



Evaluation of the Scheme for the Suspensions of Autonomous CCT Duties

Annexes to the
Final report

5 December 2013

the evaluation partnership 


Europe Economics

Evaluation of the Scheme for the Suspensions of Autonomous CCT Duties

Annexes to the Final Report

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European Commission, Directorate General for Taxation and Customs Union

Submitted by

The Evaluation Partnership

Part of Coffey International Development
109 Baker Street, London, W1U 6RP, United Kingdom

and

Europe Economics

Chancery House, 53-64 Chancery Lane, London, WC2A 1QU, United Kingdom

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Introduction

This document contains the annexes to the final report submitted to the European Commission’s Directorate General for Taxations and Customs Union (DG TAXUD) by The Evaluation Partnership (TEP) and Europe Economics (EE) in the context of the *Evaluation of the Scheme for the Suspensions of Autonomous CCT Duties*.

The annexes contain the detailed summary results of all main participatory evaluation methods, including surveys, interviews and case studies.

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Annex 1: Results of the survey with economic operators (applicants for tariff suspensions)

During this project, we sent a questionnaire to all companies that successfully applied for a new suspension or a prolongation of an existing suspension between 2007 and 2011. This questionnaire served a dual purpose: economic operators were asked to provide information both on their experience of the application and decision making process, and on the impact the suspension has had on their business.

In order to achieve an acceptable response rate, the questionnaire was kept reasonably concise (i.e. it should not have taken respondents longer than approx. 15-20 minutes to complete). In order to enhance user-friendliness and facilitate the processing and analysis of responses, we delivered the survey electronically by sending potential respondents a link to an online questionnaire.

In order to contact applicants, we engaged national authorities. Some authorities chose to share applicants' contact details with the evaluation team (and so we sent the invitation to complete the questionnaire directly to them) while others chose to forward the invitation to all applicants from their respective countries.

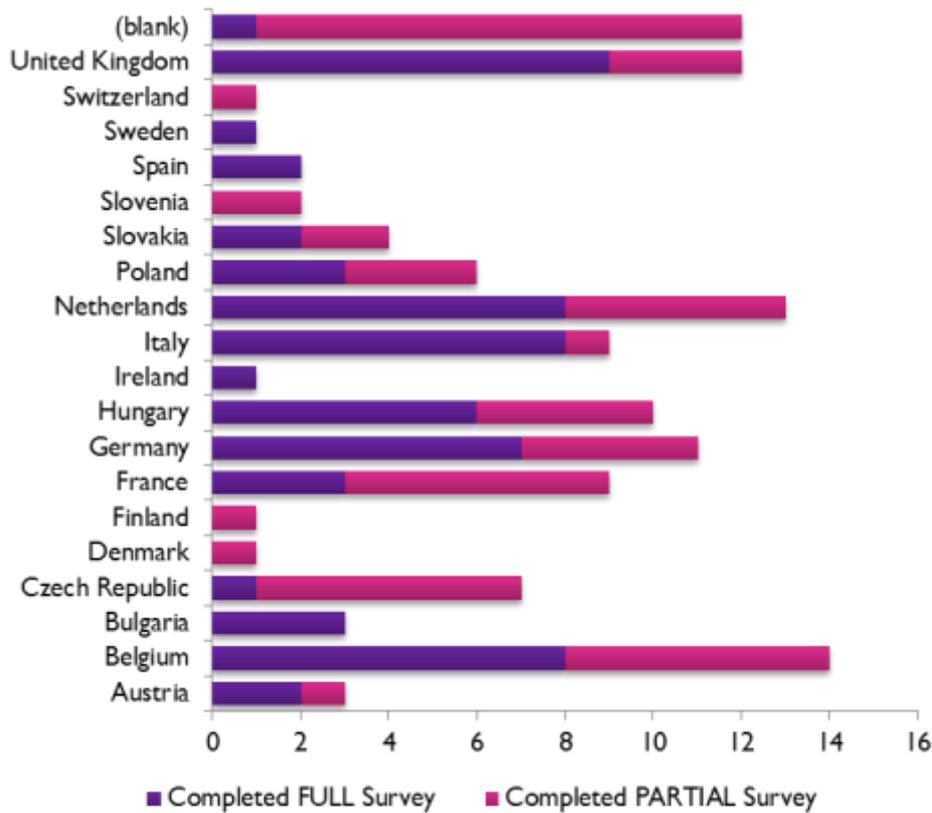
A total of 122 unique responses were received.

Q1: Country

Of the 122 responses received, 12 did not indicate their Member State of primary operation. Of the 110 remaining responses, there was a spread from across EU Member States. Belgium provided the highest number of responses at 14, though the UK provided more complete responses (nine out of 12). The Netherlands (13) and Belgium provided a disproportionately large number of responses taking into account their size and populations, while Spain (one) and Poland (six) provided a disproportionately small number of responses.

67 of the 122 responses were complete, with the rest being only partially complete. All but one of the responses who did not indicate country were incomplete. There were more complete than incomplete responses for most countries, with the exception of the Czech Republic (six out of seven), Denmark (only one), Finland (only one), France (six out of nine), Slovenia (two out of two) and Switzerland (only one).

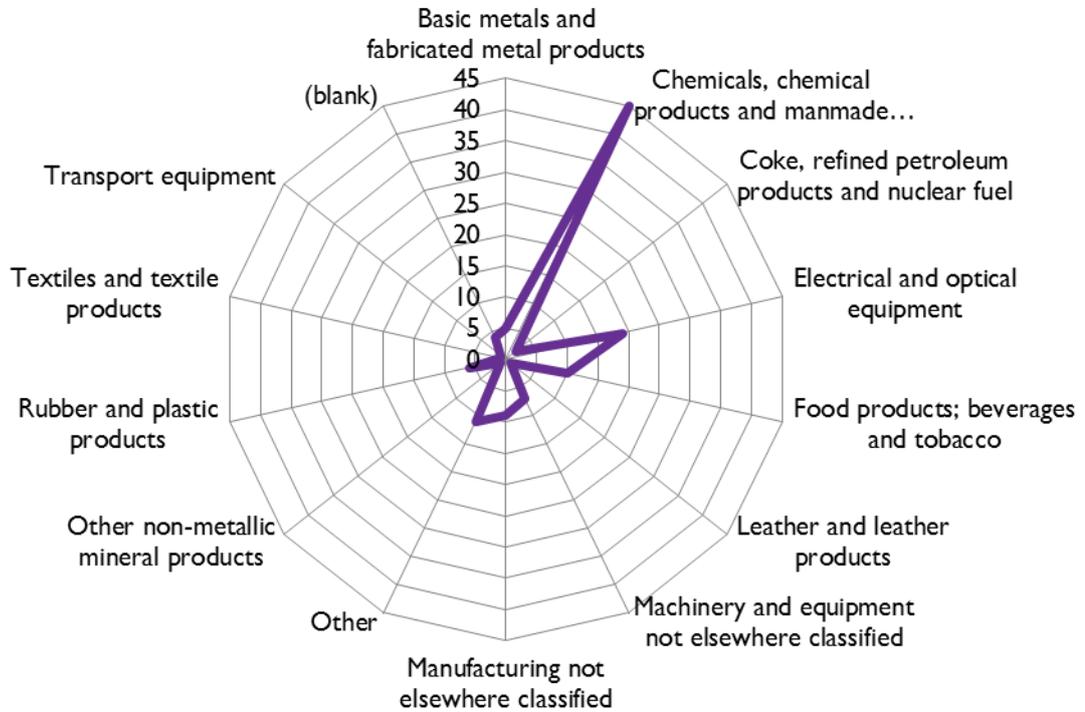
Number of responses by Member State



Q2: Sector of activity

Respondents were asked to pick their primary sector of economic activity. An large number (45) of respondents list 'chemical products and manmade fibres' as their primary sector of activity. This is more than twice as large as the next largest group – 'electrical and optical equipment' (19). The third largest group is 'other' (11), followed by 'food products, beverages and tobacco' (10) and 'manufacturing not elsewhere classified' (nine).

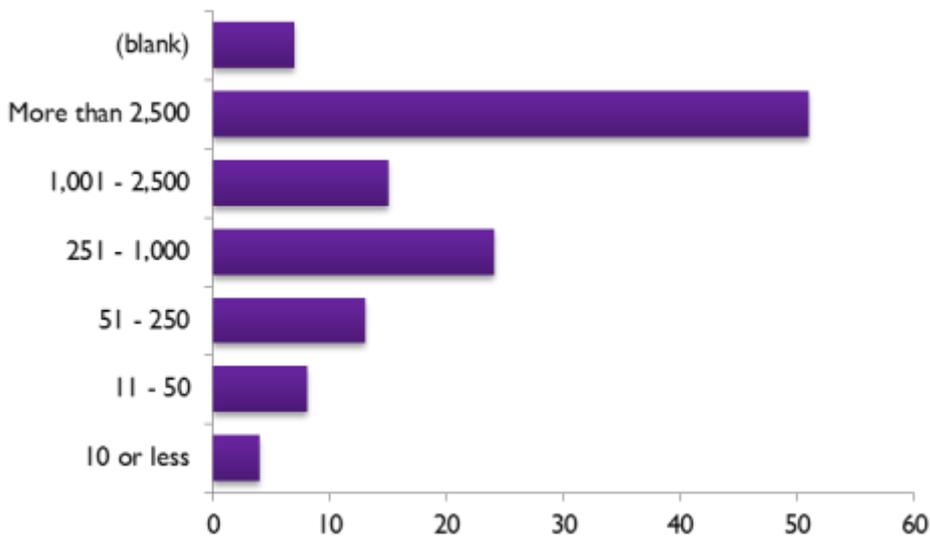
Number of responses by sector of economic activity



Q3: Number of full time equivalent employees

Respondents were asked for the number of full time equivalent employees they employ. 51 of the 115 respondents who answered this question are large employers, employing over 2,500 people. All in all, 90 of the 115 employed more than 250 people, which means our sample is biased somewhat towards large firms.

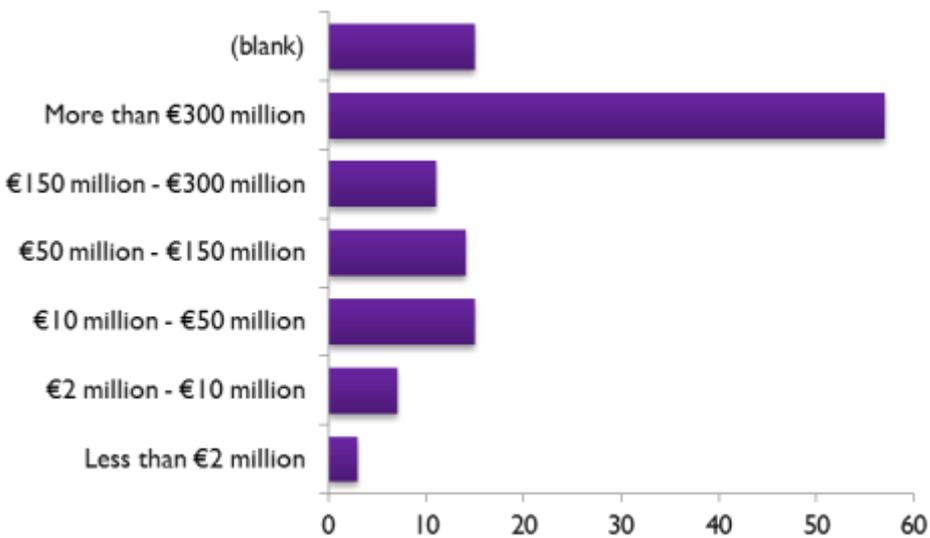
Distribution by number of full time equivalent employees



Q4: Average yearly turnover

Respondents were asked to indicate their average yearly turnover between 2007 and 2011. More than half the respondents who answered this question (57 out of 107) fell into the highest category of over €300m. Again, this is evidence of a sample biased towards large firms.

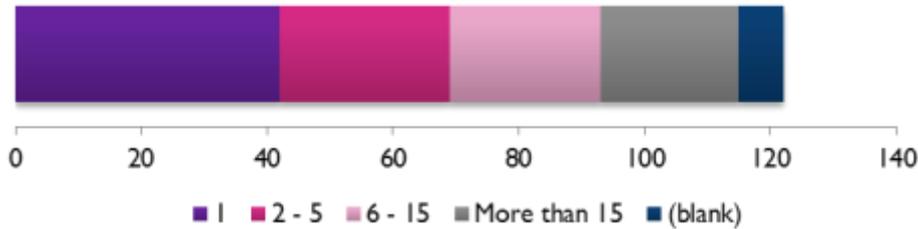
Distribution by number of full time equivalent employees



Q5: Operations in EU Member States

We asked respondents how many EU Member States their businesses had offices or premises in. Despite our sample being biased toward large companies, 42 of the 115 respondents who answered this question had operations in only one EU Member State. A further 27 had operations in between two and five Member States. However, there was adequate representation of companies with a very wide geographical coverage – 22 companies operated in more than 15 EU Member States.

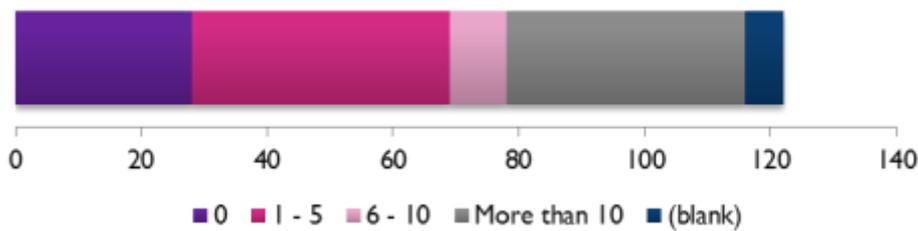
Distribution of respondents by number of EU Member States with offices / premises



Q6: Operations in non-EU countries

Respondents were also asked how many countries outside the EU they had offices or premises in. The responses to this question again confirm that our sample has a very wide geographical coverage. Only 28 of the 116 respondents who answered this question did not have operations outside the EU, while as many as 38 had operations in more than 10 non-EU countries.

Distribution of respondents by number of non-EU countries with offices / premises



Q7: Applications for and benefits from suspensions

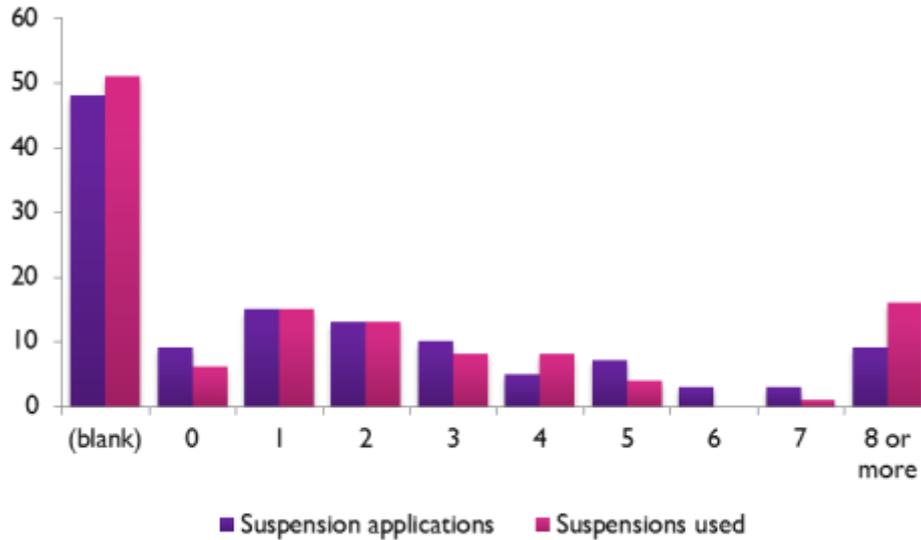
We asked respondents the number of suspensions they applied for and the number they benefitted from between 2007 and 2011.

48 respondents chose not to give information regarding the number of suspensions applied for. Of the remaining 74, only nine had not applied for a suspension. 38 had applied for three or fewer applications, and the frequency showed a downward trend as the number of applications increased. There were a few outliers grouped into '8 or more' – there were some responses in excess of 20 and one respondent said that their company had applied for 175 suspensions.

The distribution of the number of suspensions benefitted from is very similar to that of the number of suspensions applied for. 51 chose not to answer the question, and again 36 benefitted from between one and three suspensions. There were, again, fewer respondents who had benefitted from more suspensions and there were again some outliers who said they benefitted from a very high number of suspensions. This included four values of 40 or more with a highest value of 140.

Interestingly, the respondent who had applied for the maximum number of suspensions benefitted from none.

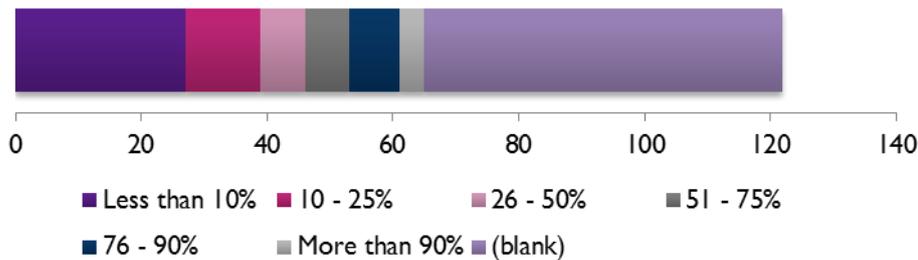
Responses by numbers of suspensions applied for and benefited from between 2007 and 2011



Q9: Final products that use duty-suspended inputs – percentage of turnover

We asked what percentage of the respondents’ turnover was generated from the sales of final products that use duty-suspended inputs. 57 chose not to answer this question. Of the 65 that provided some information, 39 gave percentages lower than a quarter. There were only four respondents for who over 90 per cent of turnover was related to duty-suspended inputs. We may conclude that the majority of our respondents are not overly dependent on the benefits of suspensions for generating sales.

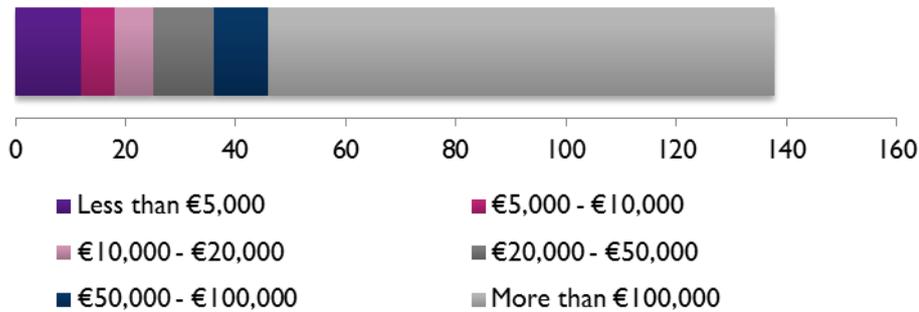
Responses by stated percentage of turnover generated from sales of products using duty-suspended inputs



Q10: Final products that use duty-suspended inputs – duty avoided

We asked respondents to estimate the duty avoided between 2007 and 2011 for each of the products they listed in Q8. Of the 138 products listed by respondents, an overwhelming majority (92) were associated with having avoided over €100,000 worth of duty. There was a roughly even spread for the other 46 over the rest of the categories. Thus, the respondents in the sample generally availed of sizeable savings due to the duty-suspension programme.

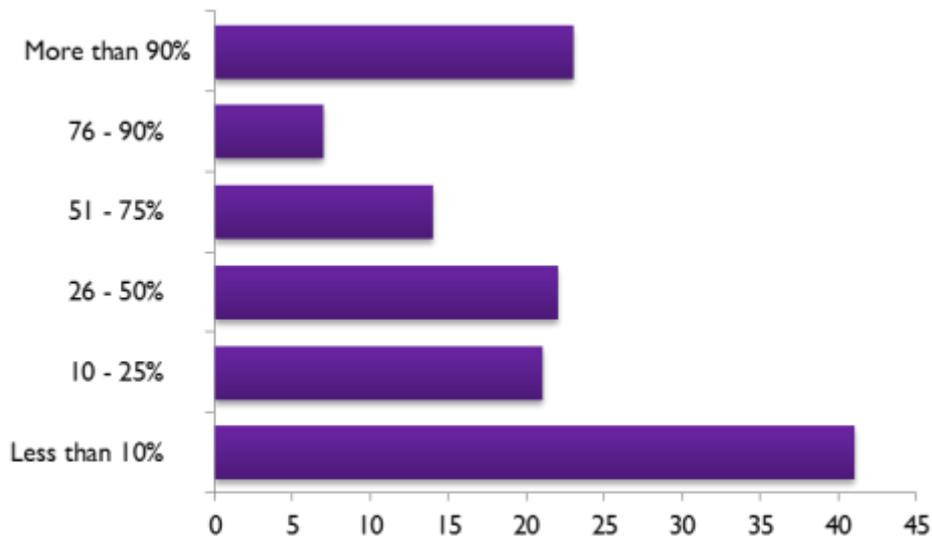
Distribution of duty avoided between 2007 and 2011 on each product



Q11: Final products that use duty-suspended inputs – percentage of intermediate cost attributable to suspended input

We asked respondents for the cost of each suspended product listed in Q8 as a percentage of total intermediate inputs to the final product. This information was provided for 128 products. In about a third of cases (41), the duty-suspended input accounted for less than 10 per cent of total intermediate cost. In general, fewer products accounted for higher percentages of intermediate cost. However, an exception to this trend was 23 products which accounted for more than 90 per cent of intermediate cost. Thus the distribution is bi-modal. The product sample contains several products that are an extremely small part of intermediate cost, and some which form almost all of it.

Distribution of percentage of intermediate cost accounted for by duty-suspended inputs

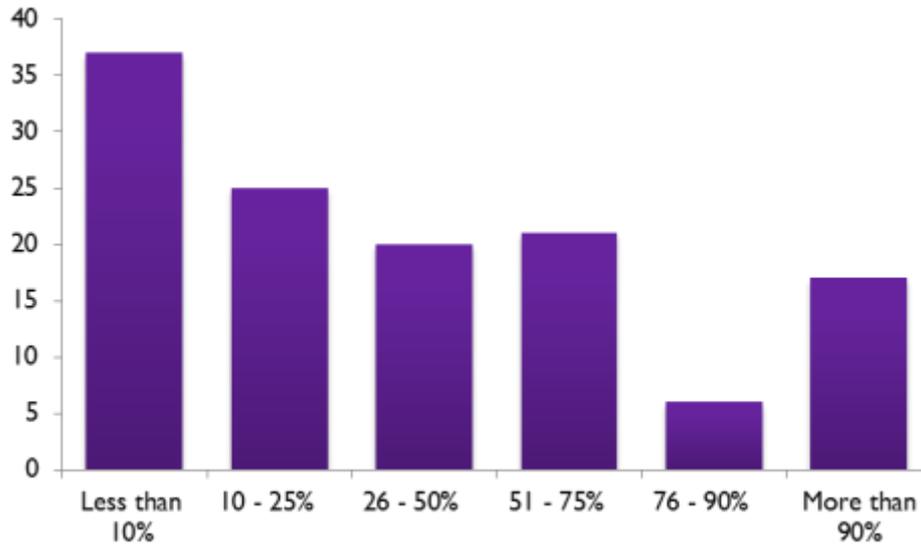


Q12: Final products that use duty-suspended inputs – percentage of total production cost attributable to suspended input

We asked respondents, along the lines of Q11, the percentage of total production costs of the final product that could be accounted for by the cost of the suspended product. Not surprisingly, the distribution is similar to the that of Q11, but the percentages are more likely to be lower as production costs are, by definition, higher than intermediate costs. Of 126 products for which information was provided, 37

accounted for less than 10 per cent of final production costs on one end, and 17 for more than 90 per cent.

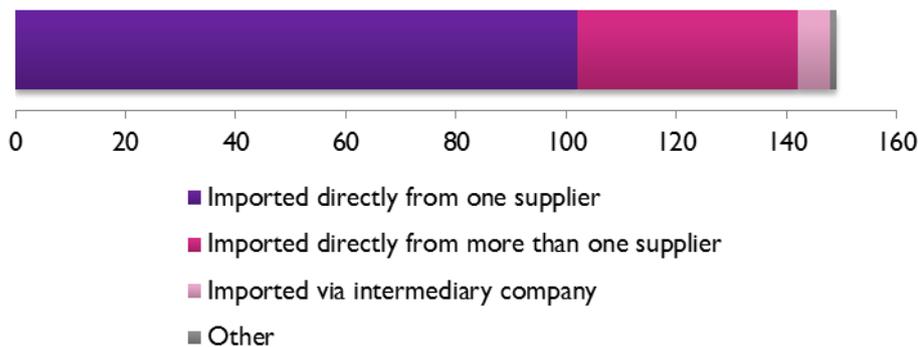
Distribution of percentage of total production cost accounted for by duty-suspended inputs



Q13: Final products that use duty-suspended inputs – access

We asked respondents how they imported suspended products imported from non-EU countries. This information was provided for 149 products. An overwhelming majority (102) were imported directly from one supplier, while a significant number (40) were imported directly from more than one supplier. Thus, almost all the products were imported directly.

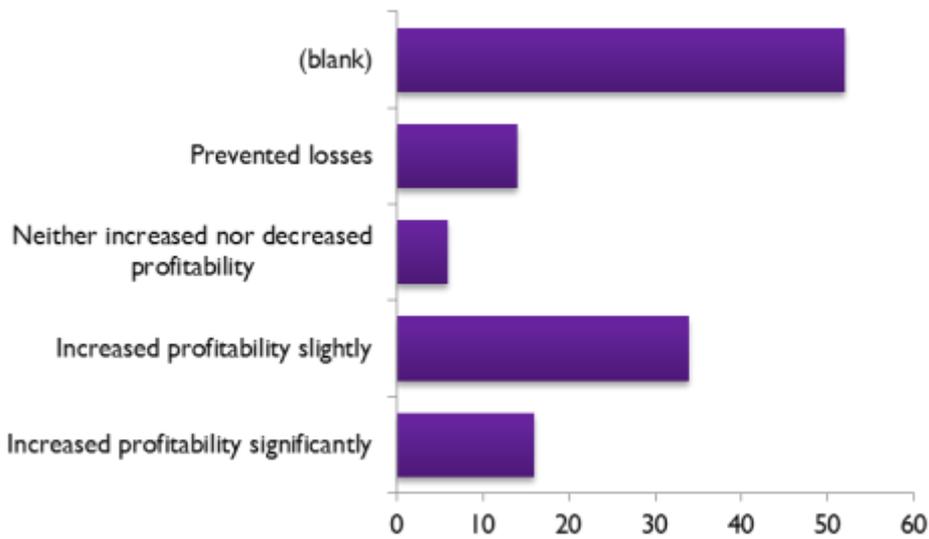
Mode of access to suspended items imported from outside the EU



Q14: Effect on profitability

We asked respondents what effect import duty savings from the tariff suspension scheme had had on the company’s profitability. 52 out of the 122 respondents chose not to answer this question. Of those that answered, 50 felt that profits had increased either slightly or significantly due to the scheme. 14 felt that the scheme had prevented losses.

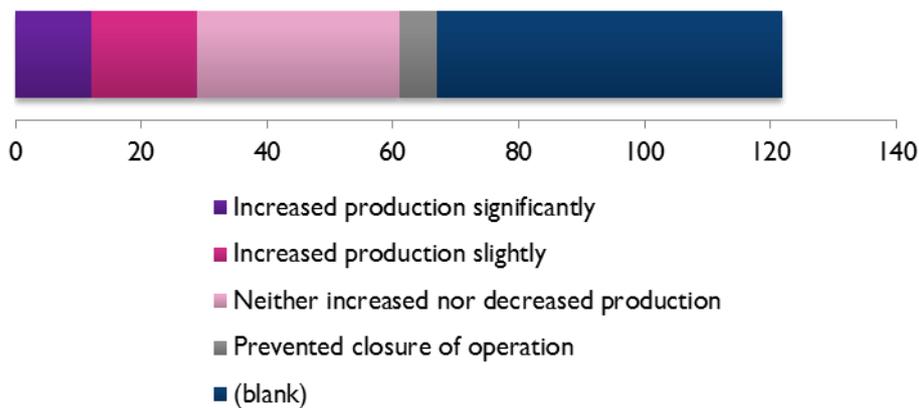
Effect of import duty savings on profitability of companies



Q15: Effect on production of final products

We asked respondents what effect the scheme had had on the production of final products that use the suspended products as inputs. 55 chose not to answer this question. Of the remaining 67, 29 felt that production had increased either significantly or slightly due to the scheme, whereas 32 felt the scheme did not impact the level of production.

