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ARGUMENTATION ON FACILITATED IPR

"Facilitated" Inward Processing Relief – a medium-term solution (Council Regulation 1488/2001)

- CAOBISCO member companies need to be able to access ingredients at a reasonable price, so as to be competitive in global markets. As long as the market prices in the EU are higher than on the world market, CAOBISCO operators are put at a serious competitive disadvantage in global markets, unless there are policy measures in place to counter-balance those policy measures that cause the divergence of prices. (High external tariffs and quotas.)
- So far, export refunds have been the principal tool to re-balance the price differentials (although they entail high costs through administrative burdens for some) and Inward processing certificates, when obtained, allowed operators to access imported raw materials for processing and destined for re-exportation.
- At the beginning of each export refund budget year, the Commission usually analyses the forecast of a possible shortfall between the demand for Non-Annex I export refunds and the amount available for payment (WTO budget limit of €415 million). In that case, facilitated IPR, i.e. Inward processing arrangements without prior examination of the economic conditions would be opened to bridge the shortfall.
- CAOBISCO believes that the EC Regulation 1488/2001 could be seen as a bridging solution, so as to maintain the industry's competitiveness on global markets after the end of refunds on sugar (foreseen in October).
- Today of course, these circumstances have changed and therefore the criteria for application need to be revised. Instead of analysing the forecast of demand for refunds and the budget available, the conditionality to open up IPR should be predicated on the price gap remaining between the world market price and the EU market price.
- However its application would be needed well before the end of the export refund certificate validity of the first tranche (i.e. well before end of May 2009). As a point of principle operators must be given time to prepare logistically for policy evolutions impacting on their export business.
- The Regulation 1488/2001 would also need some other amendments:
 - Enough time and help should be given for **operators to localise the best possible supplier** for him, on the world market (contracts, quality guarantees etc play a role here);

Some operators face difficulties finding a supplier willing to deliver **small quantities under IPR conditions**;

- Inward processing certificates should be valid **1 year from the date of application** (and not only 3 months from the date of authorisation);
 - The quantities that are made available under this Regulation should be large enough to give an answer to the needs of the EU producers. In the Regulation there is a limitation of 5000 tonnes/tranche, this means in total 30 000 tonnes/year. **There should not be a limitation in case there are no more export refunds**;
 - A solution must be found for **small and medium-sized exporters**, who have no experience with IPR certificates (certificate system, guarantees, administrative procedures, etc.);
 - The issue of being able to **stock sugar in one and the same silo** (IPR- and refund sugar) must be resolved. Separate bookkeeping should be enough.
- The Commission with the objective to simplify them is currently reviewing the IPR rules in the Implementing provisions of the Modernised Customs Code. This should not be ignored and attention and focus should also be given to the parallel Commission work done here. National customs authorities should be informed on the technical comments by CAOBISCO as regards the latest working document on IPR rules. Please see Ref. 504-2008-565.