of the slightest difficulty.

5. The annual Community tariff quota provided for in this Arrangement was last opened by Council Regulation (EEC) No 3025/73¹ of 6 November 1973, and was valid for the period 1 September 1973 to 31 August 1974.

The sole purpose of the proposed Regulation annexed hereto is thus to open a like quota for the period 1 September 1974 to 31 August 1975, and to apportion it among the Member States in accordance with the aforementioned Annex, taking into account the amended allocations as indicated in 3 above and the need to provide for the participation of the new Member States in the apportionment of the quota.

¹OJ No L 309 of 9 November 1973, p. 1.

It should, however, be noted in this connection, that according to the information gathered at a meeting of the EEC-Switzerland Joint Committee it appears that the new Member States only play a very small part, or no part at all, in the outward processing of products in the textile sector.

While waiting for a modification of the above-mentioned Arrangement in order to allocate the initial shares to the new Member States, it is advisable, in order to cover any needs which might arise, in Ireland on the one hand or in Denmark or the United Kingdom on the other, in particular for those cases not covered by the Agreement concluded on 22 July 1972 between the Community and Switzerland, that provision should be made for these Member States to be able to draw an adequate quota share from the Community reserve when required.

6. As for the preceding quota period, the proposal for a Regulation annexed hereto provides for the quota to be administered under a system of prior allocation and sets at 20 % the level above which unused portions of the initial quota share are to be returned to the reserve.

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PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL

on the opening, allocation and administration
of a Community tariff quota for processing work in
respect of certain textile products under Community
outward processing arrangements.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 113 thereof;

Having regard to the proposal from the Commission;

Whereas on 1 August 1969 the Community concluded an Arrangement with
Switzerland on processing traffic in textiles; whereas under that
Arrangement the Community undertook to open each 1 September an annual
duty-free Community tariff quota for processed goods of 1 870 000 units of
account of added value, apportioned as follows:

- (a) 1 650 000 units of account for processing work on woven fabrics falling
within Chapters 50 to 57 of the Common Customs Tariff;
- (b) 143 000 units of account for the twisting or throwing, cabling and
texturizing (whether or not combined with other processing works) of
yarns falling within Chapters 50 to 57 of the Common Customs Tariff;
- (c) 77 000 units of account for processing work on articles falling within
heading Nos 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common
Customs Tariff;

Whereas in order that the apportionment of the quota among the three categories
referred to above may correspond more closely with actual trade flows during
the reference year it has been decided by joint agreement to

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raise to 377 000 units of account the amount of 77 000 units of account set aside for the processing of articles falling within certain Tariff headings in the Common Customs Tariff between 58.04 and 60.01 by drawing a total of 300 000 units of account (i) from the share of the quota allocated to the Benelux countries for all processing operations and (ii) from the shares allocated to certain other Member States in respect of the processing of woven fabrics and yarns falling within Chapters 50 to 57 of the Common Customs Tariff; whereas the Community tariff quota in question should be opened for the period 1 September 1974 to 31 August 1975 in accordance with the apportionment laid down in the aforementioned Arrangement as thus amended;

Whereas provision should be made to ensure in particular that those participating in this Community Traffic enjoy equal and continuous access to the quota and that rate of duty prescribed under the said quota is applied consistently, until the quota is exhausted, to all goods reimported into any of the Member States which have received one or other of the treatments listed above; whereas in the light of these principles arrangements for the utilization of the quota based on an allocation among the Member States would seem to be consistent with the Community nature of such quota; whereas, it therefore seems appropriate to make the allocation on the basis of the amount of the Traffic under the previous bilateral agreements, but without precluding participation by Member States not previously involved in such traffic among which the new Member States are included; whereas, to safeguard the Community nature of the quota, provision should be made to meet requirements which may arise in those Member States in the future permitting them to draw on the reserve in accordance with the system laid down in Article 3 of the present regulation; whereas such provision is made in Article 3, in respect of exceptional cases and where no initial share of the quota has been allocated;

Whereas to take account of future trends in the traffic in question in the various Member States, the total quota volume of 1 870 000 units of account should be divided into two tranches, the first being allocated among the Member States and the second held as a reserve to cover the subsequent requirements of Member States which have exhausted their initial shares.