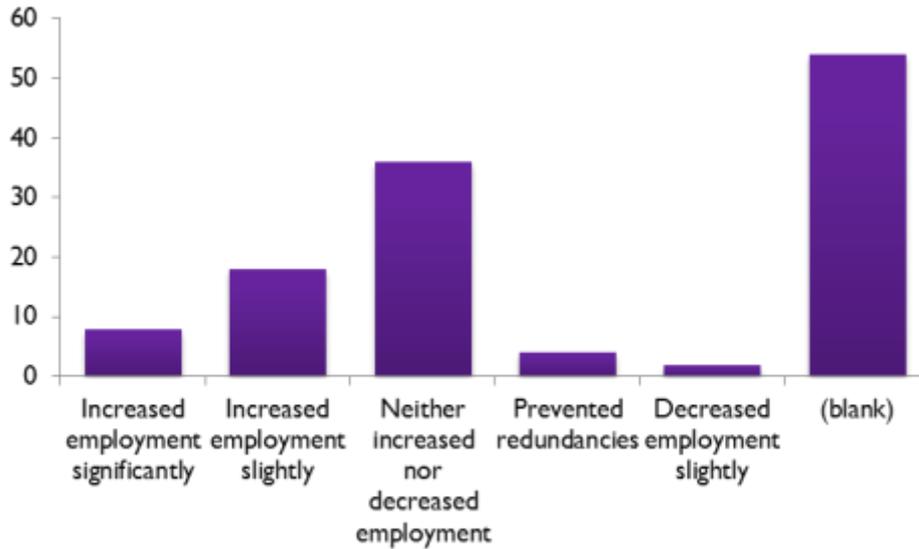
Effect of tariff-suspension scheme on final production of products that use suspended products as inputs



Q16: Effect on employment

We asked respondents what effect the tariff-suspension scheme had had on employment of full time staff in the company. Of the 68 respondents who answered this question, 36 felt that there had been no effect on employment, while 26 felt that employment had increased either slightly or significantly. Two respondents felt that employment had decreased slightly.

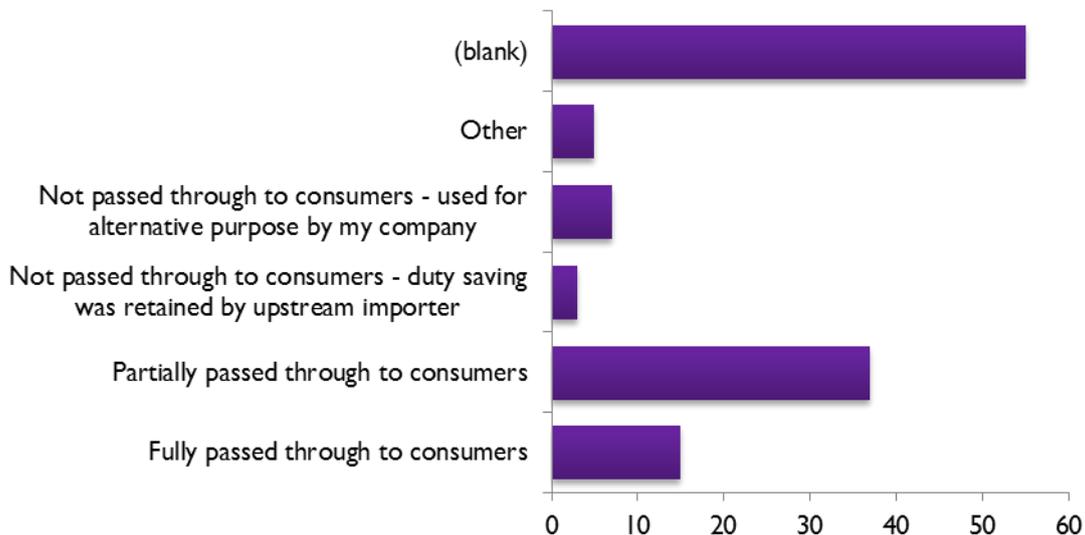
Effect of tariff-suspension scheme on employment of full time staff



Q17: Pass through of import duty saving to price

We asked respondents the extent to which import duty saving was passed on to customers through a lower price for the final product. 55 respondents did not answer this question. Of the 67 that did, most (52) said that the savings were either completely or partially passed through to consumers.

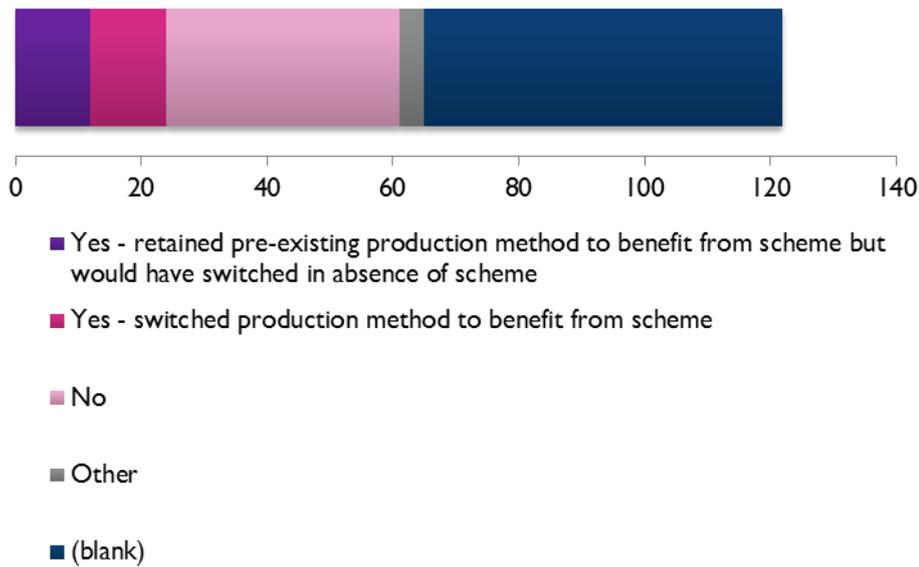
The extent to which import duty price savings were passed on to consumers through a lower final price



Q18: Effect on choice of production method

We asked respondents whether the existence of a tariff suspension affected their choice of production method for one or more products. 57 respondents provided no answer to this question. Of the 65 that answered, 24 changed production methods as a result of the scheme, but 37 did not.

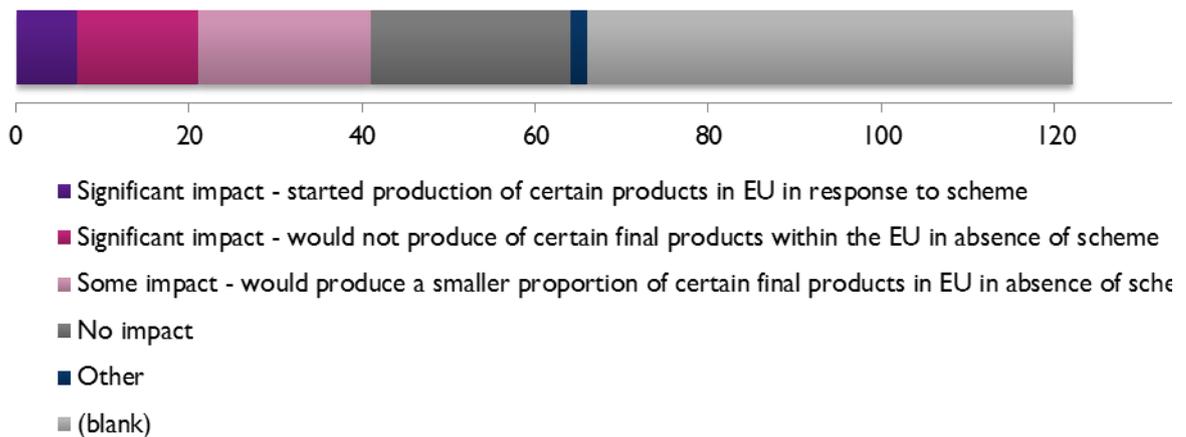
The effect of tariff suspension on choice of production method for final product



Q19: Effect on decision to produce within the EU

We asked respondents whether the tariff suspension scheme affected their decision to produce final goods within the EU. No answer was given by 56 respondents. Of the remaining 66, 21 attributed their entire production of certain products within the EU to the scheme, while 20 attributed some production of certain products within the EU to the scheme. 23, however, said that there had been no impact.

The effect of tariff suspension on decision of whether to produce final goods within the EU



Q20: Further comments

This question allowed respondents to make further comments. Only nine comments were received. Five of these were explanatory in nature, elaborating on some of the earlier answers given. Two comments were from users of dried cranberries who praised the tariff suspension system and elaborated upon how the scheme had

benefitted consumers and their companies. One comment criticised the survey questions for being 'black and white', but at the same time admitted that the scheme had benefitted the company concerned. Another comment bemoaned what it perceived as barriers by UK administrators to suspension applications.

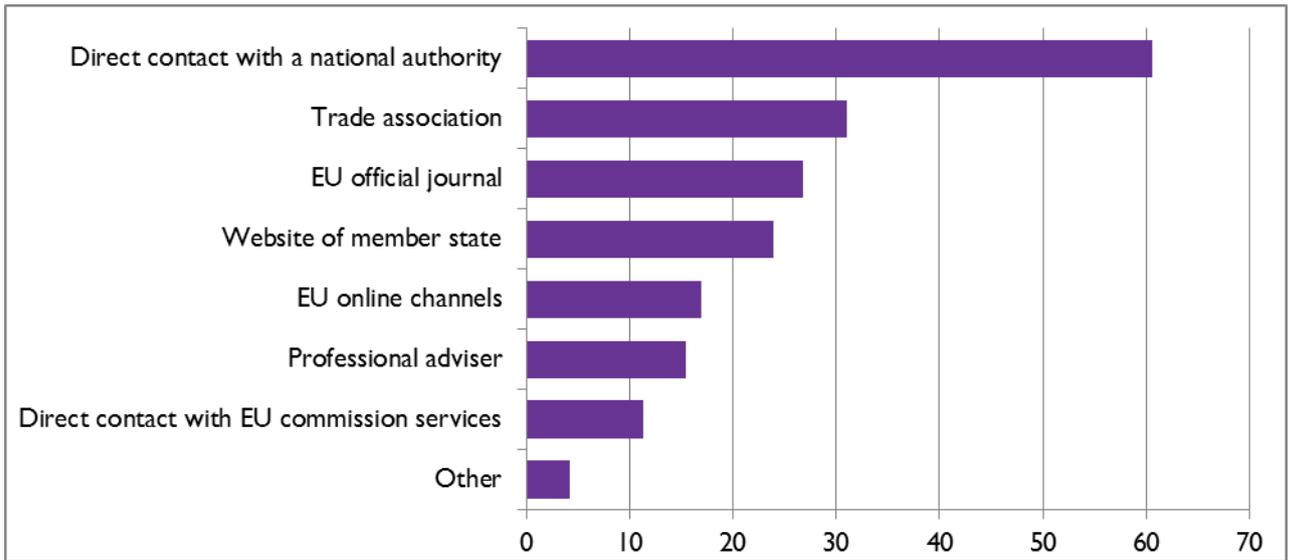
21. How did you first find out about the scheme? Please choose one option only.

The largest fraction of companies (a third) found out about the scheme through direct contact with national authorities. Both professional advisers and the set of non-listed sources informed about a company in five. The website of member states and the three EU channels play minor roles (they informed less than a company in 5 in total).



22. How do you keep abreast of scheme developments (changes to suspensions, closures of suspensions and objections to suspensions)? Choose all that apply.

Direct contact with national authorities is by far the most widespread way of keeping abreast of scheme developments (done by 60% of the companies). The second most relied upon medium are trade associations (30%), followed by the EU official journal and the websites of member states (read by just over and under a quarter of the companies, respectively). Professional advisers and the EU online channels have minor roles (around 15%), followed by the direct contact with EU commission services (just over 10%). Other non-listed sources of information have a negligible role (less than 5%).



23. On a scale of 1 to 5, how would you rate the following in terms of how useful they are in providing information about the scheme?

Direct contact with national authorities is by far considered the most useful manner to gather information about the scheme. Communication with trade associations is also, on average, very useful, although there is considerable disagreement among companies. Visiting the website of member states is effective. The EU official journal and DG TAXUD websites score positively, although whether a direct contact by DG TAXUD is at all useful remains unclear. It is also unclear whether professional advisers or other non-listed sources may be at all useful.

	%					Don't know	Answers
	1	2	3	4	5		
Member State (direct contact with a national authority)	5	2	8	12	68	6	61
Trade association	5	5	14	14	29	34	59
Member State (website)	3	12	17	22	22	24	57
EU (Official Journal)	3	5	25	17	20	29	59
EU (DG TAXUD website)	3	12	20	25	10	31	65
EU (direct contact with DG TAXUD)	7	11	11	11	11	51	59
Other	7	0	10	2	10	71	42
Professional adviser (lawyer, accountant etc.)	14	4	14	13	11	45	56

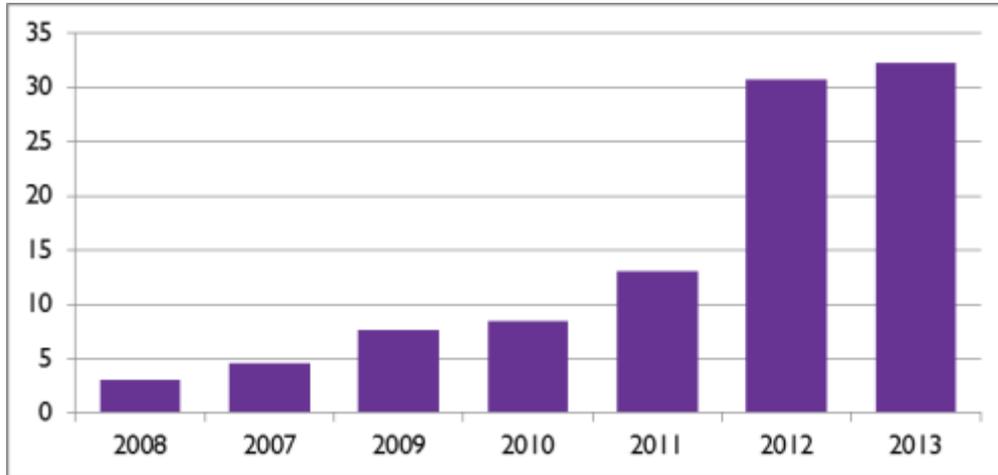
24. If you answered "Other" to any of the three previous questions then please specify further here.

[8 comments]

Two employees learned about the scheme from previous employers, while one company was informed of the possibility of a duty suspension by its supplier. Another employee explains that her company has a dedicated customs department, and another one comments that the tariffs affect her company since its foundation. An industrial confederation (Federchimica) and custom journals (AW-Prax, Zoll- & Steuernachrichten) are listed as very useful sources of information.

25. In which year did you submit your last application for a tariff suspension?

The relative majority of applications (a third) were submitted in 2013, and slightly less the year before. Subsequently, the amount of submissions decreases rapidly as we go back in time, with 3% of companies who submitted their last application in 2008.



26. Have you ever received assistance with an application submitted between 2007 and 2011 (e.g. preparation of the application form) from any of the following?

Most companies were assisted by member states (4 in 5), and almost as many were not assisted by trade associations nor by professional advisers (about 3 in 4). A large majority of them were not assisted by other sources (over 9 in 10).

	%	Yes	No	Answers
Member State (e.g. Ministry officials, customs)		79	21	67
Trade association		27	74	52
Professional adviser (lawyer, accountant etc.)		23	78	53
Other		8	93	40

27. How would you rate the following in terms of the help they provided with the submission of your application(s)?

The help provided by member states with the submission of the application is by far the most useful (they are given the highest score by 4 in 5 companies) and reaches the large majority of companies (10 in 11, c.f. Q26). Trade associations are also considerably useful (earning the highest score from half of the companies). Professional advisers are also effective, although results are not as striking. The data for other sources is limited and uninformative.

	%					Answers	N.A.
	1	2	3	4	5		
Member State (e.g. Ministry officials, Customs)	3	3	7	7	80	60	6
Trade association	11	0	6	34	50	18	35
Professional adviser (lawyer, accountant etc.)	11	5	16	27	42	19	31
Other	40	0	20	20	20	5	34

28. If you answered "Other" to either of the previous two questions then please specify further here.

[5 comments]

One company specifies that it received assistance from customs. ADEPALE IN FRANCE is listed as a trade association, along with Federchimica and KIGEiT.

29. How difficult do you find it to complete the application form? Please rate the following aspects:

The application form as a whole is considered not difficult on average and with considerable consistency (only 6% of scores below 3). None of the specified sections are considered difficult to complete on average (all average scores are beyond 3). In relative terms, the sections concerning data on anticipated imports and customs duty savings are considered less difficult than the rest, while the sections concerning data on producers seem more challenging (although the scores are more dispersed in the latter case).

	%	1	2	3	4	5	Don't know
The application form as a whole		2	5	2	7	1	3
Data on anticipated imports and customs duty savings				2	3	2	
Data on the product characteristics and intended use			1	2	3	2	
Technical information to be annexed to the application		2	2	5	1	7	3
Data on producers of the product in question (EU and third countries)			1	2	2	2	
		3	2	6	6	7	6
			1	2	2	1	
		8	8	7	2	8	8

66 answers for "Technical information..."; 67 answers for each of the other four options

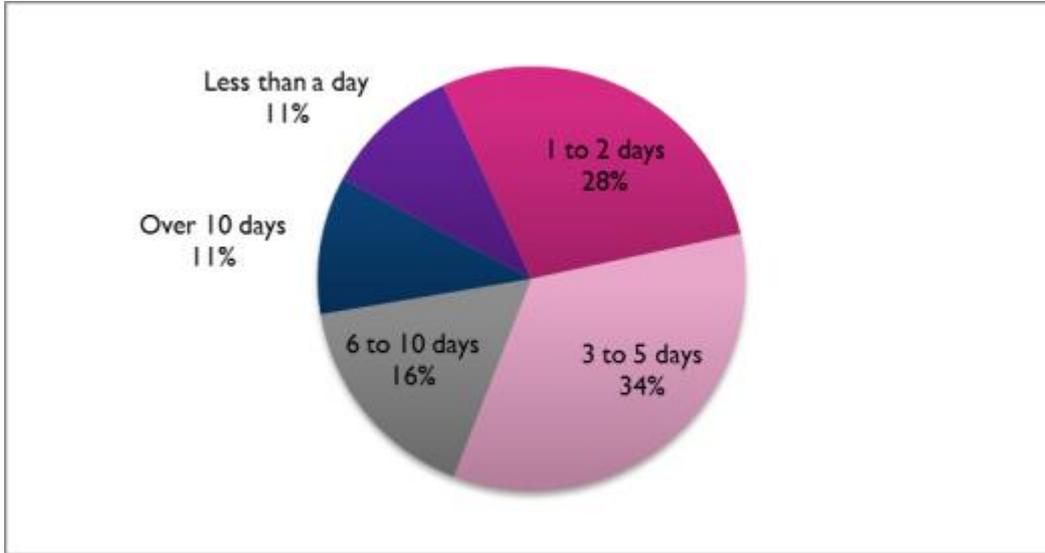
30. Please provide any comments you may have on the application form and/or the process of completing it.

7 comments covering a range of issues and may be summarised as follows:

- Product description and information about competitors are specifically difficult to provide.
- Collaboration with MS experts and the specialization of the company in products with limited users and producers are listed as factors facilitating the process. The 'low technical understanding' of the administration staff in the UK makes the process more difficult.
- The lack of obvious choice of CN code for one's product makes one's raw material hard to define.
- The question: "Products are subject to a patent: Yes/No " might be penalizing since a product may be freely available to EU importers whilst being protected by a patent.

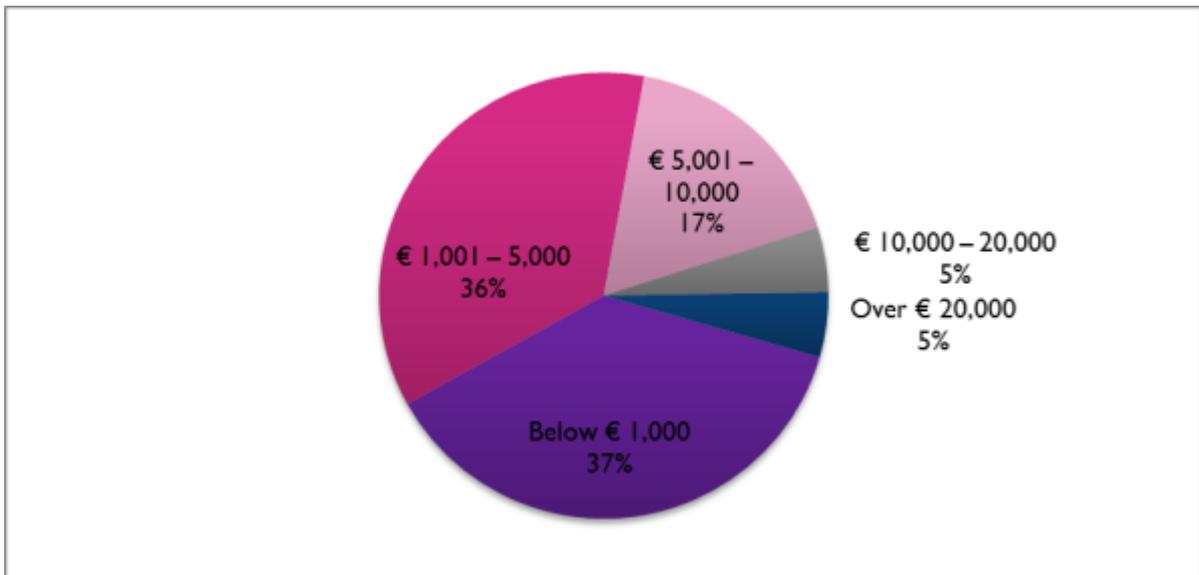
31. How much time would you estimate your employees spent (cumulatively) preparing your most recent application form for submission to your national authority?

Most applications took between 1 and 5 days to complete (over 60%). Among these, over a half took more than 2 days (55%). One company in ten falls at each of the extremes of the measurement.



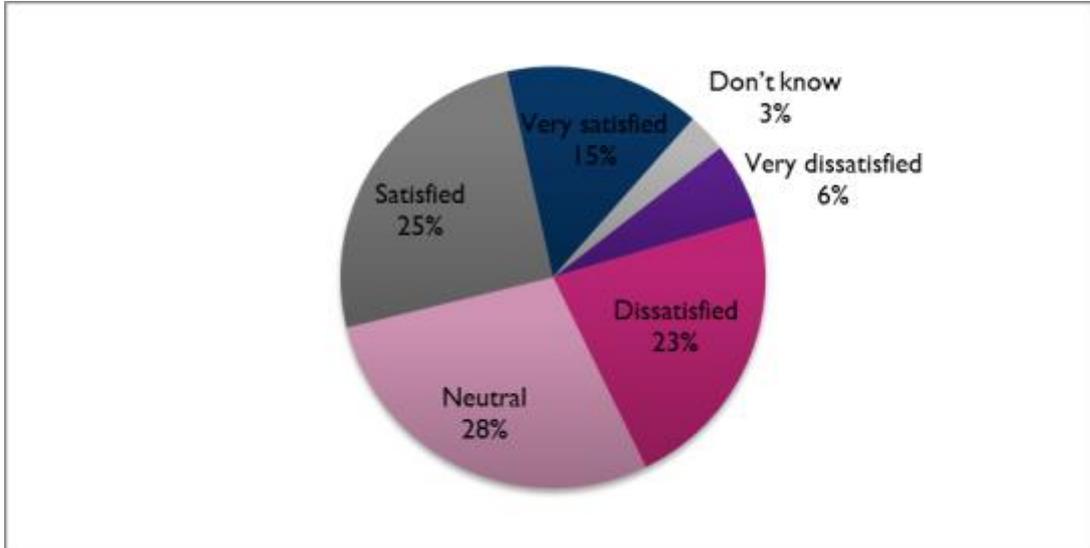
32. What would you estimate to be the total cost of submitting your most recent application to your national authority? (including the cost of the human resources and any professional support you may have obtained)

The large majority of applications are estimated to cost no more than €5000 (over 70%), with over a half among these below €1000. Less than one in ten applications are estimated to cost over €10,000 and less than one in 20 cost over €20,000.



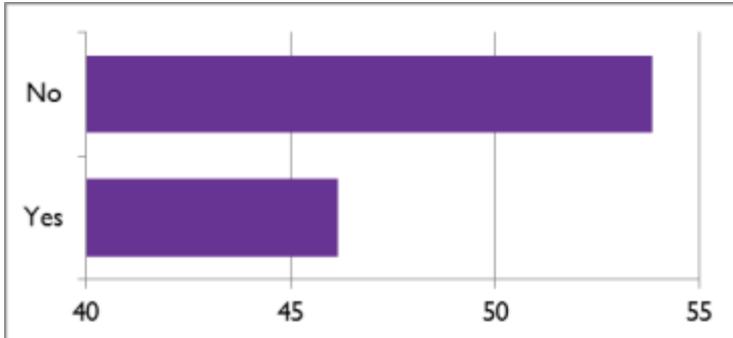
33. How satisfied are you with the intervals at which applications can be submitted for consideration (i.e. every six months)?

Satisfaction with the intervals at which applications can be submitted for consideration is uneven. Companies show on average some extent of satisfaction, with a very small fraction (6%) being very dissatisfied.



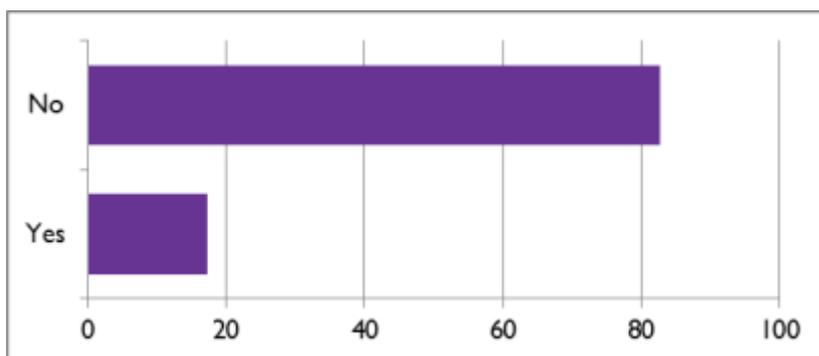
34. Has another company/ a Member State/ the European Commission ever raised an objection against an application made by your company?

Objections were raised against slightly less than half (46%) of the companies.



35. Have you ever submitted an objection form against another company's application for a suspension?

Most companies (over 4 in 5) did not submit an objection against another company's application.



36. Please provide your views on the process of raising an objection, negotiating a solution, and the results

The results lack strong significance in general. On average, companies agree that the objections process imposes significant financial and time burdens and, although uncertainty is high (one in four companies doesn't know), no company strongly disagrees. On average, the objection process(es) companies have been part of or led to a satisfactory outcome, although data is dispersed. Results do not allow to assert whether the process for facilitating a compromise solution between the applicant and the objector is satisfactory, or whether the process for raising an objection is appropriate (although no company strongly agrees with the former statement).

	D	d	n	a	A	Don't know
The objections process imposes significant financial and time burdens on companies	0	5	32	34	5	24
The objection process(es) I have been part of or led to a satisfactory outcome.	5	20	17	32	5	22
The process for facilitating a compromise solution between the applicant and the objector is satisfactory	17	17	17	22	0	27
The process for raising an objection is appropriate	2	22	29	22	7	17

D: strongly disagree, d: disagree, n: neutral, a: agree, A: strongly agree. 41 answers each

37. Please provide any comments you may have on the objections process

[6 comments]

One company claims that the procedure is not clearly defined and that, as a result, their objector has never submitted (up to the present date) any sample material for analysis. Another company complains that the process takes too long, and a third one suggests a higher participation of the DG TAXUD.

One company points out that since it is the only EU producer of its product, the objectors simply maintain previous status quo and stand against increased quantities. Finally, a company complimented French and Belgian delegates on their professionalism.

