



OPINION

European Economic and Social Committee

Temporary suspension of autonomous duties/Canary Islands

Proposal for a Council Regulation temporarily suspending autonomous Common Customs Tariff
duties on imports of certain industrial products into the Canary Islands
[COM(2021) 392 final – 2021/0209 CNS]

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Referral	Council, 15/09/2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for Single Market, Production and Consumption
Adopted in section	21/09/2021
Date adopted in plenary	20/10/2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	101/0/2

1. **Conclusions and recommendations**

- 1.1 The EESC supports the European Commission's proposal, given its major socio-economic importance for the region and the Union's authority to adopt it, in light of its competence to regulate customs duties.
- 1.2 In addition to the product categories covered by Regulation (EU) No 1386/2011, the proposal was extended to seven new categories falling under CN codes 3903 19, 5603 94, 5604 10, 7326 90, 7607 20, 8441 40 and 8479 90 (machinery for industrial purposes and raw materials).
- 1.3 The maintaining of the suspension of customs duties on imports of industrial products, as well as the extension of the product categories it covers, is considered to be beneficial for the Canary Islands' economy, which has suffered particular economic damage in comparison with other EU regions due to the COVID-19 pandemic, especially in relation to domestic GDP volume.
- 1.4 The imposition of end-use controls in accordance with the rules of the Union Customs Code and its implementing provisions is an established procedure in this context and does not create significant, supplementary administrative burdens for regional and local authorities or economic operators.
- 1.5 The EESC stresses that both the introduction of new legal solutions and the continuation of existing ones to support the outermost regions are essential for their economic growth, for balancing the internal market and for creating jobs in the local sector.
- 1.6 In the EESC's view, in order to allow businesses to make long-term investment decisions, the proposed suspension should be established for a multi-annual period.

2. **Background**

- 2.1 The Canary Islands, an autonomous community of Spain with a total area of approximately 7 446.95 km², form an archipelago in the Atlantic Ocean consisting of thirteen islands around 1 000 km from the coast of the Iberian Peninsula. They are one of the peripheral regions of the European Union belonging to the group of outermost regions, and together with the archipelagos of the Selvagens Islands, Cape Verde, Madeira and the Azores, form a geographical area called Macaronesia.

2.2 The population is currently around 2 175 952 inhabitants. The two most populous islands are Tenerife (904 713) and Gran Canaria (846 717), which are home to more than 80% of the total population. Such a high population concentration on only two of the thirteen islands is partly responsible for the region's socio-economic problems, including its high rate of emigration.

3. **Aim of the Commission's proposal**

3.1 The EESC points out that, on the basis of Article 349 TFEU, Council Regulation (EU) No 1386/2011 provides for specific customs measures for the Canary Islands as one of the outermost regions of the European Union – the temporary suspension of autonomous Common Customs Tariff duties on imports of certain industrial products.

3.2 The measures provided for in Council Regulation (EU) No 1386/2011, which were aimed at strengthening the competitiveness of local economic operators and thus securing more stable employment on the islands, are due to expire on 31 December 2021. In April 2021, the Spanish government requested the prolongation of the suspension of the autonomous Common Customs Tariff duties for a number of products. According to the request, the constraints faced by the region, being structural and permanent, continue to be related to its isolation, the small size of the market and its fragmentation. The islands are also unable to benefit from European integration to the same extent as regions on the continent. The suspension scheme to which the proposal relates is intended to reduce these constraints on the Canary Islands' market. In addition, due to the economic crisis caused by the COVID-19 pandemic, the Spanish government has also requested the suspension of Common Customs Tariff duties for seven new product categories.

3.3 The aim of the Commission's proposal is to support Spain's outermost region in building on its assets in order to enable growth and job creation in the local sector. The proposal supplements the Programme of options specifically relating to remoteness and insularity (POSEI), which provides support for the primary sector and the production of raw materials, and also the European Maritime and Fisheries Fund (EMFF) and the European Regional Development Fund (ERDF) specific additional allocation.

3.4 The Commission's proposal is in line with Union policies, particularly as regards overall policy for the outermost regions and policies in the field of international trade, competition, environment, enterprise, development and external relations.

3.5 It will allow economic operators, from 1 January 2022 to 31 December 2031, to import certain raw materials, components, parts and capital goods free of duty by means of the temporary suspension of customs duties.

