



COMMISSION OF THE EUROPEAN COMMUNITIES

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2000/0126 (ACC)

Proposal for a

COUNCIL DECISION

regarding a Community position on an amendment to Protocol 3 concerning the definition of the concept of “originating products” and methods of administrative cooperation attached to the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community and the PLO for the benefit of the Palestinian Authority of the West Bank and Gaza Strip

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Origin rules are essential to the proper operation of the free-trade agreements that the Community has concluded with its trading partners. These rules are not immutable; they have to adapt to the political and economic requirements of the free-trade area to which they apply.
2. The origin protocol attached to the Euro-Mediterranean Interim Association Agreement concluded with the PLO provides for the provisions prohibiting drawback to apply from 1 January 2000.
3. The Palestinian Authority has asked for the suspension of entry into force of the no-drawback provisions to be extended for 6 years.
4. In the light of Palestine's particular economic and political situations, putting the no-drawback provisions into force would have a negative effect on its exports. Account also needs to be taken of the fact that the neighbouring Arab countries do not yet have to apply these provisions ¹. The goal is therefore to accord Palestine similar treatment to that given the other Arab countries of the region.
5. It would seem appropriate to extend the suspension of implementation of the no-drawback rule with effect from 1.1.2000 until 1.1.2006, in line with the Palestinian Authority's request.

The Commission is accordingly requesting the Council to establish the common position for submission to the Joint Committee provided for in the Interim Association Agreement.

¹ Jordan signed an association agreement with the Community in November 1997, and the prohibition on drawback is to take effect four years after the agreement enters into force. Under the association agreement which the Community is due to sign with Egypt, drawback prohibition is to start being phased in after 6 years, taking full effect only after a further 6 years.

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Regarding a Community position on an amendment to Protocol 3 concerning the definition of the concept of “originating products” and methods of administrative cooperation attached to the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community and the PLO for the benefit of the Palestinian Authority of the West Bank and Gaza Strip

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission,

Having regard to the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part,²

Whereas Article 37 of Protocol 3 to the Agreement provides that the Joint Committee may decide to amend the provisions of the Protocol,

HAS DECIDED AS FOLLOWS:

The position to be adopted by the Community within the Joint Committee established under Article 63 of the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, in connection with an amendment to Protocol 3 to that Agreement, concerning the definition of the concept of “originating products” and methods of administrative cooperation, shall be based on the Joint Committee Decision attached to this Decision.

Done at Brussels, [...]

*For the Council
The President*

² OJ L 187, 16.7.1997, p. 3.

ANNEXE

EURO-MEDITERRANEAN INTERIM ASSOCIATION AGREEMENT

on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part

Draft

JOINT COMMITTEE DECISION No ... OF ...

amending Protocol 3 concerning the definition of the concept of “originating products” and methods of administrative cooperation

THE JOINT COMMITTEE,

Having regard to the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, signed in Brussels on 24 February 1997, and in particular Article 37 of Protocol 3 thereto,

Whereas:

- (1) Article 14 of Protocol 3 stipulates that from 1 January 2000 non-originating materials used in the manufacture of products originating in the Community or in the West Bank and Gaza Strip must not be subject to drawback of or exemption from customs duties of any kind.
- (2) The Palestinian Authority asked for the suspension of the entry into force of the provisions of Article 14 of Protocol 3 to be extended for six years.
- (3) This request is motivated by the economic development problems which the West Bank and Gaza Strip are facing and the need to step up existing efforts to promote industrial development in those territories.
- (4) The West Bank and Gaza Strip should not be treated less favourably than the neighbouring Arab countries,

HAS DECIDED AS FOLLOWS:

Article 1

Protocol 3 concerning the definition of the concept of “originating products” and methods of administrative cooperation is amended as follows:

replace Article 14(6) with the following:

“6. The provisions of this Article shall apply from 1 January 2006 and may be reviewed by common accord.”

Article 2

This Decision shall enter into force on 1 January 2000.

Done at Brussels, [...]

*For the Joint Committee
The Chairman*

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Proposal for an amendment of Protocol 3 concerning the definition of the concept of “originating products” and methods of administrative cooperation attached to the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the Community and the PLO for the benefit of the Palestinian Authority of the West Bank and Gaza Strip.

2. BUDGET HEADING(S) INVOLVED

[Chapter 12, article 120]

3. LEGAL BASIS

Article 133 of the Treaty.

4. DESCRIPTION OF OPERATION

4.1 General objective

To allow the West Bank and Gaza Strip to keep in force the suspension of the prohibition on customs duty drawback and exemption.

5. FINANCIAL IMPACT

Where the Community is concerned, maintaining the suspension of the non-drawback provisions means not collecting customs duty on third-country materials incorporated in the Community into finished products for export to the West Bank and Gaza Strip, where they are eligible for preferential treatment (the converse would also apply, but would have no own-resources implications).

Overall Community exports to the West Bank and Gaza Strip were worth ECU 67 421 050 in 1998 and EUR 61 515 750 in 1999.

The main exports were machinery of Chapter 84 (ECU 23 187 000 in 1998 and EUR 15 226 140 in 1999) and vehicles of Chapter 87 (ECU 19 804 000 in 1998 and EUR 25 211 470 in 1999).

The rules of origin which apply to these goods allow third-country components to be used up to a level of 40% of the value of the finished product.

The duty levied on the third-country components (40%) incorporated into the goods of the Chapters in question averaged 2% for Chapter 84 and 6% for Chapter 87.

The own-resources shortfall would be caused mostly by the goods of these Chapters, and is put at:

1998:

- ECU 185 496 [2% of (40% of 23 187 000)]
- ECU 475 296 [6% of (40% of 19 804 000)]

1999:

- EUR 121 809 [2% of (40% of 15 226 140)]
- EUR 605 075 [6% of (40% of 25 211 470)]

The conclusion is that the own-resources shortfall is likely to be around EUR 1 000 000 in each of the next six years.