38. Once your application had been passed by your national authority to the European Commission, how confident are you:

Companies are clearly confident that they can follow the process, that they can know at which stage of the procedure their application is, and that the decision whether to grant or reject their application will be made on clear and objective criteria. Although

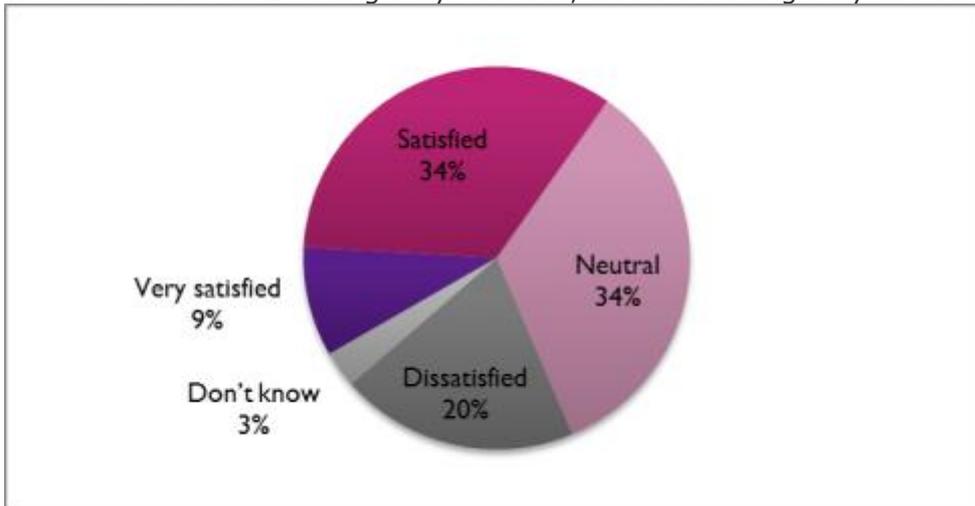
the results for the second question are somewhat dispersed, a large amount of companies (a third) in very confident in both cases.

%	That you can follow the process and know at which stage of the procedure your application is while it is being processed by the European Commission?	That the decision whether to grant or reject your application will be made on clear and objective criteria?
1	9	3
2	6	15
3	25	15
4	22	28
5	31	32
Don't know	8	6

64 and 65 answers respectively

39. How satisfied are you with the length of time it takes to reach a decision on your application?

Although results are somewhat dispersed, companies have a tendency to be satisfied, with almost one in 10 being very satisfied, and none being very dissatisfied.



40. Do you have any comments on the decision making procedure?

[9 comments]

5 companies ask for a faster procedure, among which one proposes that it should be done in only one round, and one explains that it should adapt to the short lifetime cycles of consumer products. A company explains that it may only follow the progress through the member state, and another suggests that the minutes from the ETQG meetings should published on the DG TAXUD website. A company feels that the process is more efficient than in the USA.

41. Are any of the suspensions you benefit from subject to end-use controls?

The majority of suspensions companies benefit from are not subject to end-use controls (almost two thirds).

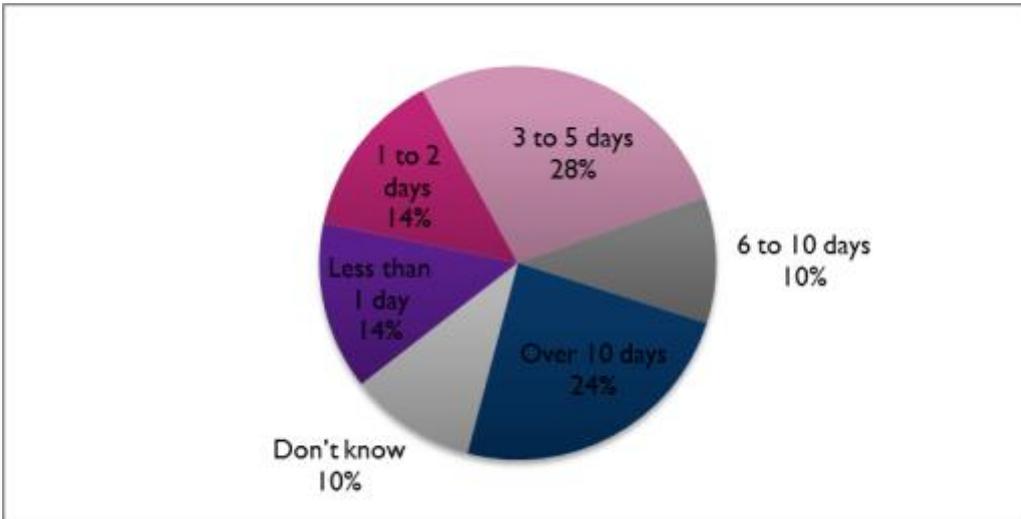
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Yes	36
No	64

66 answers

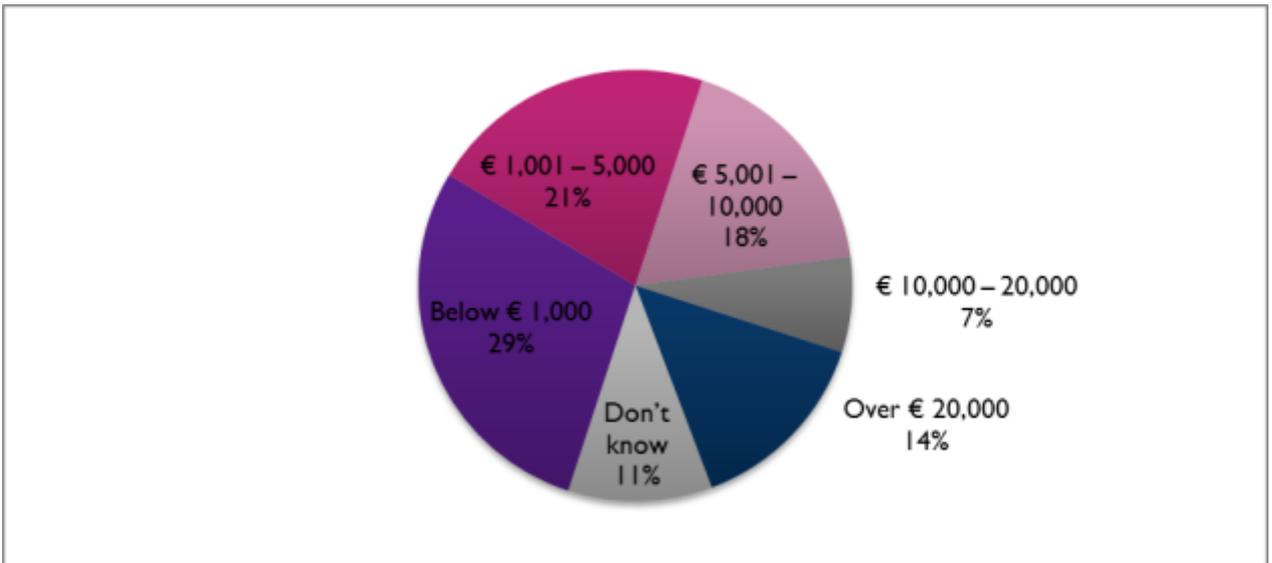
42. How much time would you estimate your employees spend (cumulatively) on a yearly basis complying with the end-use controls for each suspension from which you benefit?

Results are uneven, and over one company in ten declares to be uncertain. (From this question onwards, the amount of companies answering is much lower). Almost a quarter of the companies estimate the period to be over 10 days, whilst over a quarter estimate it between 3 and 5 days.



43. What would you estimate to be the total cost on a yearly basis of complying with the end-use controls for each suspension from which you benefit? (including the cost of the human resources and any professional support you may have obtained)

Estimates tend to be low compared to the scale: half of the companies estimate the cost below €5,000, and well over a quarter below €1,000. Again, results are scattered and the uncertainty (10%) is not negligible.



44. Approximately what proportion of the cost savings to your company from the suspension is spent on the cost of complying with end use controls?

The majority of companies (60% against 25%) estimate the proportion to be less than 5%, even though with some uncertainty (14%).

	%
Less than 5%	61
Less than 20%	25
Don't know	14

28 answers

45. Do you have any comments on the scheme's end-use controls, and how burdensome they are to comply with?

[4 comments]

Two companies complain that the end-use controls (to 2008939120 and sweeten dried cranberries) introduced in 2012 burden the affected industries by administration work and landed costs. They suggest that a permanent duty reduction be established to improve stability, help investment decisions and enable growth. A third company suggest that the excessive amount of detail and the technical calculations of the end-use controls be avoided by relying uniquely on a producer statement.

The last comment is: "The requirements on the proof of end-use relief license are very different in EU member states. It is very complex when the importing company is selling to a trading partner in between, before end-use. It is impossible to have "licenses" for everybody in the supply chain! Often could not use the suspension. Member states should look more from a technical perspective of the products. For many products under suspension with end-use-relief it makes not so much sense to use it for other purposes."

Annex 2: Results of the interviews with economic operators (successful and unsuccessful applicants, objectors, and trade associations)

The evaluation team carried out 14 interviews with companies that applied for a tariff suspension within the last 5 years. Interviewees were selected from among respondents to the applicants' survey (see Annex 1) who had indicated their willingness to be interviewed. The interviewed companies were based in a number of EU Member States (Austria, Denmark, France, Germany, Hungary, Italy, Ireland, the Netherlands, Poland, Sweden and the UK), and represented the chemicals, rubber, electronics, and food industries. Several of the EOs, apart from having a history of successful applications, also had experience of being an objector to another company's application or having an objection filed against their application. Unfortunately, despite contacting a large number of additional companies identified by DG TAXUD as having unsuccessfully applied for a suspension (i.e. had their request rejected or withdrawn following an objection), none of these companies were available for interviews.

The interviews with companies were supplemented with interviews with 5 Trade Associations¹ identified by the Evaluation Team to represent various sectors whose interests are affected by the suspension scheme:

- Committee of Professional Agricultural Organisations - General Confederation of Agricultural Cooperatives (Copa-Cogeca)
- European Apparel and Textile Organisation (EURATEX)
- European Automobile Manufacturers' Association (ACEA)
- European Leather Association (COTANCE)
- European Tyre and Rubber Manufacturers' Association (ETRMA)

All of the interviews were conducted in June and July 2013 over the telephone and lasted on average between 30 and 60 minutes.

2.1. Interviews with economic operators: successful and unsuccessful applicants and objectors

2.1.A. Awareness and communication

Initial sources of knowledge about the scheme

The majority of the interviewed economic operators admitted that they have known about the suspension scheme for a long time, due to their long-standing involvement in the industry. On a number of occasions the interviewees admitted their experience of the scheme exceeded 20 years.

A small number of the interviewees were informed about the existence of the scheme by their suppliers; there were also a few respondents whose sources of knowledge about the scheme were the ministries of economics in their respective countries.

Two of the interviewees were contacted by private consultancies proposing them advice on obtaining tariff suspensions, but the interviewed representatives of economic operators realised their companies have the resources to pursue the tariff suspension without external consultancies' help.

It was also emphasised that to the interviewees' best knowledge the awareness of the

¹ NB: Another three Trade Associations were interviewed during the inception phase of the evaluation (CEFIC – European Chemical Industry Council; AIJN – European Fruit Juice Association; and Digital Europe).

scheme among small enterprises is very limited.

Sources of information and support in relation to the tariff suspension scheme

A significant majority of the interviewees obtained information and support in the process of applying for tax suspensions from their National Authorities and Delegates to the ETQG. The interviewees emphasised the value of personal contact with particular persons in the National Authorities and the fact that the representatives of the NAs provided a very thorough and detailed advice on the particularities of the tariff suspension scheme.

A large proportion of the interviewees turned for support to their Chambers of Commerce or Industry Councils (Trade Associations) and in the majority of cases the support offered by them was considered very helpful.

A few of the interviewees mentioned the help provided by the DG TAXUD's website and also named the EU's official online journal as a good source of information.

However, in a small number of cases the interviewees were rather displeased with the availability of information and support. This stemmed from the fact that they had no single person who would be their point of contact within their respective National Authorities and subsequently their cases were being handled by more than one person, which made it difficult for the interviewees to obtain clear answers to the questions they had regarding the scheme.

Awareness of communication tools about the scheme and their perceived usefulness

The most frequently named communication tool was DG TAXUD's website, however the interviewees had very varied opinions about its usefulness. Whereas a number of interviewees considered it a very clear and complete communication tool and emphasised the good quality of the site's translation into EU languages other than English, some interviewees regarded this website as too basic, not providing information which would be detailed enough and rather communicated directly with their ETQG delegates.

Another communication tool which the interviewees were familiar with was the TARIC database. Yet overall, the online tools provided by the EC were considered "helpful, but you need some prior knowledge before you can use them effectively".

One of the interviewees expressed a preference for the website of the National Authority² over the official EU websites, as it was considered to provide more detailed information in more concise manner.

Also, in one particular case the communication regarding the scheme was provided from within the company – by a specialised unit within the central office.

There were also individual cases of interviewees who were not familiar with DG TAXUD's website or admitted they only had direct telephone or email contact with their country's ETQG delegate.

2.1.B. Application process

The majority of the interviewees considered the application process relatively easy, however they named particular difficulties, especially with regards to the level of detail (in terms of CN codes) and problems in justifying that the product for which the company applied for a tariff suspension does not have an equivalent substitute produced in the EU. The former problem was linked to the desire to make the product for which the suspension was applied as narrow as possible, with the hope that no other competitors could then benefit from the suspension. The latter issue proved especially troublesome, as in most cases it required contacting competing companies, who quite understandably were unwilling to share their information.

Whereas all of the interviewees agreed that the process of filling in the application was not overly time consuming, some of the interviewees expressed dissatisfaction with the time required for their applications to be processed.

Majority of the interviewees underlined the importance of help offered by their National Authorities and the extensive contact they had with their suppliers while preparing the

²<http://www.mg.gov.pl/Wspolpraca+miedzynarodowa/Handel+zagraniczny/Srodki+taryfowe/Mozliwosc+obnizenia+unijnych+cel+w+importcie+do+UE>

application.

Interactions with the National Authorities during the application process

Definite majority of the interviewees interacted with their respective National Authorities very frequently. All of the interviewees who offered any comment on such interaction praised the helpfulness of their contacts within the National Authorities. The interactions were most often carried out in the form of phone conversations, email exchanges and in a number of cases – face to face meetings when the applicant would present the NA contacts with a sample of the product for which the companies applied for the suspensions.

The contacts within National Authorities most often provided the applicants with explanations of what kind of information is required, the level of detail about production, product description, and what information will be understandable to the ETQG. On some occasions they also informed the companies about objections raised to their suspensions' applications.

Almost a half of the interviewees admitted that the NA representatives are informing them of the progress of each ETQG meeting that is relevant for their company.

Use of external assistance in applying for suspensions

The majority of the interviewees did not use any external assistance in their application process. The most often mentioned reasons for this were that the applicants already had internal resources in place, the process seemed straightforward, or that the applicants were too small to afford help of external consultancies which would charge fees (or a percentage of the suspension granted).

Only a few interviewees considered their Trade Associations or their representatives to the ETQG as external assistance, and the assistance obtained consisted only of being provided feedback on the draft suspension applications.

Views on the application form, procedures, and guidelines for suspensions

Most of the interviewees considered the procedures and guidelines rather straightforward and user-friendly, yet a number of them admitted that in case of any questions they would turn to their respective National Authorities for clarifications.

With regards to the level of details required, on certain occasions the interviewees acknowledged that although the form is easy to follow, it is sometimes time-consuming to provide the required details and product specification. One of the interviewees also believed that proving there is no European alternative supplier and that product is freely available can only be done by either liaising with their buyers or an extensive and time-consuming Google search.

All but one of the interviewed economic operators considered the issue of deadlines as straightforward and non-problematic. The dates were either communicated clearly on the NA's website or in a few cases the NA was sending e-mail reminders of the approaching deadlines. The deadlines were also considered reasonable and clear by almost all interviewees, although one complained that there are too many (separate for new applications, objections and prolongation).

A separate issue was the time the companies needed to wait for the application approval – several interviewees seemed frustrated with the length of the approval process and underlined its inadequacy for a fast-moving business environment.

Of the interviewees who commented on the maintenance of confidentiality of the information required in the application form, all were satisfied that the information they provided were treated confidentially and a number of interviewees emphasised that they understand why the sensitive information need to be included in the application.

On a few occasions the interviewees offered comments comparing the European tariff suspension system with the US' MTB. It was emphasized that the process of applying or even obtaining information about the US system is much more difficult than in the EU. The US system was considered to be far less transparent and far more politicised and prone to lobbying (as the applications are made through respective states' congressmen).

The customs system of the EU was also praised in comparison to China, as unlike in the EU,

Chinese customs codes are not harmonised and vary significantly from province to province.

Time and resources invested to file the application

The time indicated by the interviewees varied from 3 hours to 5 days (full time equivalent), with the average time required being approximately 1 day FTE. Most of the time the resources invested consisted of a single person who was responsible for filing the application. On a few occasions the resources mentioned also involved purchasing managers or employees of the business unit within the company.

The interviewees emphasized that filling in the application is straightforward and rather simple, the only time-consuming element being collecting the information needed for the application (from within different departments of the company, as well as external).

2.1.C. Objections

The majority of the interviewed economic operators did not receive any objections to the tariff suspension applications they submitted, however on a small number of occasions the interviewees were faced with objections to their applications, with different results. There were a few cases when the objections were withdrawn after negotiations between the applicant and the objector; in one instance the objection was reportedly withdrawn and the applicant was given an import quota. One interviewee recalled that the objection was submitted by a competitor who was also the applicant's customer and as a result of a decision of the Head Office located outside of the EU the application was withdrawn. In yet another case, the applicant withdrew their suspension application independently of there being an objection, due to a decision taken by the Head Office located outside of the EU to cease the import of a given component.

A number of interviewees represented companies who raised objections against another company's applications.

Sources of knowledge about the suspension applications against which the companies voiced objections

All of the interviewees admitted that their first source of information regarding the suspension applications against which their companies voiced objections were their States' delegates to the ETQG. Approximately half of the interviewees claimed that they were, or still are, receiving the lists of suspension requests passed on from their National Authorities; the other half, after initially being informed by their delegate, implemented systems within their organisations to monitor the suspension applications on their own accord.

Interactions with the national authorities and/or the EC during the objection process

Once again, the interviewees emphasised the important role played by the national authorities' delegates.

From the interviews it gleamed that most of the time after sending the lists of suspension applications, the delegates provide the potential objectors with contact details to persons within the companies whose applications the interviewees want to object to. In some of the cases this is where the interaction of the objectors with the national authority ceases and the objectors negotiate with the applicants without further involving the delegate. However, most often the delegates provide further guidance on all steps of the objection process.

Importantly, an almost unanimous opinion prevailed among the interviewees that they either had no contact with the EC or their attempts of contacting them remained futile.

Views on the objection form and procedures related to the process

All of the interviewed objectors expressed a high level of confidence regarding the Commission maintaining confidentiality of sensitive information provided during the objection process.

The key difficulty named was the expected timing it took for the objections to be processed. The interviewees underlined that the prolonged wait for the objection to take place and another company ceasing importing products from outside the EU could often mean

significant financial losses to the objecting producer.

Although the objection form was considered very straightforward ("even more than the application form") by close to all interviewees, there were some concerns raised that it was almost too easy to file an objection. It was recalled that on a few occasions (when the objection was filed against the company) this led to the objection being filed on "ridiculous grounds", i.e. the objector claimed they could provide the product but only if the applicant would provide them with production machinery and adequate training. It was suggested that the objections filed should have been checked against their merit before being even taken into consideration.

Reasons for the objections; dealing and resolving the objections

The particular issues regarding objections were discussed by interviewees representing either of the interested parties: companies which filed an objection or had an objection filed against their application.

The most significant problem in this area which was emphasised by the interviewees (both objectors and applicants against whom objections were filed) was the issue of product substitution. It was made clear that in a number of industries the differences between raw and even slightly processed products were too vast to allow substitution.

Another problematic issue was the European producers' capacity to provide the required amounts of a given product. The applicants against whom the objections were filed reported significant problems with convincing the EC that they do require amounts which the European producers were not able to provide.

It should be underlined that in a number of cases the objections were withdrawn as a result of negotiations between the two parties.

There have also been situations when the objection was successful and the interviewed objector expressed strong displeasure with the fact that the applicant did not attempt to research the European producers, although claimed having done so in their application form ("Our company comes up first on Google when you type in 'producer of [chemical product name]!'").

On a few occasions, upon learning that their application was subject to an objection, the interviewees found an external supplier from a country with which the EU holds a free trade agreement regarding the particular products, and hence withdrew the application and imported the product at a zero-tax rate.

In one case, the objection against the interviewed applicant was withdrawn and the applicant company received a tariff quota.

2.1.D. Decision making

Following the stages of the procedures regarding the application/objection while it was processed by the European Commission

A significant proportion of the interviewed economic operators recalled receiving some form of information from their respective National Authorities, although they admitted the contact was not very frequent: most of the time they were only informed about the dates of ETQG meeting, potential objections filed to their application, and the outcome. One interviewee recalled receiving an automated reply from a website he used to submit their request to the commission, that his request was received.

Clarity and transparency of the criteria used to take a decision on granting / rejecting the suspension

The opinions of the interviewees on this matter varied to a significant extent.

Whilst a number of the interviewees believed the criteria to be "perfectly clear, transparent and obvious", there were a number of significant problems raised. It was emphasized that the final decisions are greatly dependant on politics as the ETQG delegates ultimately report to politicians.

Interviewees who had experience with the tariff suspension scheme for many years recalled cases when the suspensions were granted for finished products and not for components and suggested that in-depth analysis of the TARIC system allows discovering numerous cases which are not in line with the official criteria.

Another problem dealt with wanting to import products which were subject to patent protection: importing companies pay royalties therefore in the interviewees' opinion not allowing a suspension for such product 'punishes' the importer twice.

It was also emphasized that there is no chance of filing a protest when the economic operator felt that the criteria were broken.

On the other hand, all of the interviewed economic operators were sure that the information they provided were treated with confidentiality.

Views on the final decisions

The biggest problem reported by the interviewees was the length of the process. Although some of the interviewees seemed understanding of the complexity of the issue and the time needed to take a final decision, most have expressed the desire for the process to be quickened, possibly by introducing more application rounds throughout the year. It was also emphasized that accounting for all relevant information was very much needed, and the interviewees believed that they were allowed to present their positions and arguments sufficiently, although on occasions this may have led to prolonging the process even more.

Suggestions for improvement

The interviewees suggested a number of improvements to the process:

Allowing face-to-face negotiation meetings: it was observed that for a number of interviewees it was difficult to present their cases via e-mails and through their delegates. With a lot of potential savings at stake, economic operators' representatives would be happy to travel to Brussels and in cases of particular technical issues - present the samples of their products to objectors or the DG in person.

Amending the rules regarding importing products subject to patent. The importers of such products felt that as a combined result of paying royalties and not being granted tariff suspensions they were required to pay 'twice.'

Significant number of interviewees would very much welcome the application and objection processes to become quicker.

Abandoning duties as a whole on certain products. An example was given of the EU-Korea free trade agreement, which in the opinion of one interviewee was unfair to companies needing to import products from other states.

Implementing stricter controls for applications and objections: pre-screening of the applications to prevent those that clearly have no chance of success (e.g. have clearly not done any search of relevant European producers or have no capacity for producing a given product) from slowing down the process.

Increasing the level of detail of the CN codes. The codes were considered to be too broad and leading to situations when the same CN code category encompasses products which are substantially different from one another.

An interesting general comment touched upon the need of increasing the alignment of VAT and customs regulations of different Member States. What was also underlined was that the effectiveness of national authority delegates differs among the MS; this led some companies to submit their applications through their branches in other member states thank the production plants requiring the product, as some of the national authorities were considered far less effective in "streamlining" the application process.

2.1.E. End-use controls

It should be noted that a significant minority of the interviewees' granted suspensions were subject to any end-use controls.

Conducting the end-use control

It became clear that the means of conducting end-use controls varied significantly depending on the Member State.

The process varied from simply requiring the final user to present a declaration that a given product will be only used within a defined industry, to very thorough inspections at the production site, encompassing checking the suspension conditions, counting the physical stock of the product and in-depth analysis of the industrial reports (amount of components entering the factory compared to the amount of finished products exiting the plant). On a few occasions the interviewees remarked that the costs of providing evidence of compliance are almost as high as the duty saved. This was named as the reason why the suspension applications were sometimes filed through sister companies in other Member States - to circumvent the strictest controls.

Importantly, the use of end-use controls was not always communicated to the applicants at the application stage. One of the interviewees recalled being quite surprised to find out about the end-use controls only after the suspension was granted.

Time and resources consumed by the end-use controls

The time- and resource- consumption of the end-use control varied significantly depending on the Member State in which it was conducted. The lowest level indicated by one of the interviewees summed up to 20 hours (FTE) on a quarterly basis required for tackling end-use controls of three suspensions the company was awarded. The highest demand for time and resources needed was estimated at two full-time positions, additional software, its maintenance, and the costs of communicating with the national customs office, which was estimated to cost the company over 27,000 EUR annually.

Perceived difficulty of the end-use controls

The interviewees recognised the varying levels of thoroughness of the end use controls between the different Member States. Among the interviewees who experienced end-use controls at their sites, the controls were sometimes found to be restrictive, inflexible and difficult to comply with.

Suggestions for lessening the administrative burden of the end-use controls

The need of aligning the end-use controls' process across all Member States seemed a particularly salient issue.

Furthermore, the interviewees suggested introducing more flexibility during the end-use controls. An example was given that a company has to import a given amount 12 weeks in advance (customer lead time) therefore if a customer changes his mind, the company is "stuck" with the product and the end-use controls prove very troublesome.

It was also emphasized that the process would be much less burdensome if the governments would trust the companies to use their imports for production rather than suspecting they would use the component for another purpose. While some economic operators whose suspensions were subject to end-use controls spoke highly of the attitude taken by their national customs administrations, who had been helpful in terms of granting temporary licences in anticipation of application forms being processed, one suggested it felt more like an *inquisition* with customs trying to catch them out.

2.2. Interviews with trade associations

2.2.A. Awareness

Initial sources of knowledge about the scheme

All of the interviewed trade associations' representatives admitted that they first got to know about the scheme through one of their members who had applied for the tariff suspension.

Sources of information and support in relation to the scheme

The predominant source of information mentioned was the website of DG TAXUD. The trade associations' representatives have either knew about the website from the associations' members or used a search engine with the key word being the full name or the scheme, or the directive relating to the scheme.

It was acknowledged that the national websites relating to the scheme which the search engine pointed towards were usually considered not to be as trustworthy as the official DH TAXUD's website.

The website of DG TAXUD was also considered to be very useful, although it was emphasized that in order to fully benefit from the information it contains, the user must first spend some time to figure out where certain pieces of information are contained within the site.

One interviewee recalled he was very much surprised that DG EMPL (Employment, Social Affairs and Equal Opportunities) was not involved in the tariff suspension scheme to a greater extent.

Awareness of communication tools about the scheme and their perceived usefulness

The single communication tool mentioned by the interviewed Trade Associations' representatives was the DG TAXUD website.

It was suggested that the site would benefit from including a step-by-step guide on how to fill in the application form, with a particular emphasis put in the required trade data, i.e. how to find the required information through the Eurostat or Comext databases. It was emphasized that an SME sector enterprises struggle with this element of the application.

Another suggestion for improving DG TAXUD's website was that the above mentioned guide should be available in all EU languages and that it should be made easy to find through search engine optimisation.

Members' awareness of the suspension scheme

A number of the Associations' representatives admitted to not being sure about the awareness levels of their members, though they believed that it varies to a significant extent and that most often the SME members are far less aware of the scheme than larger enterprises.

In some cases it was admitted that the whole scheme is of importance to the members only in terms of how they could object to the applications submitted by other companies.

It was also pointed out that although in some sectors the members are aware of the scheme, they do not use it due to the fact that for the materials they would like to import the conventional duties are on 0% level.

One of the Associations mentioned in a frank manner that they are not undertaking any actions whatsoever to communicate the scheme to the members' attention. The reason for this was that the scheme was not perceived as a long-term solution, the phrase 'suspension' was considered to imply short-term solution and less than ideal instrument for longer term strategy.

2.2.B.Application process**Difficulty of the application process**

What was emphasized was that the Associations were very much disappointed that there was no option of the Associations filling in the application forms on behalf of their members. This seemed particularly important for Associations whose members were mostly originating from the SME sector who struggled with the application process.

The greatest challenge seemed to be providing data on already existing production within the EU.

It was pointed out that some of the Associations would be willing to apply on behalf of the SMEs as they have greater experience in 'navigating the EU' and from the feedback the Associations received from their members the application process was considered to be

'rather complex'.

Handing of confidential information by the EC

As far as the Associations were aware, the information is kept confidential, although it was emphasized that there is no privacy statement signed and because of that some companies may be reluctant to reveal their details, for fear of retaliation measures.

Clarity and transparency of the criteria for granting/rejecting the suspensions

The criteria were mostly considered to be clear; however two key problems were named.