4. General remarks

- 4.1 The EESC welcomes the proposed amendment to the existing Council Regulation and notes that the specific measures it lays down can be adopted without jeopardising the integrity and coherence of the Union's legal order, including the internal market and common policies. In the EESC's view, this change will help to improve the balance in the internal market.
- 4.2 The EESC has repeatedly pointed out that the situation of island regions is much more difficult than in the rest of the Community, especially compared to the mainland. They suffer from severe and permanent geographical, demographic and environmental obstacles, such as separation from the continent; limited land area; dependence on maritime and air transport, with their higher costs; population decline and difficulties in the labour market; production concentrated in small and micro enterprises that are less resilient to the dynamics of economic change than larger businesses; and limited opportunities to reap the benefits of the European single market and competitive economic relations.
- 4.3 The limited means of transport and increased distribution costs lead to a higher cost to the business of manufacturing the product than would be incurred if it were established on the mainland, which directly results in a reduction in competitiveness. This leads to difficulties for local businesses in finding customers outside the national borders and forces the industrial sector to concentrate production in the local market. The EESC believes that the Union's customs policy should take account of this difficult economic situation experienced by island regions and take appropriate measures to improve their chances and competitiveness vis-à-vis the European mainland.
- 4.4 The EESC points out that tourism is a key factor for economic stability in many island areas, and this sector is also the main economic resource of the Canary Islands. The share of inbound tourism in the Canary Islands' GDP in 2018 was as high as 28%, representing an upward trend. In 2017, the number of tourists arriving in the Canary Islands archipelago was very close to exceeding the 16 million mark and was around one million more than in 2016, while 15.11 million people travelled to the Canary Islands in 2019.
- 4.5 While the emergence of tourism has led to economic growth, it is also important to bear in mind the downsides of tourism being such a cornerstone of the economy, which have become apparent with the outbreak of the COVID-19 pandemic. According to data published by the Spanish National Statistics Institute, the number of foreign tourists in the Canary Islands fell by more than 70% in 2020, when only 3.78 million people arrived in the archipelago. The region's tourism revenue fell by the same percentage, with around EUR 4 billion earned from tourism last year. The largest decrease was recorded for the island of Lanzarote (73.7%), while the smallest decrease was for Tenerife (66.4%). Limited tourism activity in the Canary Islands in 2020 led to an estimated drop of around 20% in GDP. There has also been a recession in terms of construction and industrial activities, with an estimated decrease of 13% compared to 2019.

It should be stressed that the effects of the global health crisis will have long-term consequences, and the European tourism industry is expected to remain below 2019 levels until 2023¹.

- 4.6 Unemployment has also increased significantly in the Canary Islands as a result of the COVID-19 crisis. In the first quarter of 2020 it stood at 18.89%, and during the year it increased to 25.42%, well above the national and Union averages of 15.5% and 7.1%, respectively (Eurostat, 2021).
- 4.7 The EESC notes that the proposal is in line with the policy pursued by the Union, one of the main objectives of which is territorial, economic and social cohesion, and which, through well-managed economic policies, seeks to strengthen the Community in such a way that the outermost regions have equal opportunities for development and access to better living conditions. In accordance with Article 174 TFEU, island territories have been recognised as disadvantaged regions requiring special attention.
- 4.8 The EESC also points out that the increase in energy prices over the last two years and its impact on global transport costs have undoubtedly contributed to a greater decline in the competitiveness of islands' industries. Moreover, the benefits of the autonomous tariff suspension introduced in 1991 have become less effective. As a consequence, local industry has become less competitive vis-à-vis its competitors in Spain and the rest of the Community on the mainland. Aware of the geographical and economic characteristics of the Canary Islands region, the EESC believes that support should be given to measures aimed at mitigating the negative effects of these conditions.
- 4.9 The EESC notes that the proposed solution could make a significant contribution to preserving the economic stability of this part of the European Union, and that the lifting of the suspension would have an inflationary effect on the market, which would in the long term jeopardise the already moderate industrial base on the islands and thus increase disparities with the rest of the EU.
- 4.10 In the EESC's view, backing should also be given to the solution – applied repeatedly – of making the use of tariff measures conditional on the end-use of the products, so that only economic operators located in the Canary Islands would benefit.
- 4.11 However, the EESC draws attention to the possible emergence of difficulties in trade in the Canary Islands region – or even more widely, across the EU – owing to the lack of a definition of the term "deflection of trade" used in Article 4(1) of the proposed act. The emergence of

¹ <https://www.europarl.europa.eu/factsheets/en/sheet/126/tourism>.

such "deflections of trade" empowers the Commission to temporarily withdraw the suspension of autonomous duties, which would have a number of economic consequences for the region and local businesses. The EESC would like to draw attention to the need for a precise definition of this term, in both a qualitative and quantitative sense.

Brussels, 20 October 2021

Christa SCHWENG

The president of the European Economic and Social Committee