and also requirements which may arise in certain Member States in respect of processing work for which no initial share of the quota was allocated; whereas in order to give the parties concerned in each Member State some degree of certainty it would seem appropriate to fix the first tranche of the quota at a relatively high level, namely some 90% of the full amount of the quota; whereas the reserve (approximately 10%) should be appropriated to each category of work in accordance with terms of the Arrangement;

Whereas the Member States may exhaust their initial shares at different rates; whereas to avoid disruption of supplies on this account it should be provided that any Member State which has almost used up one of its initial shares should draw an additional share from the relevant reserve; whereas each time its additional share is almost exhausted a Member State should draw a further share and so on as many times as the reserve allows; whereas the initial and additional shares should be valid until the end of the quota period; whereas this form of administration requires close collaboration between the Member States and the Commission, and the Commission must be in a position to keep account of the extent to which the quota has been used up and to inform the Member States accordingly;

Whereas if at a given date during the quota period a considerable quantity of a Member State's initial share remains unused it is essential to prevent a part of the quota from remaining unused in one Member State while it could be used in others, that such State should return a significant proportion thereof to the reserve;

Whereas, since the Kingdom of Belgium, the Kingdom of the Netherlands and the Grand Duchy of Luxembourg are united in and jointly represented by the Benelux Economic Union, any transaction in connection with the administration of the shares allocated to that Economic Union may be carried out by any one of its Members;

HAS ADOPTED THIS REGULATION:

Article 1

1. With effect from 1 September 1974 and until 31 August 1975, a Community tariff quota of 1 870 000 units of account of value added shall be opened in the European Economic Community in respect of goods resulting from processing work as provided for in the Arrangement with Switzerland on processing traffic in textiles. Such quota shall be apportioned as follows:

(a) 1 370 000 units of account for processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;

(b) 123 000 units of account for twisting or throwing, cabling and texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff;

(c) 377 000 units of account for processing work on articles falling within the following headings of the Common Customs Tariff:

58.04 Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within heading No 55.08 and fabrics falling within heading No 58.05);

58.05 Narrow woven fabrics, and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No 58.06;

58.07 Chenille yarn (including flock chenille yarn), gimped yarn (other than metallized yarn of heading No 52.01 and gimped horsehair yarn); braids and ornamental trimmings in the piece; tassels, pompons and the like;

58.08 Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), plain;

58.09 Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), figured; hand or mechanically made lace, in the piece, in strips or in motifs;

60.01. Knitted or crocheted fabric, not elastic nor rubberized.

2. For the purposes of this Regulation,

(a) "processing work" means:

- for the purposes of paragraph 1 (a) and (c): bleaching, dyeing, printing, flocking, impregnating, dressing and other work which changes the appearance or quality of the goods, without however changing their nature;

- for purposes of paragraph 1 (b): twisting or throwing, cabling and texturizing, whether or not combined with reeling, dyeing or other work which changes the appearance, quality or finish of the goods, without however changing their nature.

(b) "added value" means: the difference between the value for customs purposes as defined in Regulation (EEC) No 803/68¹ at the time of re-importation and the value for customs purposes as it would be if the products were re-imported in the state in which they were exported.

3. Each portion of the quota as laid down in paragraph 1 shall be divided into two tranches, the first, of approximately 90%, being allocated among the Member States in accordance with Article 3 and the second, of approximately 10%, to constitute the Community reserve.

4. The Common Customs Tariff duties shall be totally suspended in respect of re-importations under the quota.

The new Member States shall apply in respect of re-importations under the quota duties calculated in accordance with the relevant provisions of the Act of Accession.

¹OJ No L 148, 28.6.1968, p. 6.