First, although the staff of DG TAXUD was considered to be very helpful and competent in dealing with the enquiries, the problem was that the company/association requesting assistance needed to know specifically what to ask. It was emphasized that the DG 'is not there to teach you, just to answer questions'.

The second problem flagged up was the issue of predictability. Even though the criteria were considered to be clear, whether decision is predictable was considered to be dependent on other factors such as whether actors are able to provide information required for ETQG members to reach a decision.

With regard to transparency, it was acknowledged that if the information are to be made available to the public, it will not be as accurate or detailed as information which is confidential.

2.2.C. Decision making

The key issue with which the Associations were particularly unhappy was the fact that they are not informed when a decision is taken and need to monitor DG TAXUD's website instead.

Suggestions for improvement

The key broad suggestion was that the process should be made more public and user-friendly.

The more detailed suggestion dealt with the issue of improving the database of products under suspension by TARIC codes so that once an application is submitted, the process can be followed more clearly.

One interviewee suggested creating a report of existing measures which would allow them to be checked by interested producers, without the need for a TARIC code. A search refined by product area was recommended instead.

There was also a suggestion made that national-level efforts should take place to facilitate searching EU producers without compromising any confidential information.

It was also suggested that there should be a possibility that even if they suspension is already granted, to object during the time the suspension is in force. Also, the Commission should be able to change their decision if a mistake was made, e.g. the applicant did not realise there were EU producers of a given product the suspension was applied for.

Furthermore, as recommendation was made for the legislation to oblige DG TAXUD to inform DG Enterprise and Industry, the Social Sectorial Committee and any European association listed as being within the European leather, and European trade union about the results of their decision.

A particular suggestion was made with regard to agricultural products. Due to seasonality of some crops it was suggested that the scheme could have an option to be applied only out of season instead of a full year.

The final side suggestion was that the EC could act on behalf of groups of European producers and apply for tariff suspensions for them to export into third-party markets, such as the USA and Canada.

2.2.D. Perceived impact

Some of the Associations emphasized that the suspensions were more of interim rather than a long-term solution, with the long term objective of the given type of producers to change the tariff to a lower level permanently.

On the other hand, a few of the associations emphasized that they are on the 'defensive' side and are very much against the suspensions taking place at all. They recognised the importance of tariffs as an element of trade policy which is set up to protect domestic market from the countries which do not apply the same rules.

Benefits for the industries

It was recognised that parts of certain industries need suspensions to remain competitive, to ensure that critical products are imported at zero duty.

An emphasis was put on the fact that there is a number of applications which claim that there is no longer sufficient production of a given components within the EU and a lack of communication means decisions can be taken based on misinformation that there is no production. The poor communication was attributed to the national level: between the ETQG delegates and a given industry.

It was underlined that actions should be taken for the suspensions not to be misused, in order to assure that the scheme would benefit the whole EU industry, not just allow for importing cheap product for a given company.

Benefits for the applicants

The recognised benefits were considered to vary depending on the particular members of the Associations. The main positive aspect identified was a reduction in costs which meant the companies are more competitive, and thus increased or maintained their market share. This was emphasized particularly in the context of competing with countries with lower manufacturing costs, cheaper access to raw materials.

The proportion of costs which the suspension can help in reducing was estimated to be approximately 20-30% of final product costs. The proportion was considered to increase in case of less complex production chains.

The interviewees could not offer a definite answer whether or not the savings are passed on to the customers.

Annex 3: Results of the awareness survey for EU businesses

The following section shows the results of the awareness survey of EU businesses carried out in July 2013. The purpose was to test awareness of the suspensions scheme among EU businesses at large.

The dissemination of the survey relied on the help of the Trade Associations: the Evaluation Team sent emails to 50 EU Trade Associations and 26 National SME Associations, asking them to forward the survey to their member companies and encourage them to complete the survey. Due to the very low initial response rate, reminders were sent and the Evaluation Team followed up with phone calls where possible. Despite prolonging the time of the survey's availability online, only a total of 91 responses were received.

In addition to the low total number of responses (which would seem to indicate that most trade associations did not promote the survey among their members), it should be noted that the responses we did receive are unlikely to be representative of the totality of EU (manufacturing) businesses, and hence the awareness rate among respondents is likely to be significantly higher than among all EU businesses. The pattern of responses suggests that the results are subject to selection bias, whereby (large) companies that were aware of the scheme were more likely to respond than (typically smaller) companies that were not aware, as the latter may have ignored the request to participate (assuming that they received one) and/or been reluctant to spend time answering questions about an issue which may have seemed irrelevant to them.

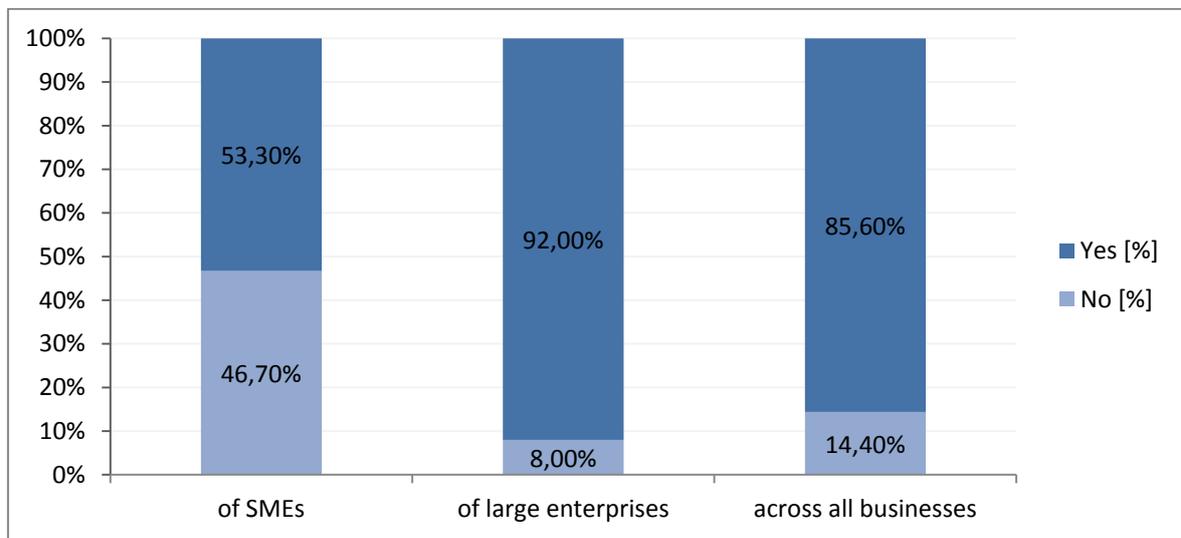
The problem of the lack of representativeness was inevitable, and in fact was anticipated by the evaluation team in its inception report. Since the Evaluation Team needed to rely on business associations for the dissemination, it had no way of controlling the sample. It was impossible to control which businesses received the survey, or who in the targeted businesses received the survey invitation, and the extent to which they are actually responsible for matters related to international trade and customs. Nonetheless, the results of the survey are presented below. They should be interpreted very carefully, keeping in mind they are unlikely to provide an accurate picture of the awareness levels among EU businesses as large.

Please note that not all respondents answered all questions. The percentages presented below were calculated in relation to the number of responses received to the particular question.

The distinction between micro- small- and medium- enterprises as included in the following tables was made on the basis of the amount of company's employees, following the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC).

Q1: Do you use any raw materials, semifinished goods or components that are imported from outside the EU as part of your production process?						
	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers – total
Yes	0.0%	80.0%	55.6%	53.3%	92.00%	85.60%
	0	4	5	9	70	79
No	100.0%	20.0%	44.4%	46.7%	8.00%	14.40%
	2	1	4	7	5	12

Figure 1. Proportion of EOs using any raw materials, semifinished goods or components that are imported from outside the EU as part of their production process.



Q2: Were you aware that under the EU tariff suspensions scheme, businesses can apply to have the import duty rates waived or reduced for certain goods and materials that are not produced within the EU?						
Per size of the enterprise:						
	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers – total
Yes	0.0%	80.0%	62.5%	60.0%	81.33%	76.9%
	0	4	5	9	61	70
No	100.0%	20.0%	44.4%	40.0%	18.67%	23.1%
	2	1	4	7	14	21
Among businesses who use /don't use imports from outside the EU:						
	Of businesses using imports from outside the EU			Of businesses <u>not</u> using imports from outside the EU		
Yes	79.5%			61.5%		
	62			8		
No	20.5%			38.5%		
	16			5		

Figure 2. Proportion of EOs (per enterprise size) aware of the suspension scheme.

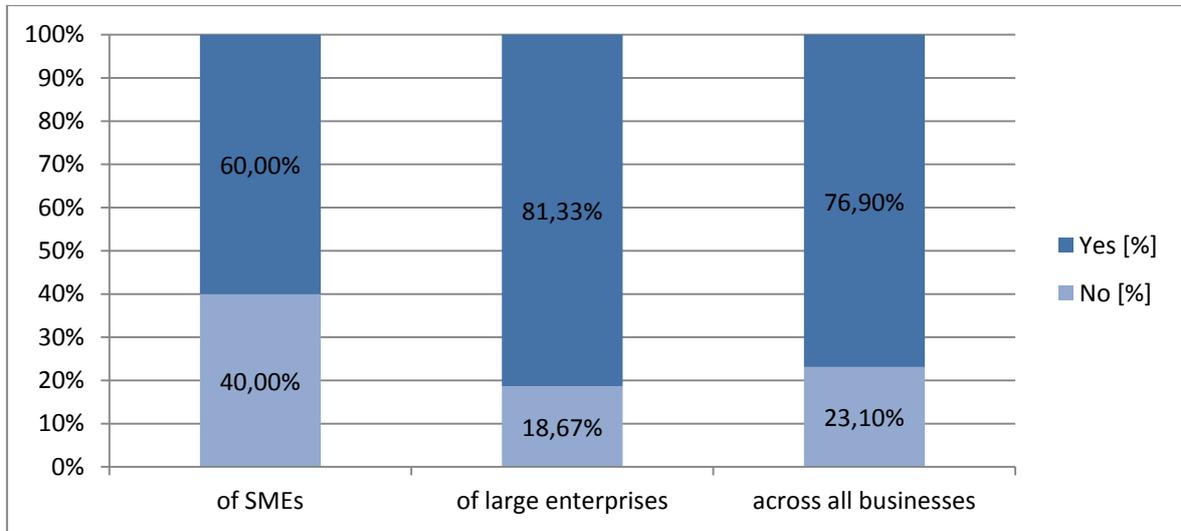
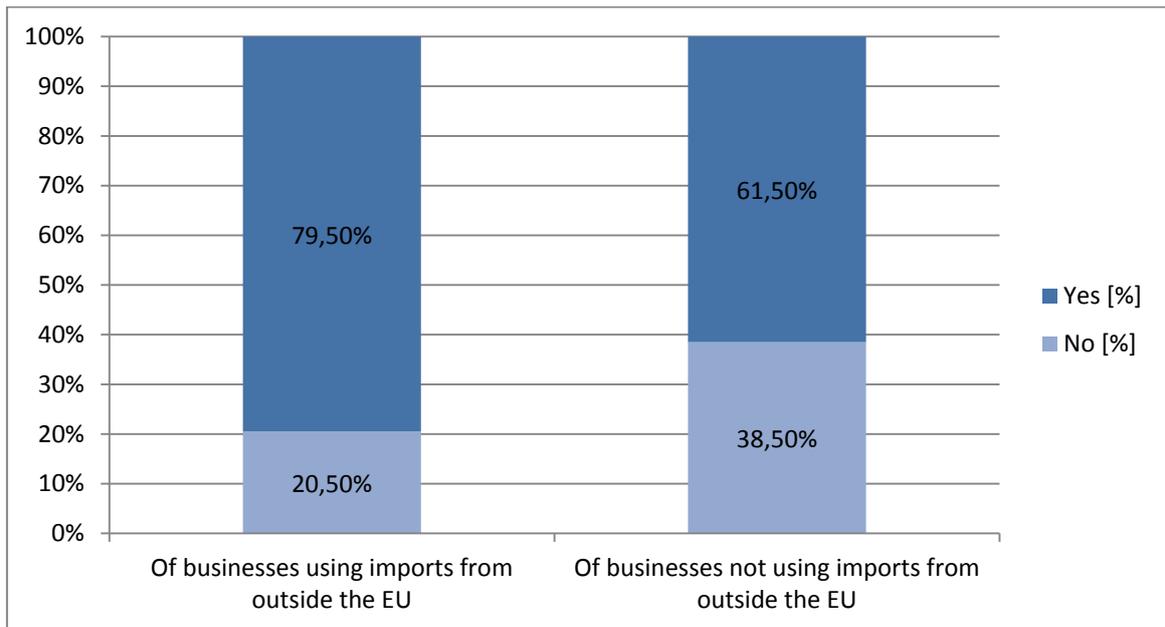


Figure 3. Proportion of EOs using and not using imports from outside of the EU aware of the suspension scheme.

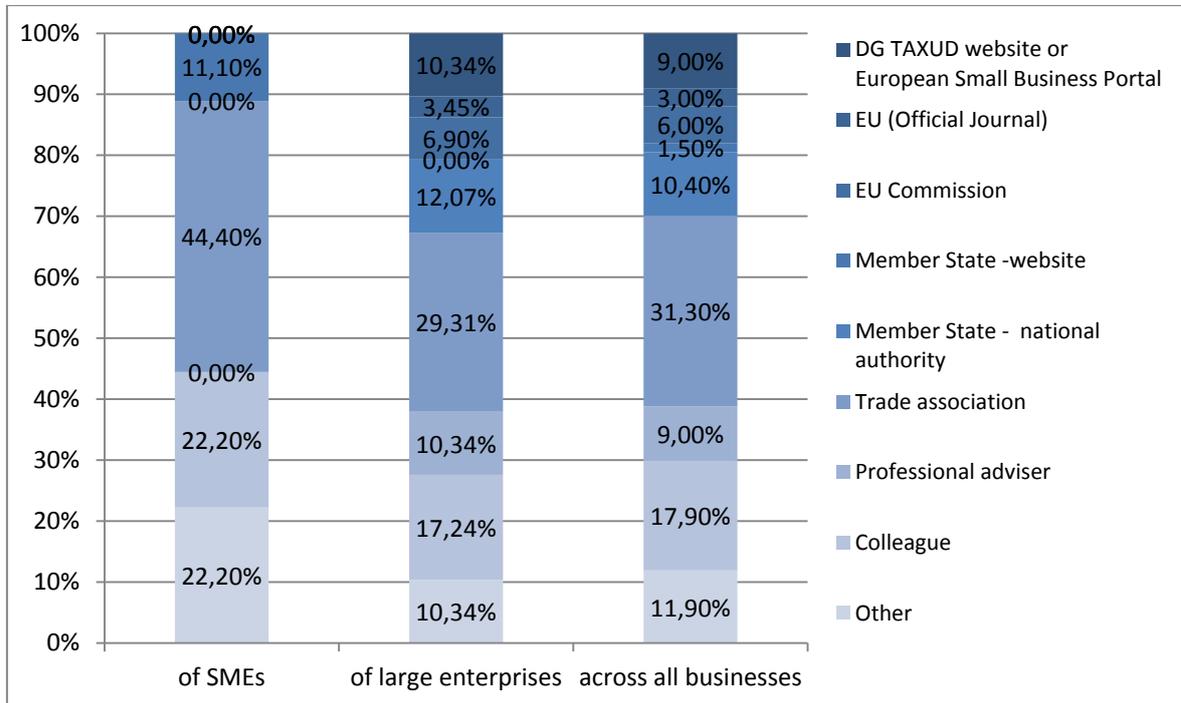


Q3: If so, how did you find out about the EU tariff suspensions scheme? Please choose from the following options (one option only)

	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers – total
EU (DG TAXUD website or European Small Business Portal)	0.0%	0.0%	0.0%	0.0%	10.34%	9.0%
	0	0	0	0	6	6

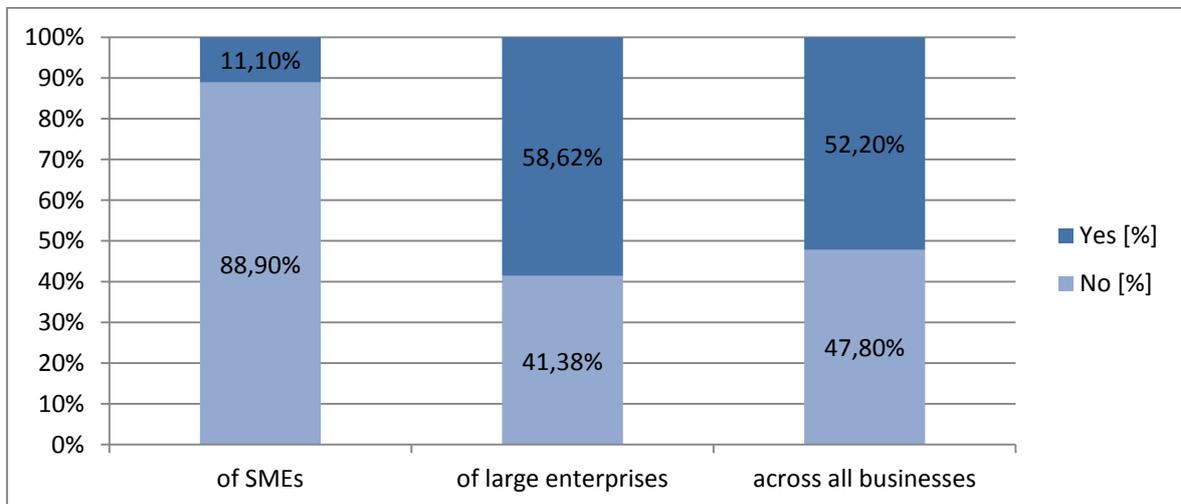
EU (Official Journal)	0.0%	0.0%	0.0%	0.0%	3.45%	3.0%
	0	0	0	0	2	2
EU (direct contact with DG TAXUD or other EC services)	0.0%	0.0%	0.0%	0.0%	6.90%	6.0%
	0	0	0	0	4	4
Member State (website)	0.0%	0.0%	20.0%	11.1%	0.0%	1.5%
	0	0	1	1	0	1
Member State (direct contact with a national authority)	0.0%	0.0%	0.0%	0.0%	12.1%	10.4%
	0	0	0	0	7	7
Trade association	0.00%	75.0%	20.0%	44.4%	29.3%	31.3%
	0	3	1	4	17	21
Professional adviser (lawyer, accountant etc.)	0.0%	0.0%	0.0%	0.0%	10.3%	9.0%
	0	0	0	0	6	6
Colleague	0.0%	25.0%	20.0%	22.2%	17.2%	17.9%
	0	1	1	2	10	12
Other (please specify)	0.0%	0.0%	40.0%	22.2%	10.34%	11.9%
	0	0	2	2	6	8
			<ul style="list-style-type: none"> •Sector specific assoc.; •Education 		<ul style="list-style-type: none"> • I know about the procedure already for years; • Verband der Chemischen Industrie • Part of my daily job • GAE 	

Figure 4. Proportion of EOs using given initial sources of information about the scheme.



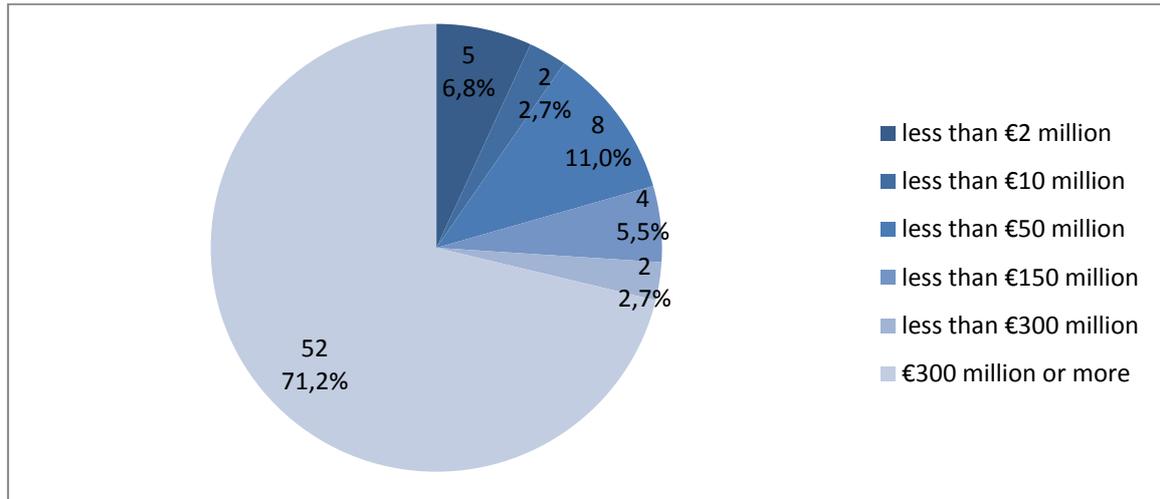
Q4: Do you currently use any tariff suspensions?						
	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers - total
Yes	0.0%	25.0%	0.0%	11.1%	58.6%	52.2%
	0	1	0	1	34	35
No	0.0%	75.0%	100.0%	88.9%	41.3%	47.8%
	0	3	5	8	24	32

Figure 5. Proportion of EOs currently using any suspensions.



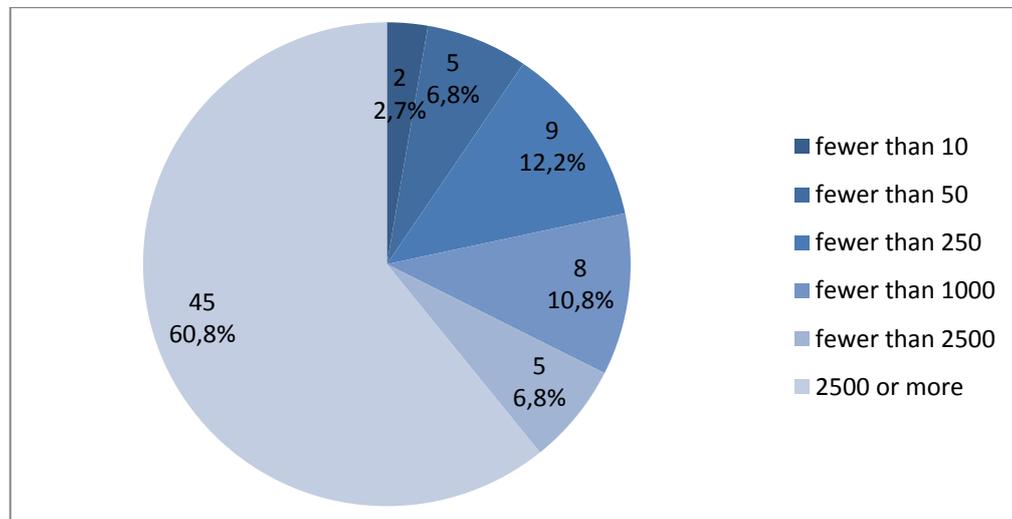
Q5: Please indicate the turnover of your business in 2012					
less than €2 million	less than €10 million	less than €50 million	less than €150 million	less than €300 million	€300 million or more
6.8%	2.7%	11.0%	5.5%	2.7%	71.2%
5	2	8	4	2	52

Figure 6. Annual (2012) turnover of the responding companies



Q6: Please indicate the number of employees of your business					
fewer than 10	fewer than 50	fewer than 250	fewer than 1000	fewer than 2500	2500 or more
2.7%	6.8%	12.2%	10.8%	6.8%	60.8%
2	5	9	8	5	45

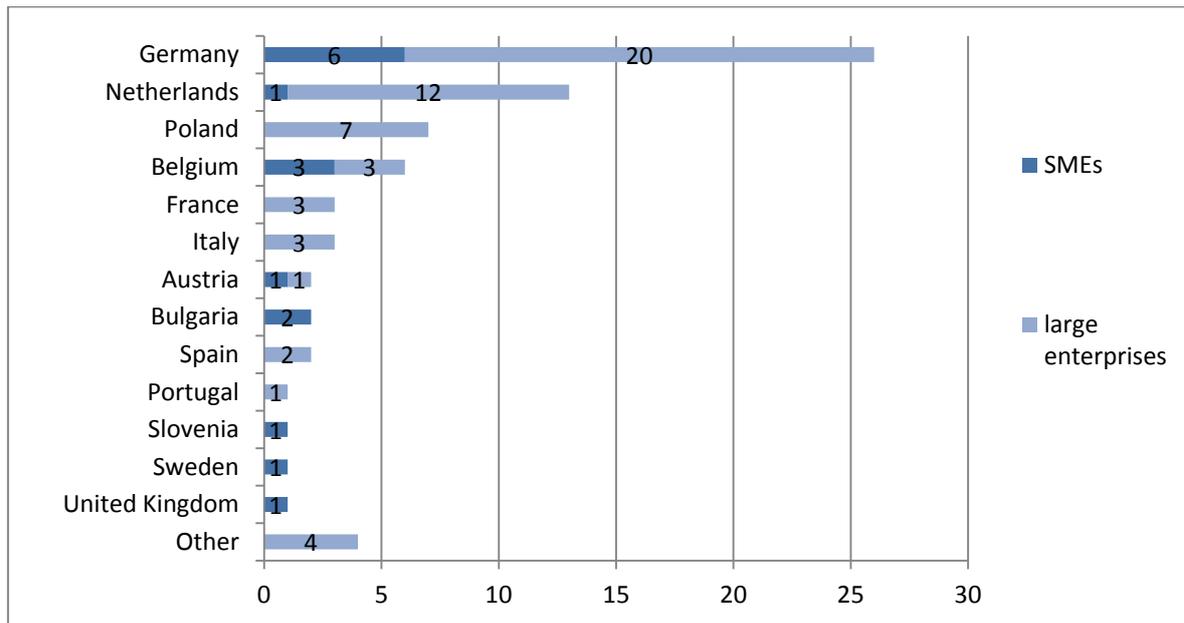
Figure 7. Number of employees of the responding companies



Q7: Please indicate the country in which your business is based						
	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers – total
Austria	50.0%	0.0%	0.0%	6.3%	1.8%	2.8%
	1	0	0	1	1	2
Belgium	0.0%	40.0%	11.1%	18.8%	5.4%	8.3%
	0	2	1	3	3	6
Bulgaria	0.0%	20.0%	11.1%	12.5%	0.0%	2.8%
	0	1	1	2	0	2
Cyprus	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Czech Republic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Denmark	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Estonia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Finland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
France	0.0%	0.0%	0.0%	0.0%	5.4%	4.2%
	0	0	0	0	3	3
Germany	0.0%	40.0%	44.4%	37.5%	35.7%	36.1%
	0	2	4	6	20	26
Greece	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Hungary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Ireland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Italy	0.0%	0.0%	0.0%	0.0%	5.4%	4.2%
	0	0	0	0	3	3
Latvia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Lithuania	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Luxembourg	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Malta	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Netherlands	0.0%	0.0%	11.1%	6.3%	21.4%	18.3%
	0	0	1	1	12	13
Poland	0.0%	0.0%	0.0%	0.0%	12.5%	9.7%
	0	0	0	0	7	7

Portugal	0.0%	0.0%	0.0%	0.0%	1.8%	1.4%
	0	0	0	0	1	1
Romania	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Slovakia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Slovenia	0.0%	0.0%	11.1%	6.3%	0.0%	1.4%
	0	0	1	1	0	1
Spain	0.0%	0.0%	0.0%	0.0%	3.6%	2.8%
	0	0	0	0	2	2
Sweden	0.0%	0.0%	11.1%	6.3%	0.0%	1.4%
	0	0	1	1	0	1
United Kingdom	50.0%	0.0%	0.0%	6.3%	0.0%	1.4%
	1	0	0	1	0	1
Other	0.0%	0.0%	0.0%	0.0%	7.1%	5.6%
	0	0	0	0	4	4

Figure 8. Proportion of EOs from different Member States who responded to the survey.

