

# European Communities

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445.76

## EUROPEAN PARLIAMENT

# Working Documents

1977 - 1978

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8 November 1977

DOCUMENT 343/77

## Report

drawn up on behalf of the Committee on External Economic Relations

on the proposal from the Commission of the European Communities to the Council (Doc. 233/77) for a directive on the harmonization of provisions laid down by law, regulation or administrative action in respect of standard exchange of goods exported for repair

Rapporteur: Mr E. MÜLLER

PE 50.825/fin.



By letter of 2 August 1977, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 100 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a directive on the harmonization of provisions laid down by law, regulation or administrative action in respect of standard exchange of goods exported for repair.

The President of the European Parliament referred this proposal to the Committee on External Economic Relations.

On 20 September 1977, the Committee on External Economic Relations appointed Mr E. Müller rapporteur.

It considered this proposal at its meeting of 19 October 1977.

At the same meeting the committee unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Scott-Hopkins, vice-chairman and acting-chairman; Mr Martinelli, vice-chairman; Mr E. Müller, rapporteur; Mr Baas, Lord Brimelow, Lord Castle, Mr De Clercq, Mr Jensen and Mr Vandewiele.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a directive on the harmonization of provisions laid down by law, regulation or administrative action in respect of standard exchange of goods exported for repair

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
- having been consulted by the Council pursuant to Article 100 of the EEC Treaty (Doc. 233/77),
- having regard to the report of the Committee on External Economic Relations (Doc. 343/77),

Approves the Commission's proposal.

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<sup>1</sup> OJ No. C 182, 30.7.1977, p.4

EXPLANATORY STATEMENT

1. On 18 December 1975 the Council adopted Directive 76/119/EEC on the harmonization of provisions laid down by law, regulation or administrative action in respect of outward processing<sup>1</sup>.

Outward processing arrangements means the customs arrangements whereby goods of whatever kind or origin may be temporarily exported outside the customs territory of the Community with a view to their being re-imported in the form of compensating products, as defined in Article 3, wholly or partially free of import duties, after they have undergone one or more processing operations, as defined in Article 3, outside the customs territory of the Community (Directive Article 2).

Compensating products means products produced by one or more of the following processes:

- (a) working of goods, including fitting or assembling them or adjusting them to other goods;
- (b) processing of goods;
- (c) repair of goods, including restoring them to their original condition and putting them in order (Directive, Article 3).

2. At the time when the Council adopted the Directive, the German delegation had the following statement written into the Council's minutes:

'The German delegation starts from the principle that the Commission will, as soon as possible, submit to the Council a proposal aimed at harmonizing provisions laid down by law, regulation or administrative action for repair work carried out within the framework of outward processing arrangements insofar as these provisions concern simplifications with respect to both the granting and implementation of the system of equivalent compensation ('standard exchange').'

This statement was occasioned by the fact that the benefit of outward processing arrangements may only be granted when it is possible for the competent authorities to identify the exported goods as having been incorporated in the compensating products (Article 4(3)). The German authorities feel that, in the case of goods exported for repair, it is

<sup>1</sup> OJ No. L 24, 30.1.1976, p.58

economically justifiable to allow recourse to the principle known as 'equivalent compensation'. It may be necessary to replace the exported goods at once by other goods because it is neither possible nor economically justified to wait until the exported goods have been repaired.

3. That is why the present proposal for a directive on standard exchange arrangements was submitted by the Commission to the Council. Standard exchange means the custom arrangements whereby replacement products replacing goods of whatever kind and whatever origin exported outside the customs territory of the Community for repair, which include restoration and overhaul, may be imported wholly or partially free of import duties; such goods are hereinafter referred to as 'exported goods' (Article 2(1)).

4. The proposal contains, in particular, the following provisions:

- Standard exchange arrangements may not apply to goods which have entered the Community under inward processing arrangements, nor to goods falling under the Common Agricultural Policy or the specific arrangements applicable, pursuant to Article 235 of the Treaty, to certain goods resulting from the processing of agricultural products (Article 2(3)).
- Replacement products must fall within the same tariff subheading and must possess the same commercial quality and technical characteristics as the exported goods are to have following the repair in question (Article 4(1)).
- For control purposes, recourse to the triangular system is not permitted, i.e. replacement products must be imported into the Member State from which the exported goods have been or are to be exported (Article 7(2)).
- Where circumstances so warrant, replacement products may, under conditions laid down by the competent authorities, be imported before the exportation of the exported goods (Article 3(1)).
- Where the exported goods have been used before exportation, the replacement products must also have been used and may not be new products (Article 4(2)).
- Standard exchange arrangements shall be subject to general or special authorization by the competent authorities of the Member State of exportation (Article 5(1)); the competent authorities shall withhold the benefit of standard exchange where it would give rise to unjustified advantage as regards exemption from import duties (Article 5(3)).
- The period within which the importation of replacement products must take place shall not exceed six months. However, this period may be extended provided that the total period shall not exceed twelve months (Article 6(1)).
- The Committee for Customs Processing Arrangements, set up by Article 26 of Directive 69/73/EEC, may examine any matter relating to the application of this directive which is brought up by its chairman either on his own initiative or at the request of the representative of a Member State (Article 9).

- Standard exchange shall be subject to rules indentical to those provided for by Council Directive 76/119/EEC with the exception of such special provisions as are provided for in the present directive (Article 2(2)).

5. It follows from what has been set out above that this proposal for a directive satisfies an economic need. The Committee on External Economic Relations therefore fully approves the proposal, taking into consideration the fact that the European Parliament also approved<sup>1</sup> unreservedly the directive on outward processing which is closely linked with this proposal.

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<sup>1</sup> OJ No. C 19, 12.4.1973, p.51 - Baas Report (Doc. 336/72)