Article 2

1. The first tranche of each portion of the quota as laid down in Article 1(1) shall be allocated among the Member States. The shares for each Member State, as laid down by the above-mentioned arrangement and subject to Article 6 shall be valid from 1 September 1974 to 31 August 1975 shall be as follows :

(a) Germany:

1 010 000 units of account, apportioned as follows:

- 780 000 units of account for processing work on woven fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
- 100 000 units of account for twisting or throwing, cabling and texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff;
- 130 000 units of account for processing work on articles falling within headings 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff;

(b) France:

600 000 units of account, apportioned as follows:

- 430 000 units of account for processing work on fabrics falling within Chapters 50 to 57 of the Common Customs Tariff;
- 170 000 units of account for processing work on articles falling within headings 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff;

(c) Italy:

20 000 units of account, i.e. half for twisting or throwing, cabling and texturizing (whether or not combined with other processing work) of yarns falling within Chapters 50 to 57 of the Common Customs Tariff, and half for processing work on articles falling within headings 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff;

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(d) Benelux:

20 000 units of account for processing work on threads and woven fabrics falling within Chapters 50 to 57 or for articles falling within headings 58.04, 58.05, 58.07, 58.08, 58.09 and 60.01 of the Common Customs Tariff.

2. The second tranche of each of the portions of the quota as fixed in Article 1(1) - 150 000, 13 000 and 57 000 units of account respectively - shall constitute the Community reserves.

Article 3

In case of need, in France in respect of the processing work referred to in Article 1(1)(b), or in any of the new Member States in respect of any of the categories of processing work, the State concerned shall, to the extent that the relevant reserve so permits, draw from such reserve a sufficient share of the quota.

Article 4

1. As soon as a Member State has used 90% or more of one of its initial shares as fixed in Article 2(1), or of that share minus any portion returned to the reserve pursuant to Article 6, it shall forthwith, by notifying the Commission, draw a second share, to the extent that the relevant reserve so permits, equal to 10% of its initial share, rounded up as necessary to the next whole number.
2. As soon as a Member State, after exhausting one of its initial shares, has used 90% or more of the second share drawn by it, that Member State shall forthwith, in the manner and to the extent provided in paragraph 1, draw a third share equal to 5% of its initial share.

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- 3. As soon as a Member State, after exhausting its second share, has used 90% or more of the third share drawn by it, that Member State shall, in the manner and to the extent provided in paragraph 1, draw a fourth share equal to the third.

It shall continue in this fashion until the reserve is exhausted.

- 4. By way of derogation from paragraphs 1 to 3, a Member State may draw shares lower than those specified in those paragraphs if there are grounds for believing that those specified may not be used in full. Any Member State applying this paragraph shall inform the Commission of its grounds for so doing.

Article 5

Additional shares drawn pursuant to Article 4 shall be valid until 31 August 1975.

Article 6

A Member State which on 15 May 1975 has not exhausted one of its initial shares as fixed in Article 2(1) shall, not later than 10 June 1975, return to the relevant reserve the unused portion in excess of 20% of the initial amount. It may return a greater portion if there are grounds for believing that such portion may not be used in full.

Member States shall, not later than 10 June 1975, notify the Commission of the total quantities of the product in question re-imported up to and including 15 May 1975 and counted against the Community quota and of any portion of their initial quotas returned to the reserve.

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Article 7

The Commission shall keep an account of the shares opened by the Member States pursuant to Articles 2, 3 and 4 and shall as soon as the information reaches it, inform each State of the extent to which the reserves have been used up.

It shall, not later than 15 June 1975, inform the Member States of the amounts still in reserve following any return of shares pursuant to Article 6.

It shall ensure that when an amount exhausting one of the reserves is drawn the amount so drawn does not exceed the balance available, and to this end shall notify the amount of that balance to the Member State making the last drawing.

Article 8

Member States shall take all appropriate measures to ensure that additional shares drawn pursuant to Article 4 are opened in such a way that re-importations may be charged without interruption against their accumulated shares of the quota.

Article 9

1. Every Member State shall administer its quota shares by a system of prior allocation. It shall ensure that all persons established in their territory involved in the processing traffic have free access to the shares allocated to it.
2. The extent to which a Member State has used up its quota shares shall be determined on the basis of the added value as established when upon re-importation the products concerned are entered with the customs authorities for home use.

Article 10

Member States shall inform the Commission at regular intervals of the operations charged against their shares.

Article 11

Member States and the Commission shall co-operate closely to ensure that this Regulation is complied with.

Article 12

This Regulation shall enter into force on 1 September 1974.

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

Done at Brussels,

For the Council

The President