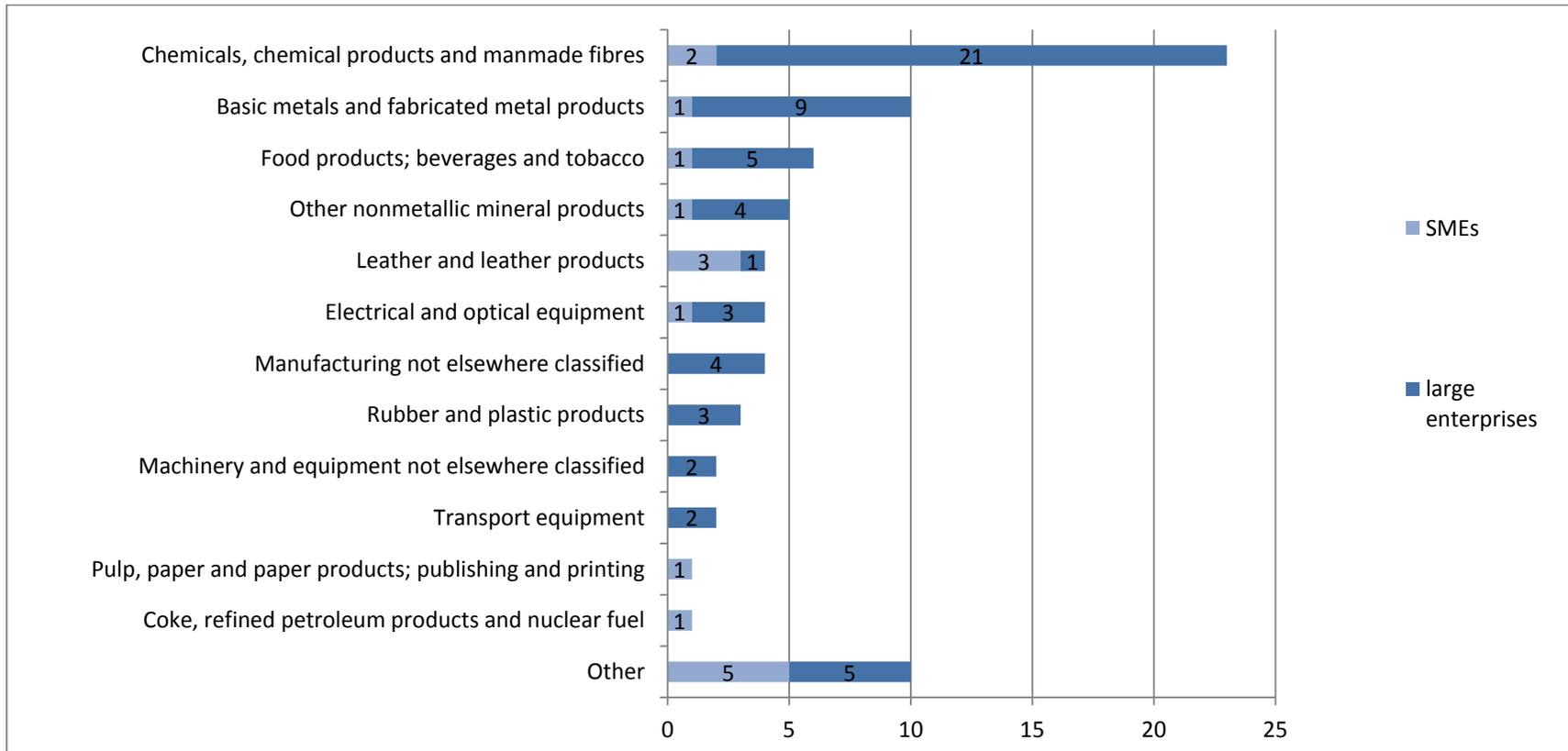


(Note: only states with number of responses >0 presented)

Q7: Which of the following sectors would best describe the business' activities?						
	Of micro enterprises	Of small enterprises	Of medium enterprises	Of all SMEs	Of large enterprises	Answers – total
Food products; beverages and tobacco	0.0%	20.0%	0.0%	6.3%	8.4%	8.0%
	0	1	0	1	5	6
Textiles and textile products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Leather and leather products	50.0%	20.0%	11.1%	18.8%	1.7%	5.3%
	1	1	1	3	1	4
Wood and wood products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0	0	0	0	0	0
Pulp, paper and paper products; publishing and printing	0.0%	0.0%	11.1%	6.3%	0.0%	1.3%
	0	0	1	1	0	1
Coke, refined petroleum products and nuclear fuel	0.0%	20.0%	0.0%	6.3%	0.0%	1.3%
	0	1	0	1	0	1
Chemicals, chemical products and manmade fibres	0.0%	20.0%	11.1%	12.5%	35.6%	30.7%
	0	1	1	2	21	23
Rubber and plastic products	0.0%	0.0%	0.0%	0.0%	5.1%	4.0%
	0	0	0	0	3	3
Other nonmetallic mineral products	0.0%	0.0%	11.1%	6.3%	6.8%	6.7%
	0	0	1	1	4	5
Basic metals and fabricated metal products	50.0%	0.0%	0.0%	6.3%	15.2%	13.3%
	1	0	0	1	9	10
Machinery and equipment not elsewhere classified	0.0%	0.0%	0.0%	0.0%	3.4%	2.7%
	0	0	0	0	2	2
Electrical and optical equipment	0.0%	0.0%	11.1%	6.3%	5.1%	5.3%
	0	0	1	1	3	4
Transport equipment	0.0%	0.0%	0.0%	0.0%	3.4%	2.7%

	0	0	0	0	2	2
Manufacturing not elsewhere classified	0.0%	0.0%	0.0%	0.0%	6.8%	5.3%
	0	0	0	0	4	4
Other	0.0%	20.0%	44.4%	31.3%	8.5%	13.3%
	0	1	4	5	5	10

Figure 9. Proportion of EOs representing different sectors, who responded to the survey.



(Note: the sectors: *Wood and wood products* and *Textiles and textile products* are not presented as none of the respondents belonged to these sectors)

Annex 4: Results of the questionnaire and interviews with national authorities (ETQG members)

22 ETQG delegates completed a detailed **questionnaire** between April and June 2013 which sought to gather information on the functioning of the tariff suspension scheme and explore the views and experience of relevant national authorities. Four face to face **interviews** conducted at the structuring phase of the evaluation in January 2013 were supplemented by a further ten conducted by telephone after questionnaire responses had been collected and analysed in June and July 2013. The evaluation team were able to explore delegates' responses to the questionnaire in order to seek clarification and ask delegates to elaborate on their written comments. 5 interviews were subsequently conducted with members of national customs administrations in July 2013 to gather further information and insights into the enforcement of end-use controls across the EU.

Table 1 shows a breakdown of the Member States which assisted the evaluation through completion of the questionnaire and participation in the interview programme.

Table 1: Summary of questionnaire responses and interviews conducted

Member State	Questionnaire completed	Interview conducted with ETQG delegate <i>*denotes interview conducted at the structuring phase</i>	Interview conducted with representative of national customs authority
AT	√	√ *	
BE	√	√	
BG	√		√
CY	√		
CZ	√	√	
DE	√	√ *	
DK	√	√	√
EE			
EL	√		
ES	√	√	
FI	√		
FR	√	√ *	
HU	√	√	√
IE	√	√	√
IT	√	√	√
LT	√		
LU			
LV	√		
MT			
NL			
PL	√	√	
PT	√		
RO			
SE	√	√	
SI	√		
SK	√	√	
UK	√	√ *	

Summary of responses

The following pages provide a summary of key findings drawn both from the questionnaire responses and the interviews and covering the following issues:

- awareness and communication of the scheme
 - the approach to informing objectors
- the application process
 - challenges facing economic operators
 - requests for assistance
 - assistance provided to economic operators
- the decision-making process
 - main challenges
- end-use controls
 - implications for customs authorities
 - implications for economic operators
 - irregularities
 - efficiency, effectiveness and improvements
- suggested improvements to the scheme

The text summarises questionnaire respondents' answers to each of the questions posed, in the order that they appeared in the questionnaire for ETQG delegates. These answers are then supplemented by summaries of the responses given by ETQG delegates during interviews when asked to elaborate on their questionnaire responses. In the case of questions relating to the enforcement of end-use controls, questionnaire responses are supplemented by summaries of the interviews conducted with representatives of national customs administrations.

Issue: Communication tools and channels

Question 1: Please briefly describe the tools or mechanisms (if any) the authorities in your country use to ensure / raise the awareness of economic operators of the tariff suspensions scheme.

Questionnaire:

The internet is the primary means of raising awareness of the scheme amongst economic operators. All Member States which completed the questionnaire publish information informing interested economic operators about the possibility of applying for a tariff suspension or quota on their administration (ministry of economics/finance and/or customs authority) website. Published information would usually contain an outline of the scheme, information on deadlines, and sometimes contain links to the relevant section of the DG TAXUD site.

Other awareness raising activities included:

- **Publishing notices in newsletters** (both paper and electronic) of the administration (e.g. a Customs Bulletin) or domestic trade associations, often to highlight approaching deadlines for the submission of suspension requests;
- **Awareness raising articles in the trade press** and other publications widely

read by the business community.

- **Seminars** conducted with interested parties, and consisting of:
 - trade associations representing key industries likely to be able to benefit from suspensions;
 - economic operators;
 - customs agents;
 - consultancy firms;
 - accounting groups.
- **Emails** to economic operators and relevant trade associations to alert them to approaching deadlines. This ranged from general emails to distribution lists of companies in key sectors, to emails specifically targeted at companies which had previously applied for a tariff suspension.
- **Telephone:** in a few cases, delegates reported contacting companies likely to be able to benefit from a tariff suspension directly (based on sector and/or previous history of applications/ expressions of interest), ahead of deadlines for submission.

Interviews:

ETQG delegates interviewed confirmed that the information provided online generally concerned:

- The benefits to be had through tariff suspensions;
- Eligibility under the scheme;
- Deadlines for the submission of tariff suspensions requests; and
- An outline of the application process and decision-making procedure.

Prospective applicants were invited to make contact with the relevant ministry by email or telephone in order to obtain assistance.

A few delegates spoke of **organising seminars** in partnership with chambers of commerce and industry to raise awareness at a local level. One delegate gave details: *[the seminars] are usually a collaboration with customs and there is a theoretical and a more practical part – what the scheme is, then how to fill out the form. I try to get the point across that the system exists. When a seminar is announced I try to specify the subject very clearly – how companies can save money. Then people with more than just admin functions will participate.* The interviewee went on to stress the importance of the seminars being attended by senior executives within the company: *The seminars, however, need to be attended by MANAGERS, who can make decisions at a strategic level. There has to be more engagement at a managerial level – it is very difficult to reach these people.* This point was echoed by other delegates, who pointed out that in larger companies, while staff members responsible for customs clearance issues were generally well aware of the scheme, information did not always reach the strategic decision makers, including purchasers who would be in a better position to consider how the company could benefit from a suspension.

One delegate explained that DG TAXUD officials had previously taken part in some of these seminars. The delegate felt this was useful, both for the information provided and to give the Commission an idea of how the scheme worked on the ground and to

listen to the concerns and difficulties faced by economic operators.

The importance of **working in partnership with chambers of commerce** was underlined by delegates in Member States where membership of such organisations is mandatory. Where lists of new suspension requests were distributed by email to chambers of commerce, the Member States claimed that, at least in theory, all businesses should have constructive knowledge of applications against which they might wish to object.

Where they commented on **overall awareness**, while a few delegates thought awareness amongst businesses in their country was high, most thought levels were generally low, although higher amongst certain industries, particularly the chemicals sector. Awareness was below average, they felt, in industries where SMEs predominate. Several delegates pointed out that SMEs are most difficult to reach, partly because of their lack of engagement with relevant trade organisations.

A smaller group of delegates considered the size of the company was irrelevant to the question of awareness. Of greater importance would be previous experience of the scheme and dependency on imported raw materials or components, measured as a proportion of total input costs.

While some delegates judged the success of their information and awareness raising tools by the fact that the number applications is increasing, many explained that data was not available to allow them to conclude with any certainty on **awareness levels**. In newer-MS, some interviewees suggested the majority of suspension requests emanated from multi-national companies, often headquartered outside the EU, with manufacturing plants across Central and Eastern Europe. Awareness seemed to be relatively high amongst these companies, although this could not easily be attributed to the efforts of any particular Member State.

While the questionnaire addressed the question with regard to a lack of awareness regarding economic operators, some MS said that lack of awareness started within their own departments. Internal awareness-raising within relevant ministries might ensure the scheme is better communicated to economic operators, they said.

Issue: Assistance provided to economic operators

Question 2: Please briefly describe the tools or mechanisms (if any) by which the authorities in your country provide information, assistance and/or support to economic operators who wish to apply for a tariff suspension.

Questionnaire:

The assistance provided to applicants varied significantly amongst the Member States.

- All delegates check applications prior to their submission to the ETQG, although some go much further, even suggesting they tend to fill out the forms, based on information provided by economic operators. One experienced delegate from an EU-15 MS, pointed out *we offer to do all paper work (filling in of forms, drafting of suspension texts etc). The applicant has only to give us data sheets and the required trade information.* This comment tended to reflect the experience of smaller Member States in the EU-15, which received relatively low, but consistent numbers of requests.

- Opinion diverged evenly between those who said applicants found the forms relatively easy to complete and those who stated significant assistance was required, particularly for first-time applicants.
- Almost all delegates used some of the tools outlined above to supply applicants with information on the scheme. **Bilateral direct communications**, by email and telephone, were reported by all delegates who completed the questionnaire as the main channel for providing assistance to economic operators interested in submitting a suspension request. Some delegates, particularly those from smaller Member States, reported meeting with economic operators initially to discuss a request.
- Almost all delegates explained they provide guidance on completing the application form online, with several referring to published guidelines.

Interviews:

In the case of certain products, particularly those in the chemicals sector, **delegates spoke of the need to liaise with colleagues within the national customs administration** to resolve queries arising under the application process. This tended to be the case with regard to classifying products under the appropriate TARIC code and composing product descriptions.

- Where other administrations were involved, the **delegates act as conduits** between that body and the applicant.
- Some delegates also commented on the **assistance which trade associations were able to provide to their member companies**. This highlighted the fact that, in some industries, e.g. the chemicals sector, companies who paid could access databases which allowed users to search for EU producers which might provide alternative production. SME producers, they acknowledged would often not be able to afford access to these databases and having a database available for free, perhaps at EU level could be one way of helping smaller businesses.
- Some delegates pointed out that assistance was usually provided by DG TAXUD, although in many cases when dealing with applicants there was no substitute for local knowledge.
- A few delegates pointed out that, due to resource constraints, they did not provide any assistance to objectors.

Issue: Informing objectors

Question 3: Please briefly describe the tools or mechanisms (if any) by which the authorities in your country inform economic operators of proposed or existing tariff suspensions and/or the possibility to raise an objection.

Questionnaire:

Most Member States **publish lists of suspension requests** on the website of the relevant ministry and/or customs administration. A smaller group of more pro-active

Member States contact relevant trade associations in an attempt to ensure domestic producers of products subject to a suspension request are afforded the opportunity to raise an objection and some ETQG delegates contact producers directly.

- The approach outlined by one ETQG delegate seems to be typical of the more pro-active Member States:

Lists of all existing and proposed tariff suspensions are published on the web-site of the Ministry of Finance. Everybody can register to get free information if there are any changes in these lists. Trade and producer organisations are informed about each new proposal or objection. Some of them publish this information on their web-site. Companies doing their customs clearance in [our Member State] are informed directly about any proposal or objection related to the goods they import or export.

- In some cases, ETQG delegates report contacting directly companies which may wish to object. This was based on the knowledge of the individual ETQG delegates – where they were aware of domestic producers through personal knowledge or by scanning their own databases listing companies by sector/previous history of objecting under the scheme. They would contact those companies directly.

Interviews:

While recognising that in many cases economic operators would be unlikely to look at their website, many ETQG delegates admitted that they did not follow a systematic approach for informing businesses of new suspension requests. This resulted either from a lack of resources or a lack of knowledge about whom to contact.

As outlined above, where lists of new suspensions requests were distributed by email to chambers of commerce in Member States where membership of such organisations is mandatory, interviewees pointed out that at least in theory, all businesses should have constructive knowledge of applications against which they might wish to object. Actual knowledge of suspension requests was quite a different question.

Issue: Requests for assistance

Question 4: Over the last five years (2007-2011), approximately how many requests for assistance do you receive per year related to tariff suspensions (including applications, prolongations and objections)?

Question 5: How many staff members in the national authorities in your country deal with tariff suspensions (full-time or part-time), including participation in meetings with the European Commission and the Economic Tariff Questions Group, and providing information and/or support to businesses?

Question 6: Please estimate the amount of human resources that the authorities in your country spend on providing information and/or support to businesses in relation to the tariff suspensions scheme (in full-time equivalents, where 1 FTE is equal to one person working exclusively on tariff suspensions).

Question 7: Approximately what proportion of all applications lodged by economic operators in your country in the last five years required the assistance of the authorities before they were ready for submission to the ETQG?

Questionnaire:

- The number of requests for assistance varied significantly across the Member States. Germany estimated it received up to around 500 requests per year, while many smaller states suggested they received no more than 2 requests annually.
- In most Member States no more than 2 FTE employees were responsible for administering the scheme within national administrations. This is in addition to staff within customs administrations responsible for the enforcement of end-use controls under the system, which most delegates were unable to quantify.
- A majority of delegates reported assisting all requests for suspensions. Where delegates distinguished between requests for help, they reported providing the most intensive assistance to first time applicants, whereas applicants applying for a prolongation to a suspension and objectors required less assistance.
- For applications relating to chemical products, many delegates are able to rely upon **the assistance of trained chemists** either within the customs authority or another state institution. Those who were not able to avail themselves of such assistance agreed this made the task of classifying products much more difficult, placing a greater burden on economic operators. Several Member States pointed out that the collegial spirit of ETQG meetings meant that when chemists from one Member States attended the meetings they were usually happy to assist delegates who could not rely on expert support within their own administration.

Interviews:

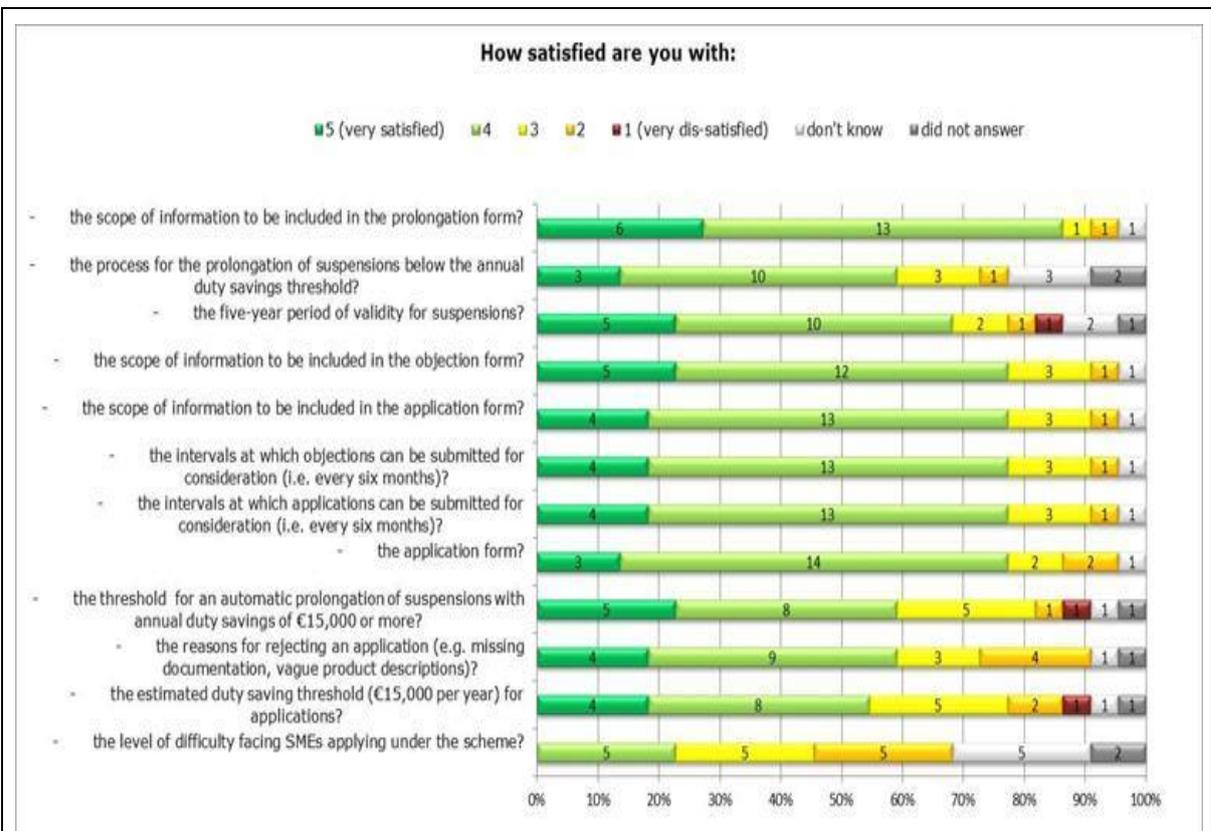
- Larger companies which had not called upon external advice but with a lot of experience in filing applications were also accustomed to and found little difficulty in preparing their applications, agreed most delegates. These companies sought to draft product descriptions 'strategically' to exclude their competitors imported products from the benefits of any suspension to be granted. Relations between customs officers in these companies and ETQG delegates were often good, having developed over a number of application rounds, and in a few cases a 'revolving door' meant that large companies employed staff who had previously handled the same issues within national administrations.
- Resources dedicated to the scheme in larger Member States, were not significantly greater in terms of FTE employees. This meant that that they would be less likely to have the resources to draft the application for businesses, as was apparently the practice in some smaller countries.
- The few interviewees who reported that the majority of applications in their Member State did not require assistance with the application process often explained that applicants in their countries engaged professional advisors in the form of customs consultants or accountants to prepare applications. This was often the case for multi-national businesses. The quality of these applications was such that minimal further assistance by the national authority was required

- prior to their submission to the ETQG.
- Member States reported that SMEs were in most cases in need of more assistance than larger companies.

Issue: Application Process

Question 8

Questionnaire:



N = 22

Source: Europe Economics and The Evaluation Partnership questionnaire of applicants

A majority of delegates were satisfied with the functioning of most aspects of the application process. The main areas of concern related to SMEs, with lower levels of satisfaction recorded by delegates with regard to the level of difficulty facing SMEs applying under the scheme and the estimated duty saving threshold which prevent many SMEs from applying for a suspension.

Interviews:

The interviews broadly reflected the main concerns raised in questionnaire responses:

- Many ETQG delegates, from both small and large Member States, expressed **the need to lower the estimated duty saving threshold** for applications, currently set at €15,000, with a few suggesting €10,000 would be a more appropriate *de minimis* limit. Smaller MS in particular suggested that a number of would-be applicants were unable to request a suspension by failing to meet the threshold.
- One delegate suggested that **SMEs were generally unaware of the possibility for groups of economic operators to file joint applications** in order to reach the threshold and many delegates could not recall when an application had been put forward on this basis. Some suggested companies had little inclination to work with competitors in the filing of joint applications.

Where delegates had expressed lower levels of satisfaction with regard to the level of difficulty facing SMEs under the scheme, reasons given included:

- the fact **SMEs would generally be unaware** of and thus unable to apply in the first place;
- would be **less likely than larger business to be aware of the possibility to object** where requests might lead to a detrimental impact on their business; and
- would be **more likely to be squeezed where larger applicant companies** which were also their customers applied for a tariff suspension, with a few delegates alluding to the undue influence which led smaller companies to withdraw their objections.

The latter concern arose in industries where SMEs found themselves suppliers to larger enterprises operating at more than one level of the value chain. As EU producers, SMEs might feel justified in objecting to a customer seeking to import a competing product into the EU without paying duty; where the SME also supplied that larger company, however, the SME might decide its interests would be best served by maintaining good relations with a key customer and decide to withdraw its objection. According to some delegates, this situation was most likely where the difference in bargaining power between large and small businesses was greatest.

Issue: Challenges facing economic operators

Question 9: In your opinion, what are the most important challenges facing economic operators related to tariff suspensions (including applications, prolongations and objections)?

Questionnaire:

The questionnaire raised several areas of concern which delegates thought challenged economic operators:

Lack of awareness, thought to be particularly acute with regard to the objections process. Many Member States thought more could be done to raise awareness of the scheme amongst EU businesses and the possibility for EU producers to object.

Lack of appropriately qualified staff (particularly SMEs), although this was in part overcome by the assistance which delegates could provide to businesses.

The de minimis threshold (currently €15,000) is thought by many ETQG

delegates to be too high for many SMEs, discouraging smaller companies from applying under the scheme.

Formulating an appropriate product description – One Member State suggested some applications *'fail due to reasons of unclear product description, in spite of the fact that supporting documents clearly indicate what the product is in sufficiently specific terms. Guidelines for drafting clear product descriptions should be introduced to assist economic operators (and ETQG members)'*

Lack of understanding with regard to the **declaration of non-existence of an exclusive trading agreement** and confusion with regard to whether tariff suspensions can be granted for products subject to a patent or other exclusive intellectual property rights.

Interviews:

Interviewees expanded upon their concerns with regard to the challenges facing economic operators.

Perhaps unsurprisingly, ETQG delegates said that economic operators faced the greatest challenges where their applications (for new suspensions or quotas or the prolongation of existing measures) ran into **opposition**, with two scenarios identified:

- Where this opposition was based on **objections raised by EU producers**, some delegates said that dialogue between economic operators (the applicant and the objector) would usually result in some kind of compromise. More proactive Member States oversaw this dialogue (e.g. by insisting they be copied into email exchanges between opposing parties) and some acted as a kind of mediator to assist in reaching a compromise.
- **Economic operators whose applications faced opposition from other Commission services** faced the greatest challenge. Only where national authorities were willing to step in, e.g. by providing the Commission with evidence that a particular industry would not suffer a detrimental impact as the result of a suspension or quota being granted, would economic operators have a realistic chance of overcoming objections raised within the Commission. More often, economic operators faced with an objection raised on the grounds of 'conflict with another Union policy' would hit a '*brick wall*', unable to communicate directly with the Commission service which raised the objection.

Some ETQG members also reported being unable to enter dialogue with DGs other than DG TAXUD to exchange views and explore possible compromises where objections were raised to 'their' requests. A sense of frustration was reported by some delegates who had to explain to their applicants that requests had been refused, without being able to provide much in the way of explanation for this refusal.

Challenges raised which did not relate directly to the objections process included:

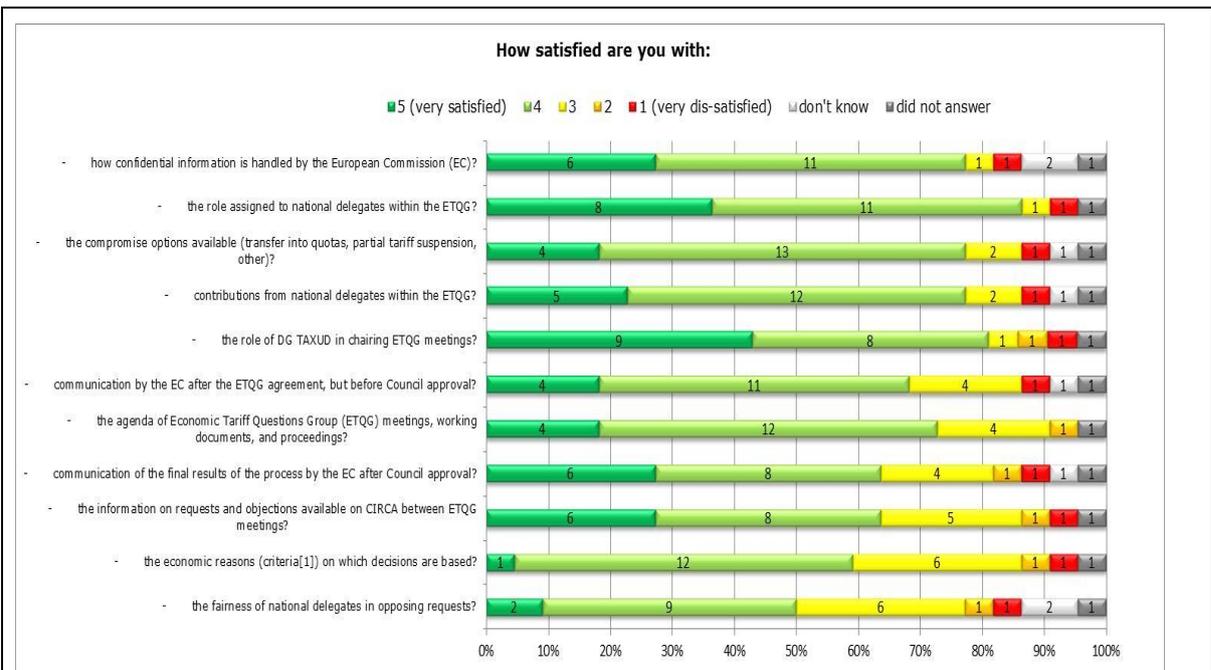
- One delegate highlighted the difficulties which would be faced by economic operators who had not been the original applicant but nevertheless benefitted from a tariff suspension. Where a premature close was announced, for example due to new EU production of the product under suspension, the original applicant would be contacted by the national authority. Other producers, however, would only be contacted if national authorities were able to identify them e.g. through an analysis of trade statistics. In many cases the premature closure of a suspension would only reach the attention of other importers once a duty suspension was refused by customs.

- The time taken to wait for translations i.e. translating the Regulation – this was thought to be another area where Circa could *come into its own as a forum for discussion*.
- A few delegates referred to cases where applications had been made which were at least reckless as to whether there was alternative EU production, this served to highlight the importance of ensuring applicants performed verifiable research into whether alternatives could be found and raised the issue of how far applicants were expected to go to produce evidence of a genuine search for alternative EU producers.

Issue: Decision-making process

Question 10

Questionnaire:



Delegates were generally satisfied with the decision-making procedure. Slightly lower levels of satisfaction were recorded with regard to:

- the information on requests and objections available on CIRCABC;
- the economic reasons on which decisions are based (the criteria set out under the 2011 Communication); and
- the fairness of national delegates in opposing requests.

The evaluation team were able to explore these issues through interviews with the delegates.

Interviews:

Most delegates interviewed agreed that the main cause of controversy within the decision-making procedure were the reasons given for opposing requests.

- Most Member States thought greater use could be made of CIRCABC, to resolve issues relating to technical and linguistic issues between meetings. A number of delegates thought the site's search function and general organisation should be improved to allow them to more quickly locate documents relevant to specific applications.
- Notwithstanding a few specific examples, Member States interviewed were generally confident that objections put forward by other national delegates would be in good faith, well-reasoned and transparent.
- They were less confident **where the opposition to suspension requests resulted from other Commission services** with several delegates suggesting that the process was at its most opaque where the interests of other branches of the Commission are at stake. The delegates' sense of a less than level playing field was most acute where DGs (particularly DG AGRI) failed to explain their objections in the ETQG and then refused to enter into dialogue with the Member States. Although aware of the provision of the 2011 Communication which foresees that no tariff suspension or quota will be proposed '*where this would entail a conflict with any other Union policy*', few delegates felt able to give a coherent explanation of how this criterion was applied in practice.

Issue: Decision-making process – main challenges

Question 11: In your opinion, what are the most important challenges to the functioning of the ETQG and the efficiency of the decision-making process?

Questionnaire:

The main challenges identified fell into two broad categories, the first concerning problems with the handling of objections within the decision-making process, and a second, catch all category, which concerns questions of a more administrative nature.

In relation to the consideration of applications faced with objections:

- Some delegates complained of an asymmetry between the Commission and Member States with regard to the obligation to justify objections. This concern relates to objections raised by other EC DGs (such as a DGs AGRI or TRADE) which, in the view of some ETQG delegates, did not appear to be based on the criteria set out under the Communication. Delegates thought confidence in the decision-making process risked being undermined if the reasons behind an objection were not made clear to applicants. This was particularly damaging where the objecting DG failed to enter into dialogue with the MS which put forward the application. One questionnaire respondent thought this problem demonstrated '*a lack of clarity regarding the responsibilities and influences of other DGs over the work of DG TAXUD*'
- Some Member States, particularly those whose delegates had less experience of the ETQG, thought the Commission '*should act as an impartial adjudicator in the case of sensitive goods*' in the words of one delegate. This would mean

'considering the arguments of all parties concerned, and, in cases of doubt, assist in communication between parties', rather than expecting economic operators to reach a compromise on their own.

- Some delegates drew attention to the difficulty of checking whether a product is actually produced in the EU, particularly when they are trying to decide whether a product is 'likely' to be produced in the EU, which is apparently sufficient for a suspension request to fail.

Concerns of a more administrative nature related to:

- Some delegates consider the existing meeting format to be too short to fully examine all the evidence relevant to the increasing number of suspension requests. A larger group, however, considered the meetings sometimes dedicated too much time to issues which could be more efficiently addressed through CIRCA, such as agreeing translations for product descriptions. Several delegates though the process could be improved by insisting product description and TARIC codes questions be agreed upon by the end of the first round's meeting, leaving the remaining meetings for discussion and negotiation of objections.
- A majority of delegates expressed approval of the way DG TAXUD chaired and generally organised ETQG meetings. A small minority of delegates expressed a desire to see a more active DG TAXUD, both pushing the agenda forward in meetings and in terms of imposing deadlines for the submission of evidence from applicants and objecting parties. The lack of influence shown by DG TAXUD over other Commission services (e.g. that other DGs abide by deadlines to raise objections) was a cause of concern voiced by a few delegates responding to the questionnaire.
- One delegate struggled to understand *where all of the procedures came from*. A small group of delegates said that they were unsure of the basis for the positive and negative lists in relation to suspensions which would be automatically prolonged. Searching CIRCABC in vain, they were unable to clarify the legal basis for these lists or find guidelines explaining how they would be drawn up and revised.

Delegates were ready to suggest a number of **improvements which they considered would allow ETQG meetings to run more efficiently**. These suggestions can be grouped under the following headings.

Greater use of technology:

- Greater use of video-conferencing rather than all MS sending a delegate to Brussels 6 times per year was suggested by one delegate; other delegates, however, consider the opportunity to meet face-to-face invaluable for exchanging views and clarifying points of difference.
- A more developed database of suspensions, showing not only a product's current suspension but also the procedural history behind the application was suggested by another delegate. This would help, for example, to more easily trace companies which had made successfully requested suspensions which were now up for renewal.
- In general the majority of delegates agreed CIRCABC was useful and, if developed, could prove a very effective tool to deal with the scheme's increasing number of applications.

Consolidation of the meeting rounds:

- A small number of delegates suggested the real debate currently takes place in

the first and third meetings, with the second too often spent revisiting applications which were not controversial during the first meeting. This led some delegates to conclude that only two meetings are required. A larger group thought it was still useful to meet three times, but that the second and third should really only be to discuss difficult, outstanding issues.

- One practical improvement suggested by another delegate would be a clear summary of what happened in the meeting, in addition to the existing working documents, to be circulated amongst all delegates, including absentees post-meeting.
- The relevance and inter-relationship with the Customs Code Committee was raised by a couple of delegates, who pointed out that while some Member States send the same delegates, including representatives of customs administrations, to both the committee and the ETQG, others do not. A summary of notable developments within the CCC at the start of ETQG meetings would be welcomed. More generally, some delegates from Member States' ministries, usually trained economists, who were not accompanied by a colleague from the customs administration thought DG TAXUD might do more to explain the customs implications of applications.

Other suggestions:

- One delegate suggested clearer rules were needed as regards how quotas are set and found the 2011 Communication lacking in this area.
- According to several delegates, convention dictates that Council meetings accept the Commission proposal for the Regulation, usually following the ETQG's recommendation, in full, without delving into the substance of an application or seeking to continue the debate. A few, more longstanding, delegates thought this a shame, with one delegate speaking of a 'grey area' in cases where, after the 3rd round, Member States had still not reached a decision on a particular application.

Interviews:

A few delegates suggested that Member States' **approach to raising objections** frequently depends on the general priorities of the country in question, with two main groups emerging along the following broad lines:

1. A liberal group of Member States which prioritise consumers and feel that economic operators should be allowed to choose their own suppliers; and
2. A more protectionist group of Member States which prioritise EU producers and jobs.

Applying this categorisation, some delegates from more liberal countries, suggested greater confidence should be shown in economic operators with regard to the question of substitutability of products. *'If products were truly substitutable'*, opined one delegate, *'economic operators [are] not stupid and would not seek to import products from beyond the EU's borders'*.

When commenting on the approach taken to **issues relating to substitutability** a few delegates pointed out that this question is not unique to tariff suspension questions and wondered why an approach consistent across different EU policy areas

was not taken e.g. when defining the 'relevant market' for the purposes of EU competition law³.

On the question of how far applicants are expected to go to look for **alternative production within the EU**, the 2011 Communication is seen by several delegates as having relaxed the rules requiring supporting evidence from applicants. In a case frequently mentioned by interviewees, a series of applications made shortly after the Communication's publication failed to contain evidence of the basic research which would have revealed alternative EU production. According to interviewees, this led to DG TAXUD frequently reminding delegates that applicants must conduct some research to determine whether alternative EU suppliers exist. Several delegates brought this case to the evaluators' attention, stressing the importance that the research not be a mere box-ticking exercise but should be genuine attempt to find alternative suppliers. Some questioned whether the current objections process is robust enough to prevent applications being granted which would be detrimental to EU producers, particularly SMEs.

Issue: End-use controls - implications for customs authorities

Question 12: Please briefly outline the implications of end use controls for the customs administration and/or other national authorities in your country. How burdensome is the enforcement of end use controls? Can you provide any quantifiable data on the resources (human / financial) required for this?

Questionnaire:

- ETQG delegates divided sharply between the majority who considered end-use controls did not pose a significant burden for the (customs) authorities in their country, and small minority who considered them to be excessively time consuming.
- Delegates' understanding of the need for end-use controls also varied, with some considering it to be a reasonable trade-off for businesses while others thought the administrative burden placed on businesses was too great, particularly for SMEs. One delegate even suggested SMEs ought not to be made the subject of end-use controls.

Interviews:

As outlined above, the evaluators conducted a series of 5 supplementary interviews with representatives of national customs administrations. These interviewees were able to clarify some of the questions relating to the control of end-use conditions imposed on certain products benefitting from a tariff suspension or quota. Customs authorities interviewed were unable, however, to provide quantifiable data for the amount of time spent monitoring end-use controls, given that responsibility for conducting these controls was shared by both national and local level customs offices and end-use controls under the scheme were often carried out as part of a wider

³ http://europa.eu/legislation_summaries/competition/firms/l26073_en.htm

customs audit.

Issue: End-use controls – implications for economic operators

Question 13: Please briefly outline the implications of end use controls for economic operators in your country. In your experience, does it result in significant administrative burdens?

Questionnaire:

The majority of ETQG delegates considered end-use controls **are relatively burdensome for economic operators**. Most customs authorities interviewed pointed out, however, that while they did impose some administrative burden on businesses, end-use controls were a reasonable trade-off in return for the cost savings businesses could obtain through the avoidance of tariff duties.

Companies selected for end-use control enforcement checks were chosen by a mixture of random sampling and risk profiling. In many Member States companies which benefitted from an end-use control were more likely to be the subject of a customs audit.

Interviews:

The interviews with national customs authorities suggest that the administrative arrangements for these controls vary considerably between Member States in their severity, frequency and the flexibility shown towards economic operators subject to the controls. Interviewees reported relying on industrial production reports and business accounts to monitor compliance with end-use conditions.

- Some interviewees suggested the guarantee or bond which economic operators pay in return for an end-use licence initially surprised some economic operators. Its size is determined in accordance with the value of the stock and the length of time the operator intends to store it prior to processing. One ETQG delegate suggested that the controls are *only accepted when there is no economic alternative to companies other than having a suspension with end-use controls, given how burdensome they are*.
- Another delegate raised the issue that end-use controls were not always interpreted uniformly across the EU, citing examples of where a company had been found to be in breach of its end-use conditions in an EU-12 MS, whereas when the product was used in the same way in an EU-15 MS this was not considered a violation.

Issue: Irregularities

Question 14: Irregularities- Fraud How many cases of irregularities related to the application of this scheme did you encounter during the last five years? Could you

specify the type of irregularities encountered (misclassification, inappropriate end use of the products, etc...), the number and the financial impact?

Questionnaire:

Few ETQG delegates were able to provide information on the number of irregularities they had encountered over the last five years, making it difficult to draw meaningful comparisons on businesses which broke the end-use conditions imposed on them under the scheme.

Interviews:

Several national authorities said they were not aware of any instances of fraud. In the few cases where ETQG delegates felt able to talk about irregularities which cropped up under the scheme, they spoke of mistakes rather than deliberate attempts to commit fraud. These mistakes commonly related to:

Most customs officials said that irregularities were usually minor in nature, consisting of mistakes rather than deliberate attempts to commit fraud, and could easily be resolved with the economic operator. These mistakes commonly fell into two categories:

- **goods were sold as finished-products** (e.g. bicycle parts which were not used in the assembly of bicycles but sold as spare parts); and
- **goods were not processed prior to the expiration of the end-use authorisation** (set for a pre-determined period when companies are granted an end-use licence).

Such violations of the terms of an end-use licence would result in the relevant customs authority imposing a fine on the transgressing economic operator, to be deducted from the bond provided by the economic operator.

Issue: end-use controls – efficiency, effectiveness and improvements

Question 15: In light of the above, are end use controls effective and efficient? Do you have any suggestions for how this could be improved?

Questionnaire:

The national authorities who commented on end-use controls consider them to be efficient and effective although they could not point to any hard evidence to support this view.

A number of improvements were suggested, including:

- **improving risk analysis** whereby companies are selected for customs audit under the scheme, would imply increasing the capacity of customs officers to carry out this task. *'All end use controls are based on risk analysis'*, said one delegate *'in order to make end use controls effective and efficient. One way to improve end use controls is to improve the competence development within this area among*

the customs officers’.

- A few Member States did consider the burden which end-use controls places on economic operators to be too great. One delegate argued vociferously that, largely irrelevant, end-use controls should be abandoned: *‘[End-use controls] should be removed. DG AGRI use them as a sop to ensure there is no possible effect on wider agricultural trade, but there is rarely any commercial rationale for this. I have only encountered one case where there was a real commercial need for an end-use control on an industrial product where the domestic production was for use in a particular manufacturing market and the imported product was used to produce something for a different product market. The end-use control provided sufficient surety to the domestic producer that “his” market was not being invaded’.*
- one delegate suggested the burden on SMEs could be reduced by removing the controls in relation to small quotas.

Interviews:

Customs authority representatives were able to expand on the suggestions made to improve the scheme, although few of these improvements related directly to reducing the administrative burden placed on economic operators.

- On the theme of **training and capacity building**, one customs official from a newer Member State suggested the Commission’s input would be welcome to increase awareness and ensure the uniform enforcement of end-use controls amongst customs administrations in Eastern Europe. This interviewee thought the difficulties encountered by administrations across the region were similar and pointed to the need for sharing experience, possibly inviting customs authorities from more experienced Member States to explain how they dealt with certain administrative difficulties. Economic operators, particularly those operating in several Member States agreed with the need to align the enforcement of end-use controls across all Member States.
- One customs administration thought the use of eLearning tools would be an efficient means of increasing the knowledge of customs officials at local level.
- **Making the process less onerous on and more attractive to SMEs** was mentioned by several delegates in relation to several aspects of the scheme. Specific to end-use control enforcement,
 - One customs authority commented: *‘the procedure for tariff suspension granting is complicated enough and we think that adding end-use control to this scheme puts a burden both [on the] administration and business operators. A step toward simplification may be putting an end to binding tariff suspension with end-use control’.* A few delegates even suggest the advent of Free Trade Agreements between the EU and other trading blocs would render redundant many of the existing suspensions and could call into question the rationale behind the entire scheme.
 - One ETQG delegate however represented the views of many in the group commenting that economic operators would make their own decisions on the necessary trade-off between the cost of compliance and the benefits afforded by a suspension: *‘The controls are only accepted when there is no economic alternative to companies other than having a suspension with end-use controls, given how burdensome they are’.*

Issue: Suggested improvements

Question 16: Please briefly outline any suggestions for how the scheme overall (including the application, prolongation and objection procedure, the decision-making process and enforcement) could be improved.

Questionnaire:

Most ETQG delegates were able to suggest improvements, many of which focussed on the information and communication aspects of the scheme. These included:

- Providing more information to applicants and would-be applicants was considered a priority area for improvement. Several delegates considered the DG TAXUD website could be made more user-friendly.
- Sharing of information – the theme of **increasing the role played by CIRCABC in the scheme**, to extend the database's role in information sharing and to resolve technical questions prior to ETQG meetings was reiterated by several delegates when suggesting improvements. Most suggested it could be easier to navigate and its search function improved.

Where delegates' suggested improvements went beyond information and communications aspects, they tended to go to the root of the scheme, with some questioning its likely **future relevance as the EU moves towards free trade agreements** with other trading blocs.

Other suggested improvements echoed the criticism raised by delegates when asked about the difficulties faced by economic operators. In particular, smaller Member States thought the threshold of €15,000 was thought ripe for overhaul (lowering).

Making the process less onerous on and more attractive to SMEs was alluded to by several delegates in their questionnaire responses. Suggestions on how to improve the scheme to achieve this objective included:

- Introducing a **simplified application procedure for SMEs**;
- Allowing (small) quota requests by SMEs to override objections;
- Removing end-use controls for small quotas.

Interviews:

- Most delegates interviewed agreed that **CIRCABC should play a greater role** in future ETQG discussions, as an efficient means of sharing information and resolving issues which did not require the attention of a full meeting. *'Staff resources in national authorities are reducing' said one delegate, 'and [we] would question the need for three meetings per round. Most of the work can be done via CIRCABC'.*
- Some interviewees called for a more evidence based approach with regard to the question of alternative EU production. A couple suggested DG Enterprise might play a more active role, contributing its opinion and presenting statistics in relation to EU production which would allow the reasons to allow or reject

objections to be placed on a firmer footing. Some interviewees thought that the 2010 Istanbul seminar had resulted in a Communication which tilted the balance too far in favour of importers to the detriment of EU producers who might wish to object to requests for tariff suspensions, and that this needed to be addressed.

- Inviting organisations representing EU industry, such as Digital Europe and CEFIC, to ETQG discussions was suggested by one delegate as a means of improving the scheme, particularly with a view to establishing whether alternative sources of production exist within the customs union. A small number of delegates agreed with this view, that some participation of industry associations in the ETQG could render the process more effective, and allow the group to base its recommendations on evidence which might otherwise be unavailable to it. Any role for these bodies would need to be strictly defined, they cautioned, and probably limited to the provision of information, to avoid the procedure taking on a quasi-judicial nature.
- Looking at the scheme's longer term viability, opinion divided as to whether the scheme ought to continue in its present form, in so far as they provide *a surety to domestic producers that 'their' market will not be invaded*. A few delegates suggested the advent of FTAs would render redundant many of the existing suspensions and possibly call into question the rationale behind the entire scheme.

Annex 5: Case study reports

We chose to undertake a number of case studies in order to allow us to gain a deeper understanding of the impacts of the tariff suspensions scheme than would be possible through desk research and a questionnaire alone.

We conducted three pilot case studies during the first phase of this project. We were unable to secure interviews with those applicants for the pilot case study products and so the analysis for these products is based on desk research alone. In the second phase of the project we conducted a further nine case studies, building on the lessons learnt from the pilots. For these case studies, we managed to secure an interview with each applicant, some of whom also responded to our survey.

Approach to selecting products for case studies

We considered that it was important to set out a number of objective criteria to be used in the selection of case study products. Where criteria can be measured on a numerical scale, we selected some products that are 'large', some that are 'medium' and some that are 'small'. Where criteria cannot be measured on a numerical scale, we used qualitative judgement to select products on the basis of the criteria. We consider that our approach ensures that a balanced set of products has been chosen and so means that our findings are more likely to be applicable to the full set of products under suspension.

There are numerous variables that could be used as criteria for product selection. In principle, we could specify criteria based on: the characteristics of the product; the attributes of the applicant; the nature of the tariff suspension; and patterns of trade.

We chose to specify criteria for each of these with the exception of the attributes of the applicant. The rationale for this choice is that a tariff suspension can be used by any company based in the EU, not only the applicant. In some cases, the original applicant may account for only a small percentage of total imports. Therefore, we consider that placing undue weight on the attributes of the applicant would not be appropriate for the purpose of selecting products for inclusion in the case studies.

However, to ensure that we do not give undue focus to a single Member State, we ensured that the case studies included a range of Member States in which the applications were lodged.

The criteria that we employed for selecting target products are as follows:

- characteristics of the product
 - broad product category⁴
- nature of the tariff suspension
 - number of years suspended between 2007 and 2011
 - whether end of use requirement is in place
 - full or partial suspension
- patterns of trade
 - amount of trade (measured in euros)

⁴ The broad product categories were defined by DG TAXUD and are described in DG TAXUD (2012), "Report on the Tariff Suspensions Scheme of the European Union (period 2007-2011)"

Based on these criteria, we made a preliminary selection of products on which to base the pilot and non-pilot case studies.

The characteristics of each case-study product are shown in the table below.

Figure 0.1: Selected case study products

	Case Study	Broad product category	No. years suspended between 2007 and 2011	Whether end of use requirement is in place	Full or partial suspension	Value of trade (8 digit CN code)	MS
Pilot	2008994820 Guava puree concentrate	Agriculture	<1 (started 2011-07-01)	Yes	Partial (6% + the specific additional duty is applicable)	Low / medium	UK
	2827398530 Manganese dichloride	Chemistry	2.5 (started 2009-07-01)	No	Full	Medium	AT
	8401300020 Hexagonal fuel module	Micro mechanics /	5 (started 2006-01-01)	Yes	Full	High	CZ
Not pilot	7325991020 Anchor head of hot dipped galvanized ductile cast iron	Metal	1.5 (started 2010-07-01)	No	Full	Low	NL
	5603139080 Polyethylene non-woven...for use in the manufacture of wet wipes	Textile	2 (started 2002-07-01)	Yes	Full	Medium / high	UK
	6909190020 1/ Silicon nitride rollers or balls (only since 1-1-2011) 2/ Silicon Nitride Balls	Other	1.5 (started 2010-07-01)	No	Full	High	AT, UK
	0811909530 Pineapple ... in pieces	Agriculture	5 (started 2002-07-01)	No	Full	High	DK, UK, DE
	8405900010 Metal casing for automobile safety belt pre-tension gas generators	Micro mechanics /	2 (started 2010-01-01)	No	Full	Low	CZ
	3904509092 Vinylidene-chloride methacrylate co-polymer for use in the manufacture of monofilaments	Other	2 (started 2010-01-01)	Yes	Full	Low	DE, BE
	3707100035 ARF/KRF	Chemistry	5 (started 2007-01-01)	No	Full	High	BE

	Case Study	Broad product category	No. years suspended between 2007 and 2011	Whether end of use requirement is in place	Full or partial suspension	Value of trade (8 digit CN code)	MS
	7607119030 Laminated Aluminium foil	Metal	0 (started 2012-01-01)	No	Full	Medium	BE
	5407100010 Textile fabric of warp filament yarns	Textile	4 (started 2008-01-01)	No	Full	Medium	IT

Case study 1 – Guava puree concentrate 20 Brix (2008994820):

The product is extracted from white or pink guava and contains approximately 20 grams of sucrose per 100 grams of puree concentrate. The product is mainly used in the manufacture of fruit juice. The majority of suppliers of the product are located in tropical areas such as the Philippines and India.

The tariff suspension was applied for by the UK office of GerberEmig Group Ltd, which is headquartered in Germany. The non-EU producer listed on the tariff suspension application documents is an Indian company, Kanderi Fruitpack PVT.

The information provided on the tariff suspension application is shown in the table below.

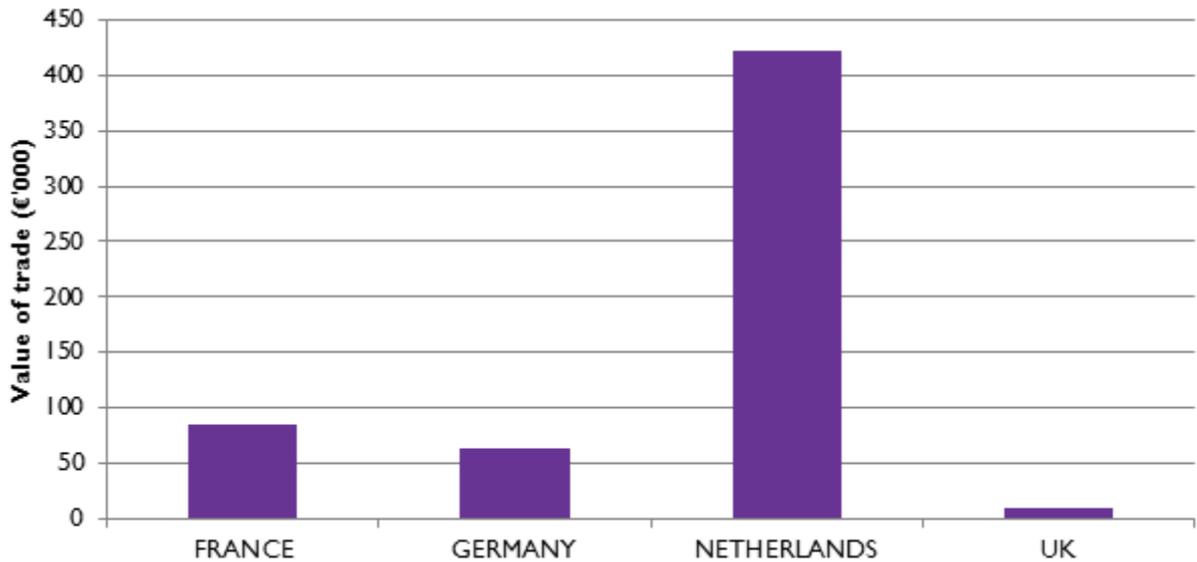
Data item	Response on application document
Anticipated annual imports	587,000 kg (€452,000)
Current imports	587,000 kg (€452,000)
Duty before implementation	11%
Estimated uncollected customs duties	€50,000

Quantitative desk research

Analysis of importing countries

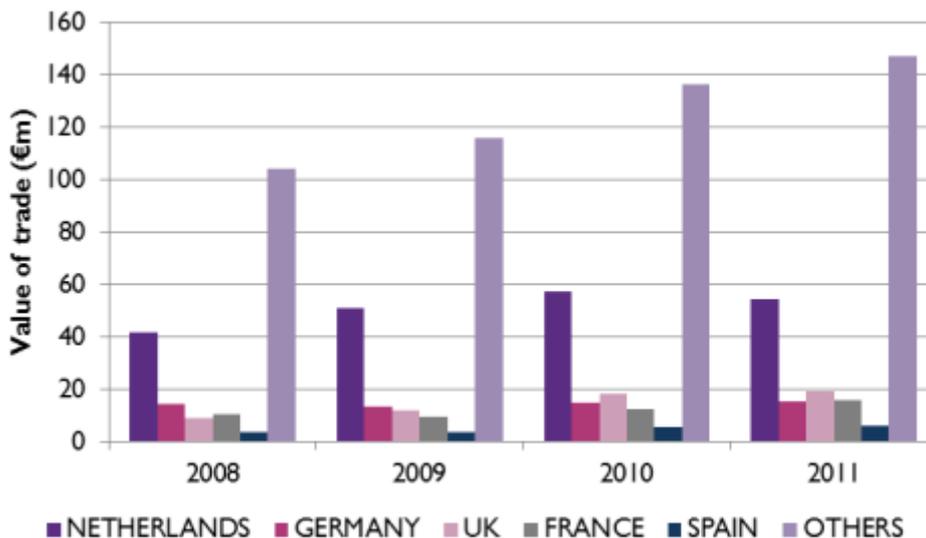
The only year for which data are available on imports of the suspended product is 2011. In that year, the value of imports of the suspended product was relatively small. As shown in the figure below, only four EU countries imported the product in that year: the Netherlands, France, Germany and the UK. The Netherlands was the largest importer and it alone accounted for approximately 73 per cent of the total traded value in that year.

Figure 0.2: Imports of guava puree concentrate



Comparing the Figure below with that above provides an indication of how small the value of guava puree imports is relative to imports of other products that belong to the same eight-digit CN code: the total value of imports for the eight-digit CN code is several hundred thousand times greater than the import of the suspended product. Between 2008 and 2011, the Netherlands was the greatest importer of products that belong to the same eight-digit CN code to which the subject of the case study is attached followed by Germany and the UK. However, imports were spread across the EU such that imports to other EU countries accounted for approximately 57 per cent of the value of all imports in 2011.

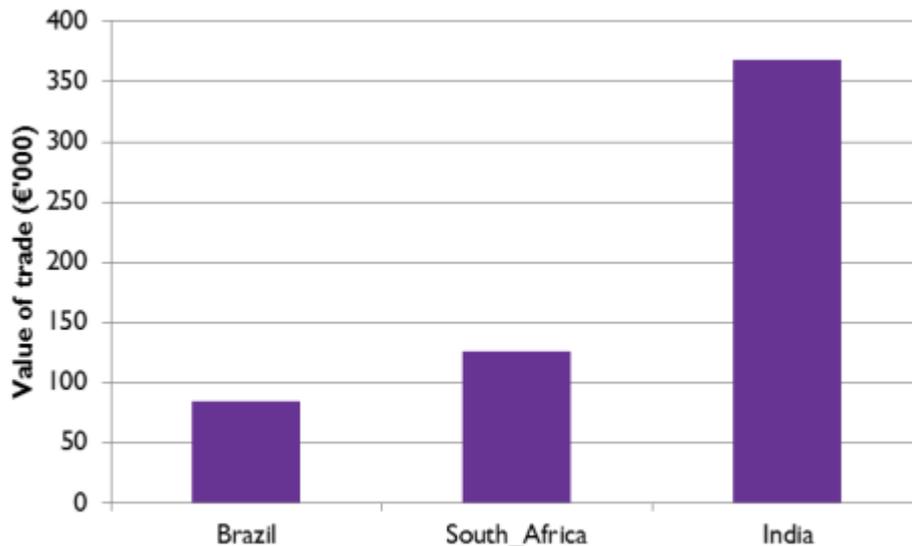
Figure 0.3: Imports of all products in same eight-digit CN code as guava puree concentrate



Analysis of exporting countries

In 2011, the EU imported guava puree (20 brix) from three countries: Brazil, South Africa and India. There was no trade with EPA, EBA or Western Balkan countries.

Figure 0.4: Exports to EU Member States of guava puree concentrate

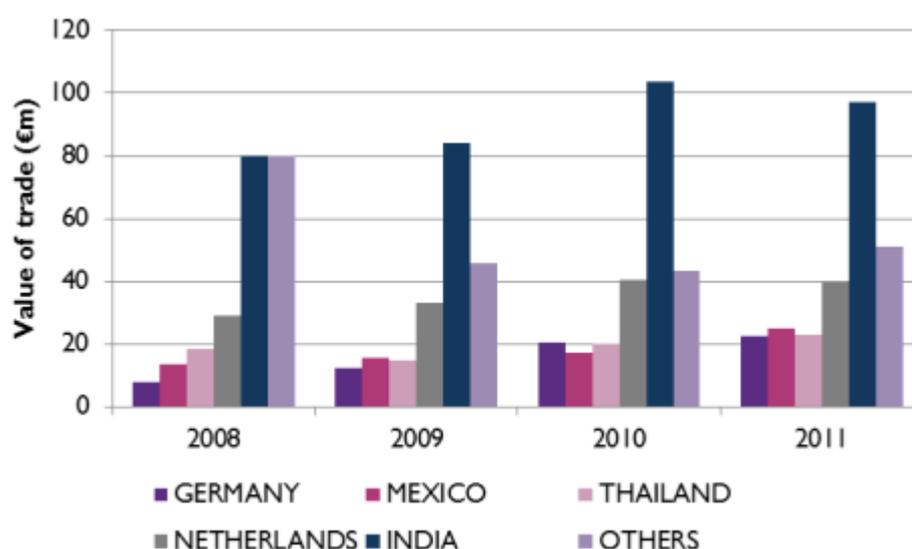


Looking at the broader product category, we find that India was the largest exporter of products in the CN to which the case study product belongs. There was some trade at eight-digit CN code level with the EPA countries, EBA countries and Western Balkans.

A total of eight EU Member States traded with the EPA countries; the Netherlands was the largest importer by trading value. Only three Member States had traded with EBA countries - France, the Netherlands and the UK - and the Netherlands once again had the greatest amount of trade with these countries. Finally, only three Member States traded with the Western Balkans and Netherlands once again was the largest importer (indeed, it accounted for all imports from these countries in 2010).

While we do not observe trade with the EPA, EBA or Western Balkans in suspended products but observe trade in the broader product category, we cannot conclude that the tariff suspensions scheme has led to a negative impact on imports from countries with special trading arrangements for this product. The suspended product accounts for a trivial proportion of imports of products that belong to the same eight-digit CN code and the likely explanation for the lack of trade with these countries is low import value rather than reflecting an impact of a negative impact of the suspensions scheme.

Figure 0.5: Exports to EU Member States of all products in same eight-digit CN code as guava puree concentrate



Case study 2 – Manganese dichloride (2827398530):

Manganese dichloride is a chemical that is produced by treating manganese (IV) oxide with concentrated hydrochloric acid. It is used in industrial applications such as dyeing and disinfecting, the purification of natural gas, and as a drying agent for linseed oil.⁵ One of the main applications includes for the production of dry cell batteries.

The tariff suspension was applied for by Chemetall Ges.m.b.H, a company based in Austria. The non-EU producer listed on the tariff suspension application documents is based in China but the name is confidential.

The information provided on the tariff suspension application is shown in the table below.

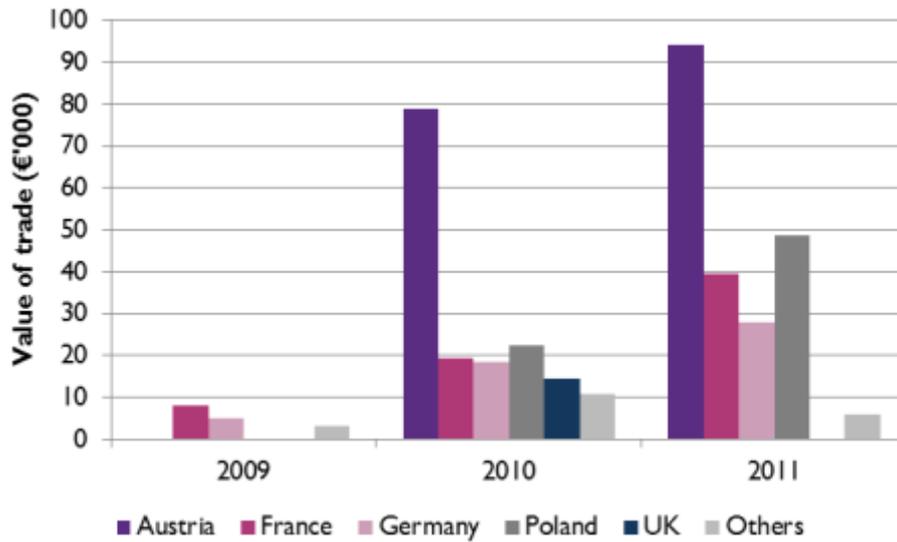
Data item	Response on application document
Anticipated annual imports	Confidential
Current imports	Confidential
Duty before implementation	5.5%
Estimated uncollected customs duties	Confidential

Quantitative desk research

Analysis of importing countries

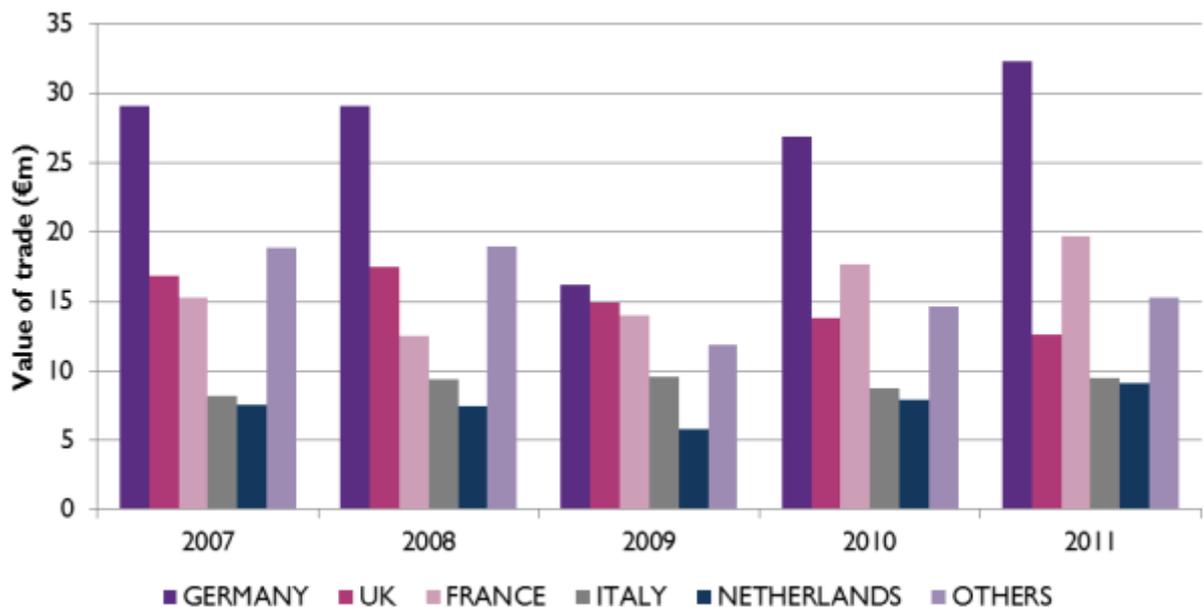
As shown in the figure below, the value of imports of manganese dichloride was low throughout the period covered by this evaluation. However, the value of trade increased between 2009 and 2011 which may suggest that the tariff suspensions scheme had a positive impact on the EU production of final products that use manganese dichloride as an input.

Figure 0.6: Imports of manganese dichloride



As shown in the figure below, Germany was the largest importer by trading value of products that belong to the same eight-digit CN code as manganese dichloride throughout the whole sample period. The UK, France, Italy and the Netherlands were also significant importers. Comparing the figure below with that above, it is clear that manganese dichloride accounts for a trivial proportion of trade in all products that belong to the same eight-digit CN code.

Figure 0.7: Imports of all products in same eight-digit CN code as manganese dichloride

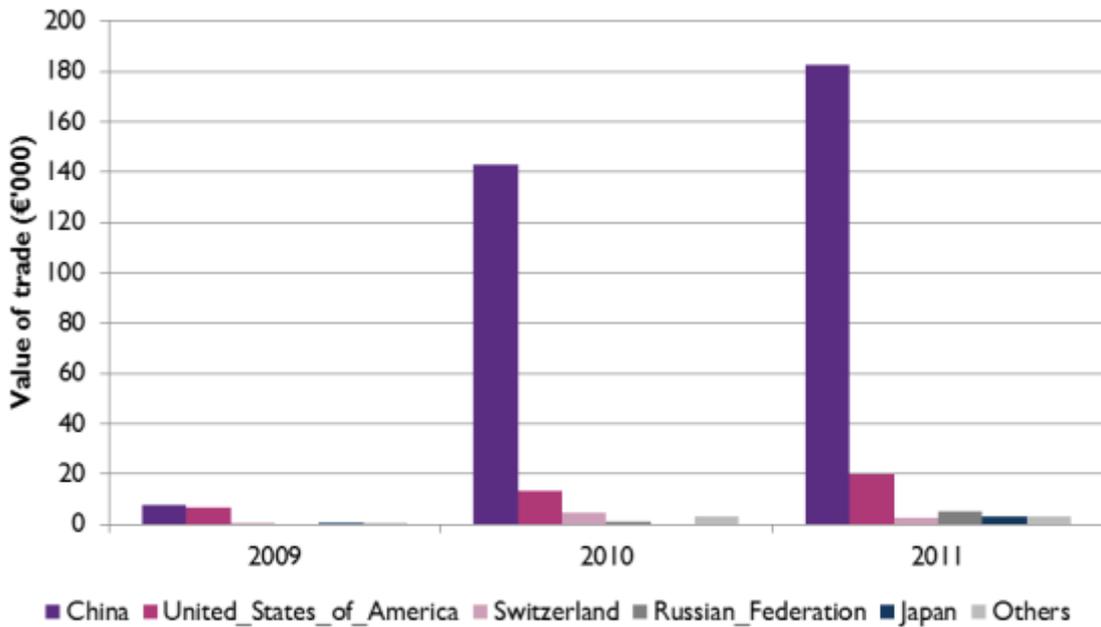


Analysis of exporting countries

As shown in the figure below, China was the biggest exporter of manganese dichloride by value. The value of imports from China increased significantly in 2010 and it is clear that China is the main beneficiary of increased trade in the product. By the end

of 2011, China accounted for 84 per cent of all trade, by value. There was no import of manganese dichloride from the EBA, EPA or Western Balkans.

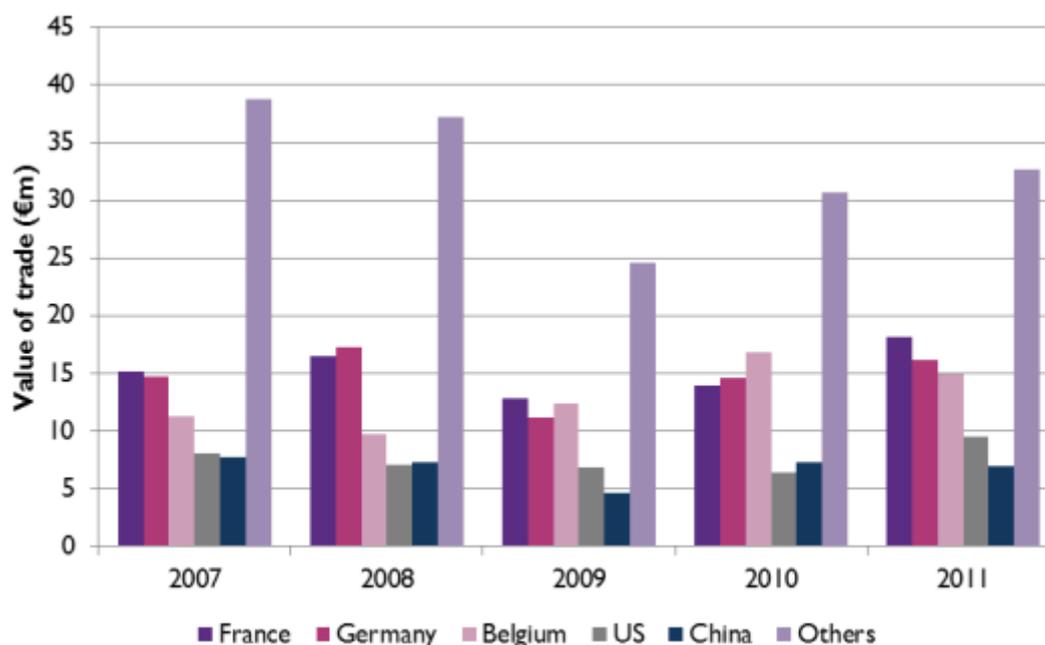
Figure 0.8: Exports to EU Member States of manganese dichloride



At eight-digit CN code level, three out of the five largest countries by export value were EU countries, with France being the largest (see figure below). The top five countries in total accounted for around 33 per cent to 40 per cent of all imports by value.

A small proportion of imports originated in the EPA countries, EBA countries and Western Balkans. The average percentage of traded value accounted for by the EPA countries was 0.05 per cent in the whole period. Belgium was the only country traded with EBA countries and the total valued traded was €25,000 in 2011. It represented 0.03 per cent of total imported value of the year. Trading with Western Balkans countries corresponded to the smallest percentage of total traded value, 0.001 per cent.

Figure 0.9: Exports to EU Member States of all products in same eight-digit CN code as manganese dichloride



These results suggest that the tariff suspensions scheme is unlikely to have had an impact on trade with countries with special trading arrangements. Given that a minute proportion of trade at the eight-digit CN code level is with these countries, it appears that this case study product is not produced by those countries and so the scheme does not appear to have led to a negative impact on imports from countries with special trading arrangements for this product.

Case study 3 – Non-irradiated hexagonal fuel modules (8401300020):

This product is a fuel module that has an unusual hexagonal shape. It is used in nuclear reactors for power generation.

The tariff suspension was applied for by ČEZ Group, which is an operator of various energy sources, including all of the six nuclear power plants in Czech Republic. The non-EU producer listed on the tariff suspension application documents is Westinghouse Electric Comp. LLC which is a supplier of various products to the nuclear power industry, including fuel to the power stations operated by ČEZ Group in Temelin, Czech Republic.

The information provided on the tariff suspension application is shown in the table below.

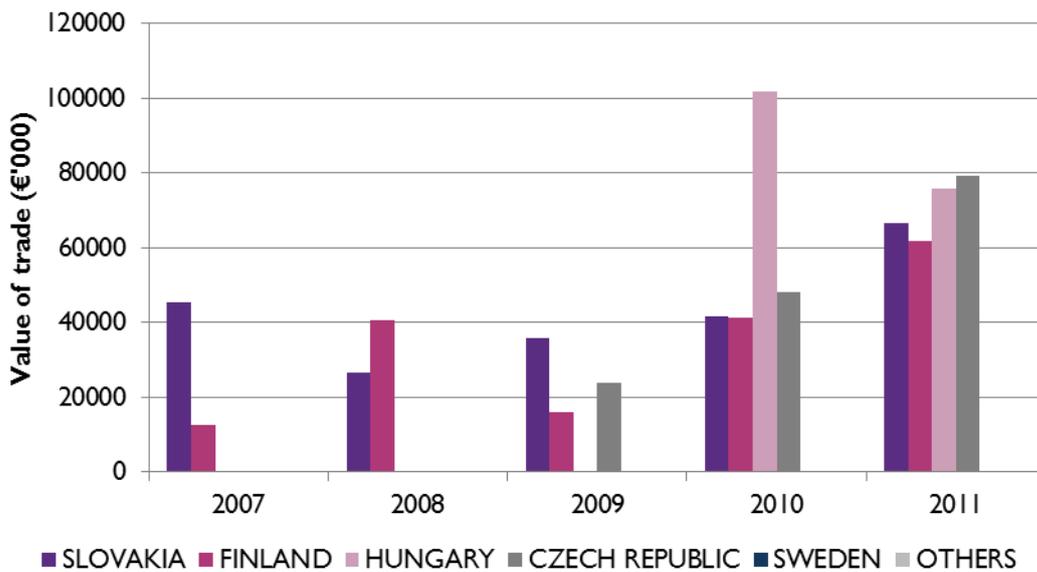
Data item	Response on application document
Anticipated annual imports	84 units (€30.5m)
Current imports	84 units (€28m)
Duty before implementation	3.7%
Estimated uncollected customs duties	€1.1m

Quantitative desk research

Analysis of importing countries

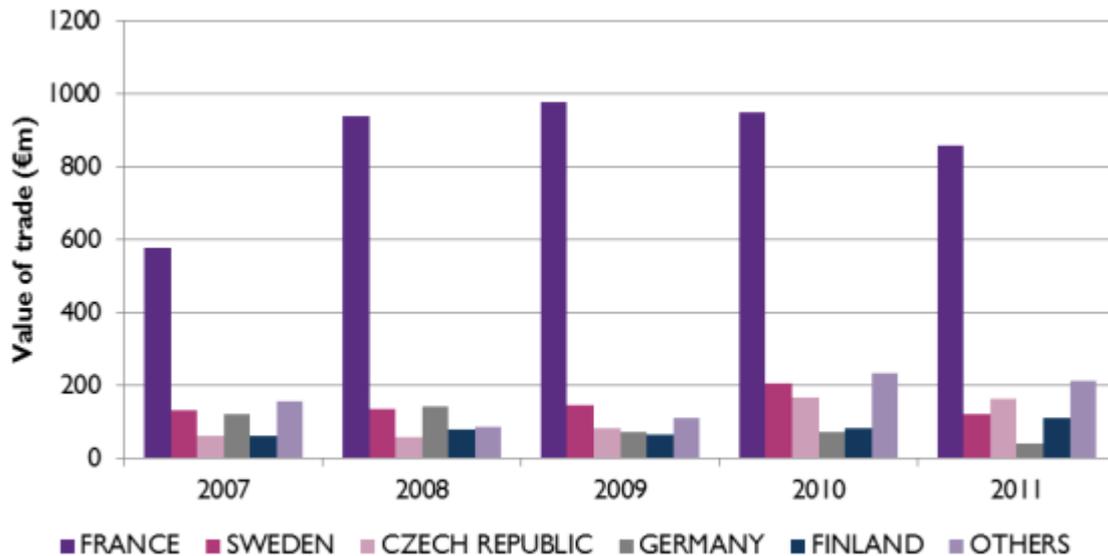
Slovakia was the largest importer of non-irradiated hexagonal fuel modules in 2007 and 2009 but was overtaken by Finland in 2008 and Hungary in 2010. Hungary only began trading in 2010 and it was the largest importer in that year, accounting for 43 per cent of the total traded value. In 2011, the Czech Republic became the largest importer followed by Hungary.

Figure 0.10: Imports of non-irradiated hexagonal fuel modules



Considering all products that belong to the same eight-digit CN code as non-irradiated hexagonal fuel modules we find that France was the largest importer throughout the period, accounting for 57 per cent of all imports by value in 2011. The remaining four countries had a relatively low trading value throughout the period. Given the nuclear-intensity of France’s electricity generation mix, this result is somewhat unsurprising.

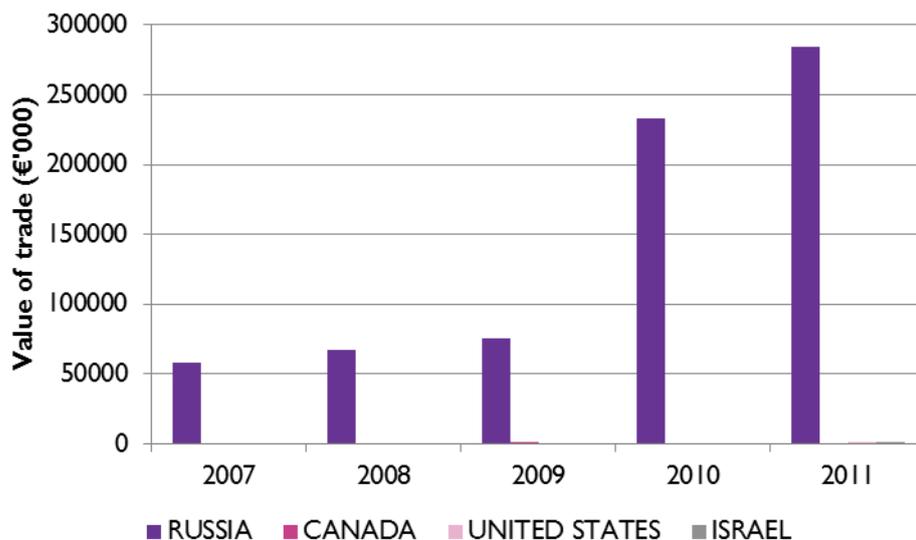
Figure 0.11: Imports of all products in same eight-digit CN code as non-irradiated hexagonal fuel modules



Analysis of exporting countries

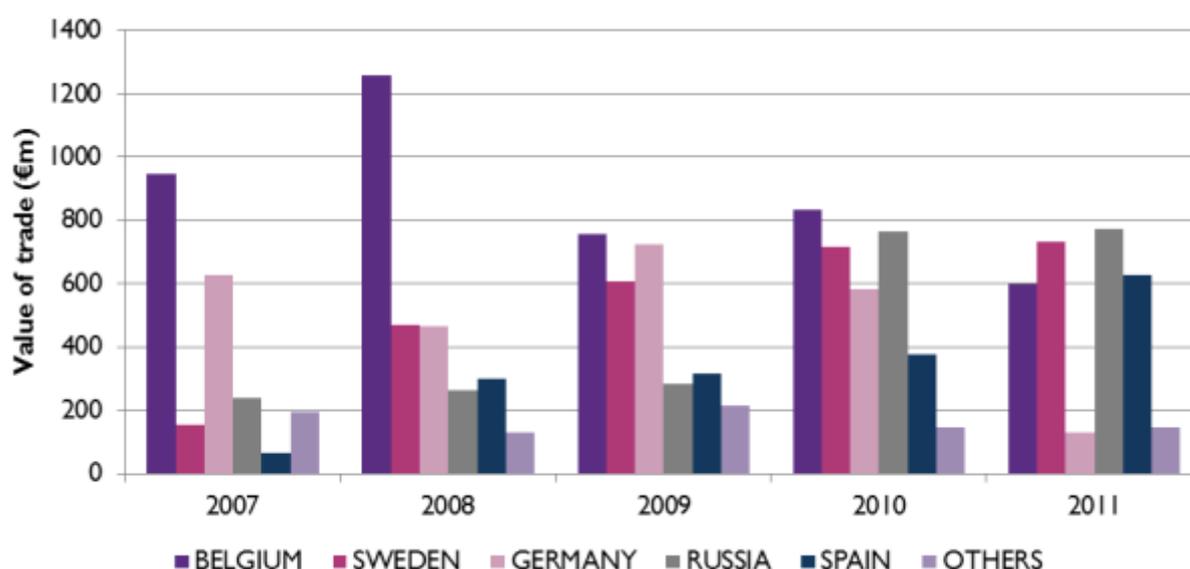
Russia became the largest player under the tariff suspension scheme in all five trading years. It also experienced a net positive growth of 389 per cent in the whole period and represented nearly all of the traded value. As such, other countries, such as Canada, United States and Israel which were the only three countries traded alongside with Russia only accounted for a negligible amount of the traded value.

Figure 0.12: Exports to EU Member States of non-irradiated hexagonal fuel modules



Belgium was the largest exporter to EU countries of all products that belong to the same eight-digit CN code as non-irradiated hexagonal fuel modules between 2007 and 2010; it was overtaken by Russia in 2011. The peak value of its exports was in 2008 when it accounted for 44 per cent of all trade by value in that year.

Figure 0.13: Exports to EU Member States of all products in same eight-digit CN code as non-irradiated hexagonal fuel modules



We found no trade with the EPA, EBA or the Western Balkans countries for either the product under suspension or the broader product category. On this basis, we conclude that the tariff suspensions scheme has not led to a negative impact on imports from countries with special trading arrangements for this product.

Case study 4 – Anchor head of hot dipped galvanized ductile cast iron (7325991020):

The anchor head of hot dipped galvanized ductile cast iron is mainly used for the processing of earth anchors.

The tariff suspension was applied for by JLD International, which is a Dutch supplier of JLD Collapsing anchors, ESP Synthetic sheet piles, WPC Platforms, scaffolding material and other related products. The non-EU producer listed on the tariff suspension application documents is Foresight Products of Colorado, USA.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	100,000 pieces (€2,000,000)
Current imports	25,000 pieces (€500,000)
Duty before implementation	2.7%
Estimated uncollected customs duties	€54,000

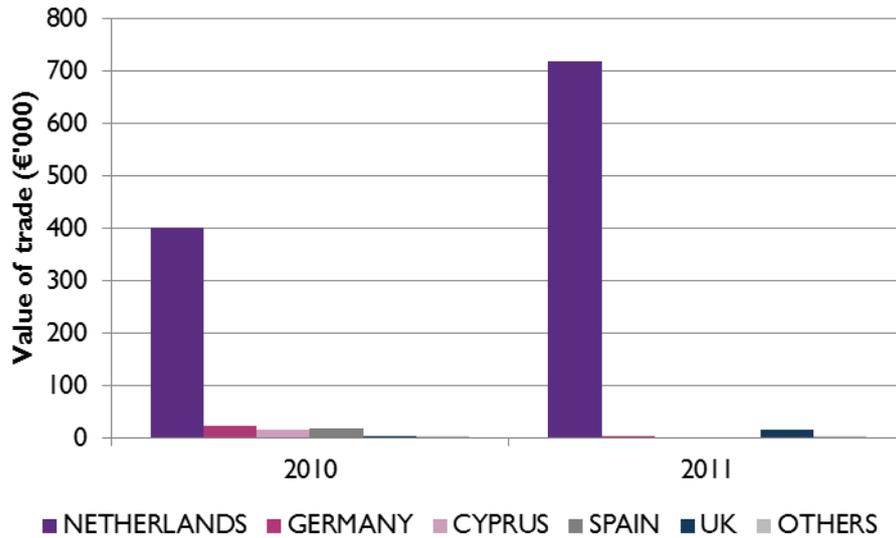
Quantitative desk research

Analysis of importing countries

As shown in the figure below, the Netherlands was the largest importer of the anchor head of hot dipped galvanized ductile cast iron in 2010 and 2011, accounting for 90

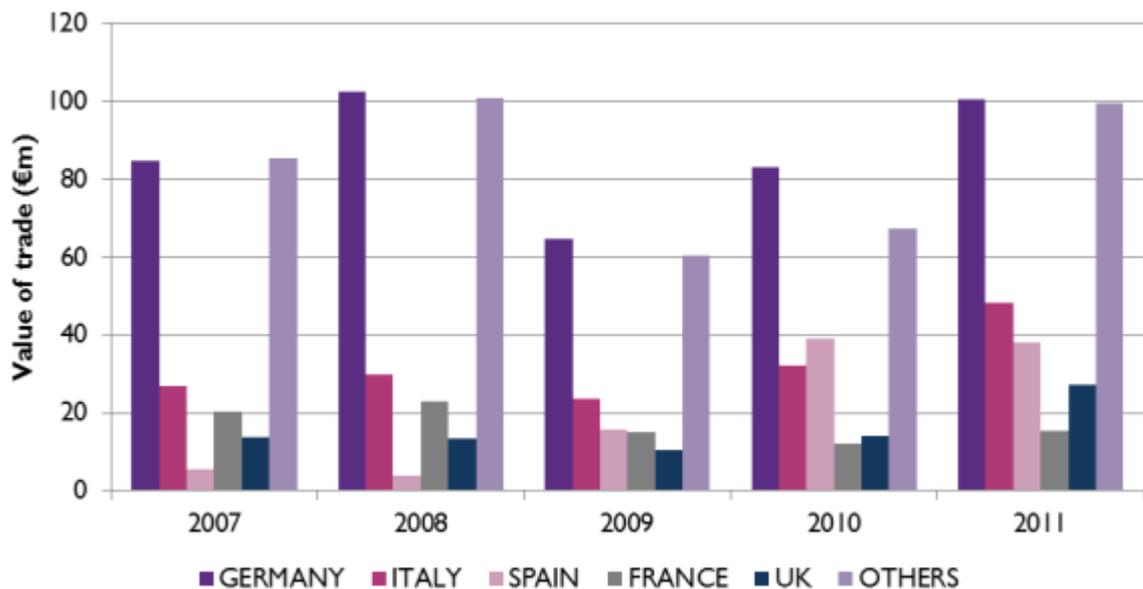
per cent and 98 per cent of all imports respectively. Given that JLD International, the applicant, is based in the Netherlands, this finding is not unexpected. It is noticeable that the import value has not reached the level anticipated in the application document but exceeded the value of imports prior to the application being granted.

Figure 0.14: Imports of anchor head of hot dipped galvanized ductile cast iron



The figure below shows that for the broader product category, Germany was the largest importer across the whole period, accounting for between 30 and 38 per cent of all trade by value. Comparing this figure with that above, it is clear that the anchor head of hot dipped galvanized ductile cast iron accounts for a tiny proportion of all trade in the eight-digit CN code to which it belongs.

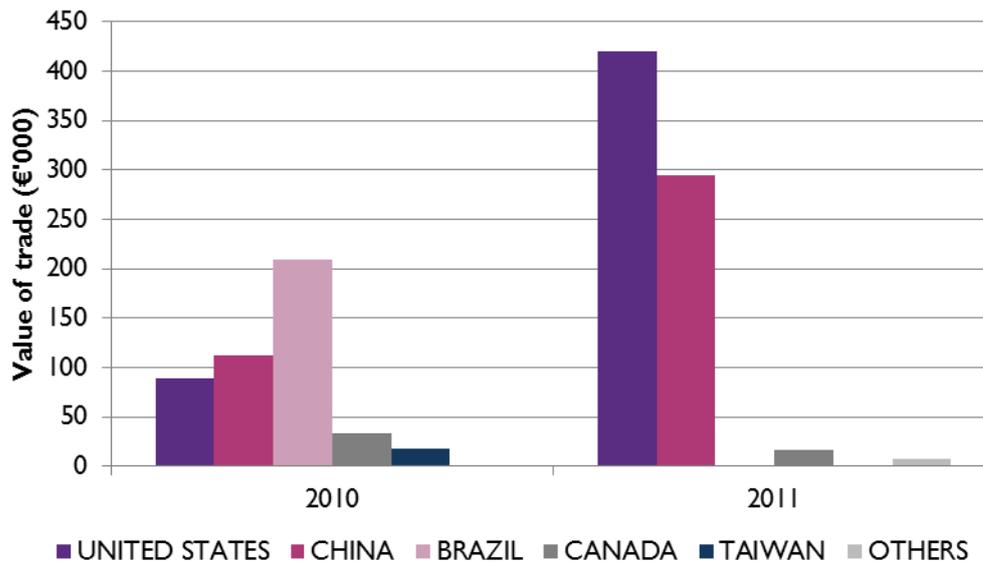
Figure 0.15: Imports of all products in same eight-digit CN code as anchor head of hot dipped galvanized ductile cast iron



Analysis of exporting countries

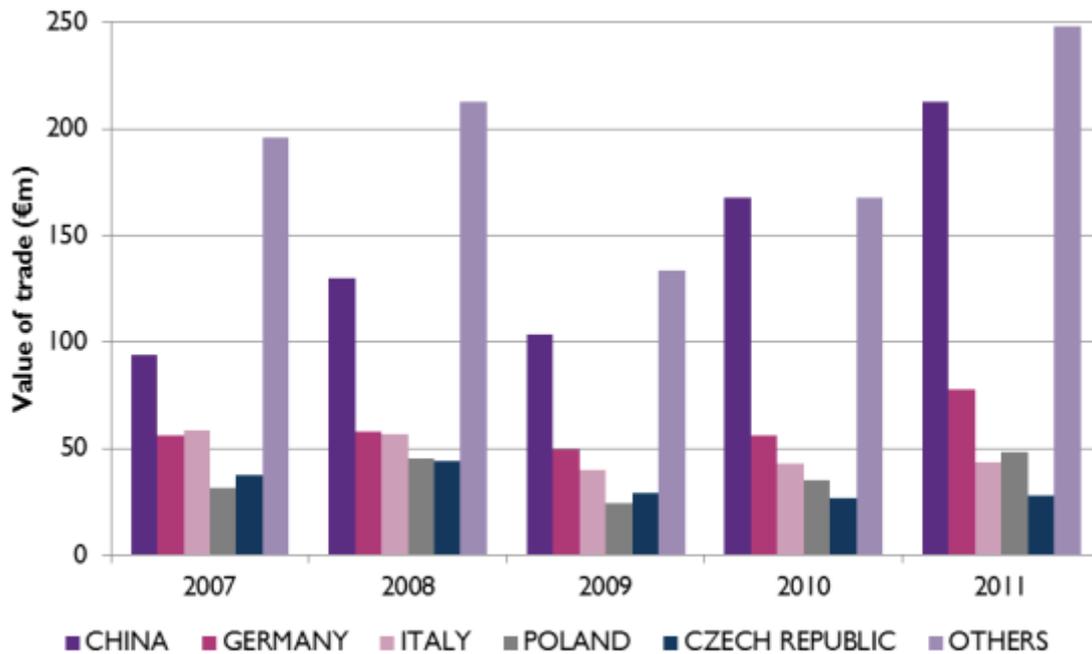
As shown in the figure below, the largest exporters of the anchor head of hot dipped galvanized ductile cast iron were Brazil in 2010 and the United States in 2011. There was no trading of the suspended product with the EPA, EBA or Western Balkan countries.

Figure 0.16: Exports to EU Member States of anchor head of hot dipped galvanized ductile cast iron



Considering the broader product category, China was the largest single exporter by trading value. By 2011 it accounted for 32 per cent of all exports followed by Germany, which represented 12 per cent of the total.

Figure 0.17: Exports to EU Member States of all products in same eight-digit CN code as anchor head of hot dipped galvanized ductile cast iron



We observe a very small proportion of trade with the EPA, EBA and Western Balkan countries at eight-digit CN code level. The percentage of imports from EPA countries averaged 0.01 per cent between 2007 and 2011; the corresponding figures for the EBA and Western Balkans were 0.02 per cent and 0.2 per cent respectively.

Given the extremely small proportion of trade at eight-digit CN code level that is with the EPA, EBA and Western Balkan countries, we consider that it is unlikely that the tariff suspensions scheme has led to a negative impact on imports from countries with special trading arrangements for the anchor head of hot dipped galvanized ductile cast iron.

Information provided by applicant

Motivation for applying for suspension

JLD international would like to develop a new product line that would use the anchor head of hot dipped galvanized ductile cast iron as an input material and the tariff suspension scheme provided an extra incentive for trailing the new product.

Experience of applying for suspension

The suspension for the imported product was the first application that JLD had applied for and it took approximately 3 to 5 man-days to prepare for the submission. They found the application documents challenging to complete but they were glad to have received excellent guidance from the Dutch Ministry of Economic Affairs. The advice provided was essential and JLD believed it would be difficult to complete it without the help from the Ministry. As such, they believed that the guidance is likely to be as important to other SMEs that wish to participate in the scheme.

In general, the company is happy with the application intervals of every six months and felt confident on the process and aware of the stage of the procedure of the application while it is being processed by the European Commission.

Experience after the suspension was granted

JLD experienced number of problems at the ports after the suspension had been granted. Although the Dutch customs was very cooperative, they lack a good understanding of the scheme and hence, the products imported under suspension would be double-checked at the port which was very time-consuming. The delays created through the customs initially created a cost for JLD that was greater than the amount of duty saved through the tariff suspension. The issues were now resolved and JLD would expect to receive net benefit from the scheme in the future.

Usage of the suspensions scheme

There a total of 20 suspensions JLD has benefited from between 2007 and 2011 including the one applied for this case study product. The product imported under suspension is used in the manufacture of several final products and the sales of those final products accounted for over half of the turnover of the company.

The imported product is supplied by two non-EU companies, located in China and Brazil respectively and the scheme has only had an impact on the cost of importing from China. There is no duty applied to imports from Brazil even in the absence of the suspension scheme.

Impacts of the suspension scheme

JLD estimated that the duty avoided between 2007 and 2011 because of the scheme to be less than €10,000 and the cost of the suspended product accounted for between 51- 75 per cent of the total production costs of the final product.

As part of the business strategy to base its profitability on quantity of sales, JLD did not use the suspension to increase their profit margin but passed onto consumer through lower prices and partly devoted to research and develop (R&D) to boost sales. As a result of the R&D, the importer would be launching new product for the oil and gas sectors using the imported product as an input. However, it is not clear that the tariff suspension was the key influence on the development of the new product range. JLD would not have stopped the production of existing range if the suspension application had not succeeded. Also, although JLD felt that the scheme had a positive and significant impact on its profitability, it is difficult to assess the direct impact of the suspension scheme. JLD reported that the scheme appears to have had a positive but small effect on production volume and employment.

JLD has also begun to export the final products to countries within the EU and number of non EU-countries such as the USA, Russia and African countries.

Further comments on the scheme

Concerns have been raised by JLD on the period of the suspension. Given the significant amount of time devoted for the application, they felt that the period is too short to justify for the cost of the application and ten years would be an appropriate suspension period. Although there is possibility of extension, they are concerned about the potential paperwork that it may involve.

Also, they believed that there is scope of improvement that could be made for the awareness of the scheme through better marketing from both national and European authorities. This would help to allow more EU businesses to find out about the scheme and make use of the opportunities to improve their businesses.

Case study 5 – Polyethylene non-woven (5603139080):

The polyethylene non-woven, covered on both sides with a non-woven of polypropylene and wood pulp, of a weight of 70 g/m² or more but not exceeding 90 g/m², in rolls, is for use in the manufacture of baby wet wipes.

The tariff suspension was applied for by Kimberly-Clark (KC) Limited, UK and the non-EU producer listed on the tariff suspension application documents is Kimberly-Clark Corporation, USA. KC, the parent company group, is a public listed company with toiletries related business across the globe. It operates in various industries, including the Baby Care industry. The product listed on the application document is The product is the proprietary property of KC.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	97,000,000 metres
Current imports	Not available
Duty before implementation	4.3%
Estimated uncollected customs duties	Not available

Quantitative desk research

Analysis of the importing countries

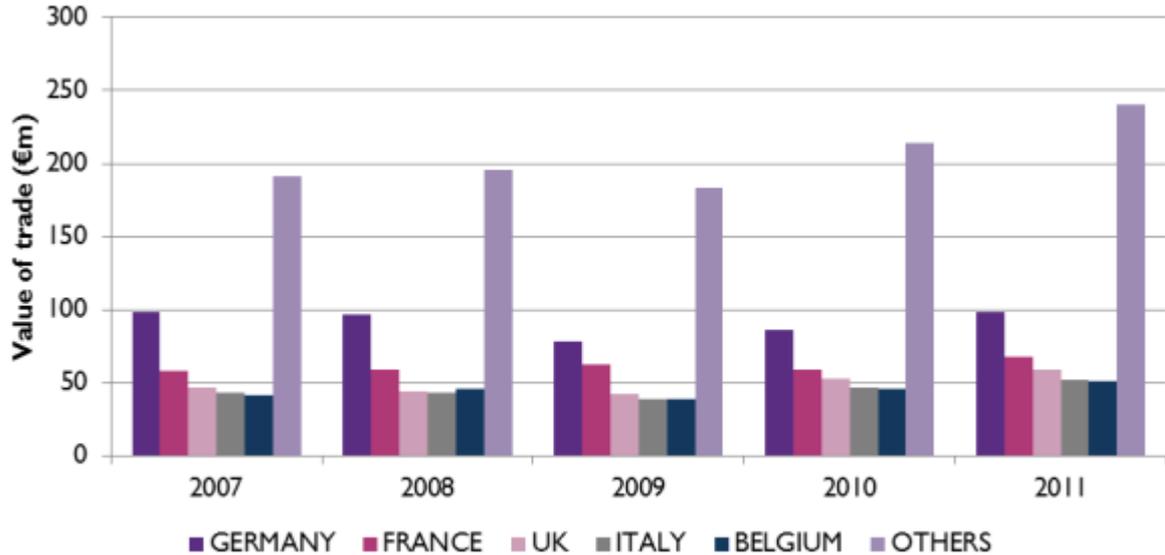
The figure below shows that there was a relatively small amount of trade in the suspended product during 2007 and 2008. Denmark was the largest customer by import value in 2008 while France and Hungary were the largest importers in 2007. There is no trade under suspension from 2008 onwards.

Figure 0.18: Imports of polyethylene non-woven



Considering the broader product category, Germany and France were the largest single importers by value. The value of all imports in the eight-digit CN code to which the suspended product belongs is substantially greater than the value of trade in the suspended product.

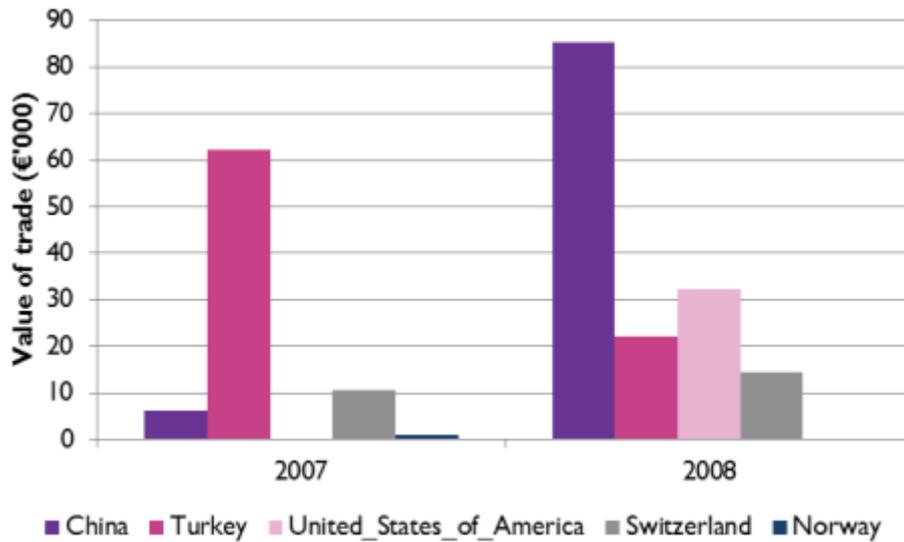
Figure 0.19: Imports of all products in same eight-digit CN code as polyethylene non-woven



Analysis of the exporting countries

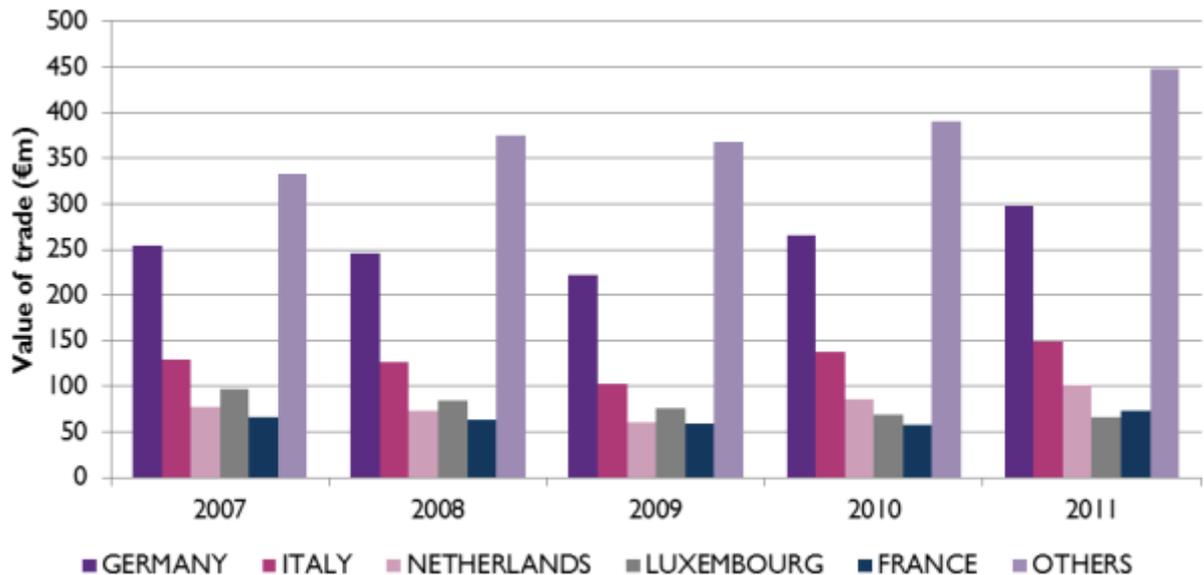
Turkey was the largest exporter of the case study product to EU in 2007 but was overtaken by China in 2008. We observe no trade with the EPA, EBA or Western Balkans for this product.

Figure 0.20: Exports to EU Member States of polyethylene non-woven



Looking at exports of all products that share the same eight-digit CN code as the case study product, we find that Germany is the greatest single exporter by trade value in each year covered by this evaluation (see figure below). The sources of these products have remained broadly constant over time.

Figure 0.21: Exports to EU Member States of all products in same eight-digit CN code as polyethylene non-woven



Looking at the trading with countries that have special trading arrangements with the EU, on average, trading with EPA countries represented 2.4 per cent of total traded value in the whole period. This is a higher proportion of total trade than is observed for the majority of other case study products and is significantly greater than the average proportion of imports from EPA countries.

The EBA and Western Balkan countries are far less important in terms of trade in the eight-digit CN code which the case study product belongs to. Trading with EBA countries accounted for less than 0.001 per cent of total traded value while imports from the

Western Balkan countries corresponded to an average of 0.03 per cent of the total traded in the period.

In light of these observations, we consider that it is reasonable to assume that, for this product, the tariff suspensions scheme has not led to a negative impact on imports from the EBA or Western Balkan countries. However, the proportion of imports at eight-digit CN code level that are derived from the EPA countries is non-trivial. Therefore, given the data available, it is not possible to rule out negative impact on imports from the EPA countries.

Information provided by applicant

Motivation for applying for suspension

Kimberly Clark Limited (KC) has been involved in the CCT duty suspensions scheme for many years and has applied for many suspensions in the 5603 class in addition to that which is the subject of this case study. It has a dedicated import/export department to check whether a suspension is already in force for any new material that need to be purchased and is not available from an EU manufacturer. If it is not already suspended, the department would then send in the application.

Experience of applying for suspension

KC has established an application procedure through its learning by doing process and became more familiar with the information that is required from the experience in past applications. They now found the process to be relatively straightforward but commented that the trickiest part of the application is to find the appropriate technical expert to help with the completion of the forms.

Usage of the suspensions scheme

The majority of products for which KC has applied for a tariff suspension are used in the manufacture of Huggies diapers (although the specific focus of this case study is on wet wipes). Most of these products are specific to the use in diaper manufacturing and many are subject to an end-use control.

KC imports from a range of different suppliers (including KC Corporation), most of which are based in the USA. It is typically necessary to import from outside the EU because EU manufacturers are either unable to produce the volume required by KC or are unable to manufacture the inputs that are required for cutting-edge diapers. There are only a small number of US companies that are able to manufacture products that are both suitable for use in KC's production process and in the volumes that it requires. Despite the benefits of the scheme, the choice of production process is unaffected by the presence of the tariff suspensions scheme.

Impacts of the suspension scheme

Competition in the diaper market is intense and so a small reduction in cost can make a big difference to the company. Much of the cost reduction (i.e. saving of 4.3% duty) is passed through to customers in the form of a lower price. However, it is difficult to identify whether or not the suspensions scheme has had a significant impact on sales since price is just one of many aspects of competition in the diaper market.

Further comments on the scheme

KC would like to apply for tariff suspensions more than twice per year and would like the time taken to secure a suspension to be reduced – it can be frustrating for companies that operate in fast-moving markets to wait for a long period of time for a suspension to be granted. KC viewed the tariff suspensions scheme as a second-best solution given that the products it requires as inputs cannot be sourced within the EU. It would prefer to purchase inputs from an EU manufacturer because of the easier logistics and lower transport costs that would be involved.

Case study 6 – Silicon nitride (Si₃N₄) rollers or balls (6909190020):

Silicon nitride (Si₃N₄) rollers (or balls) have good shock resistance as compared to other materials and are harder than metal. They are imported to be used in the manufacture of roller bearings which carries a load by placing round elements between two bearing rings. Rolling bearing has the advantage of cost effectiveness in many aspects, such as durability, accuracy, friction and carrying capacity etc.

The tariff suspension was applied for by SKF Group, which is an Austrian producer of a wide range of products, including bearings. The non-EU producer listed on the tariff suspension application documents is NGK Spark Plug, which is a Japanese producer of various products, including silicon nitride rollers.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	50,000 pieces (€450,000)
Current imports	20,000 pieces (€180,000)
Duty before implementation	5%
Estimated uncollected customs duties	€22,500

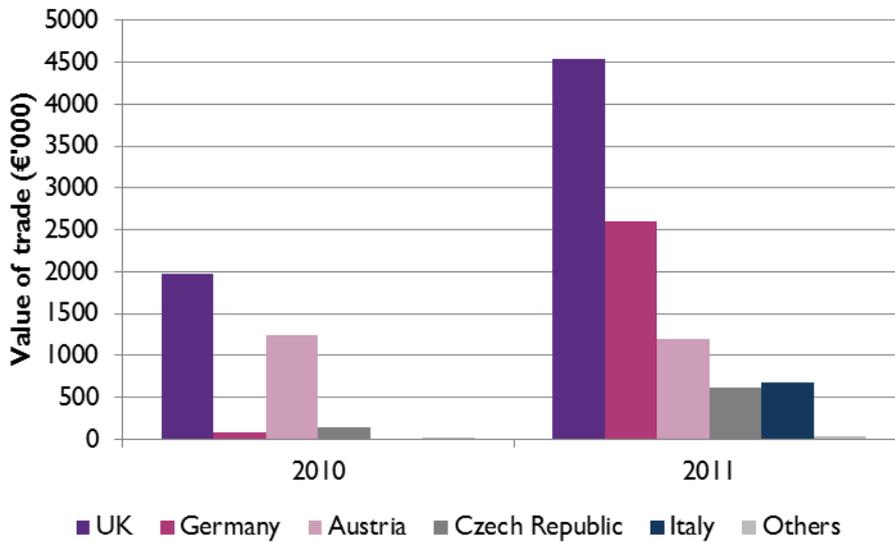
Quantitative desk research

Analysis of importing countries

The UK was the largest importer of silicon nitride rollers or balls by import value in each of the years for which data are available. UK imports more than doubled between 2010 and 2011 while German imports increased by an extremely great percentage (albeit from a low base).

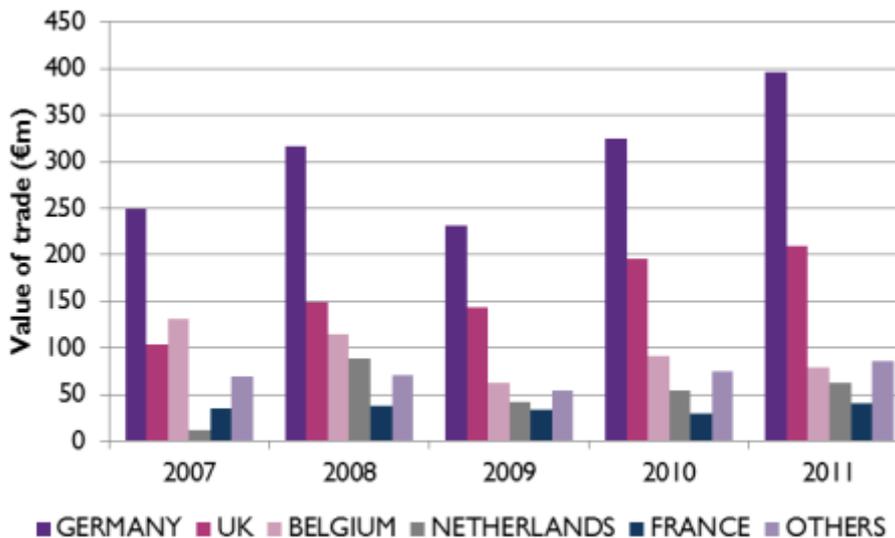
This may appear to suggest that the tariff suspensions scheme had a positive impact on EU production of the final products for which silicon nitride rollers and balls are an input but it must be borne in mind that the suspension only became active in July 2010 and hence the imports recorded for that year do not represent the full calendar year.

Figure 0.22: Imports of silicon nitride rollers or balls



Considering imports of products that belong to the same eight-digit CN code as silicon nitride rollers and balls, Germany is the largest importer by value. Germany alone accounted for 45 per cent of all imports by value in 2011 while the second largest importer, the UK, accounted for 24 per cent of imports. As was the case for previous case studies, silicon nitride rollers and balls account for a small proportion of all imports of products that share the same eight-digit CN code.

Figure 0.23: Imports of all products in same eight-digit CN code as silicon nitride rollers or balls

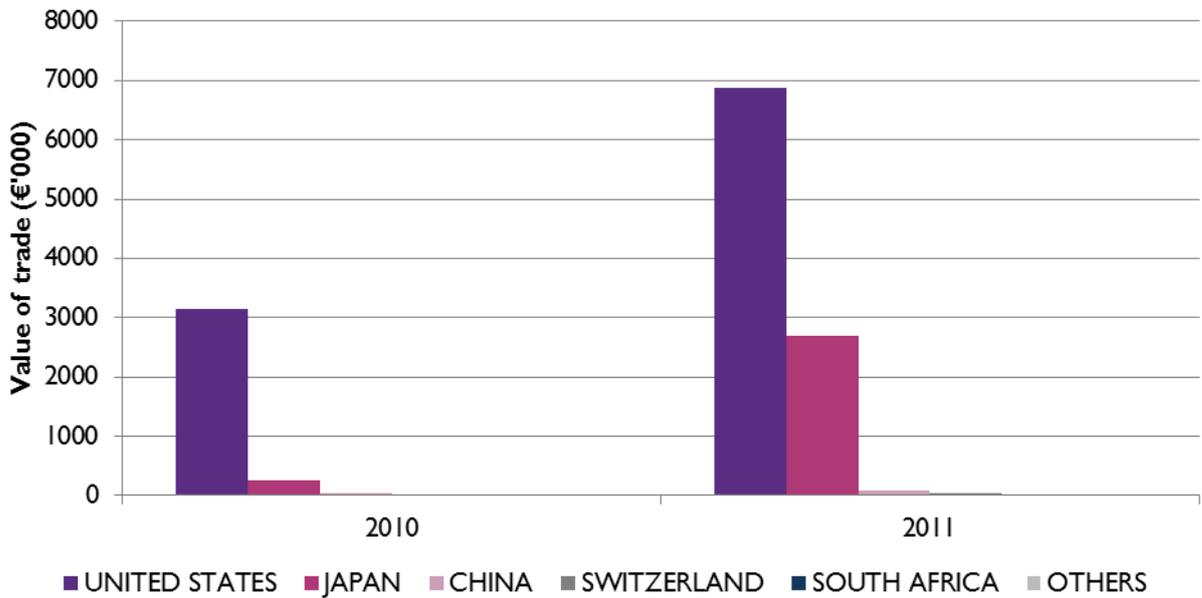


Analysis of exporting countries

The United States was the largest exporter to the EU of silicon nitride rollers and balls, followed by Japan. The sum of their total traded value alone accounted for 99 per cent of the total exported value in 2011 and the countries experienced significant growth of 118 and 987 per cent (from a low base) between 2010 and 2011. Again, this is likely to reflect the fact that the figures for 2010 are from July to December only.

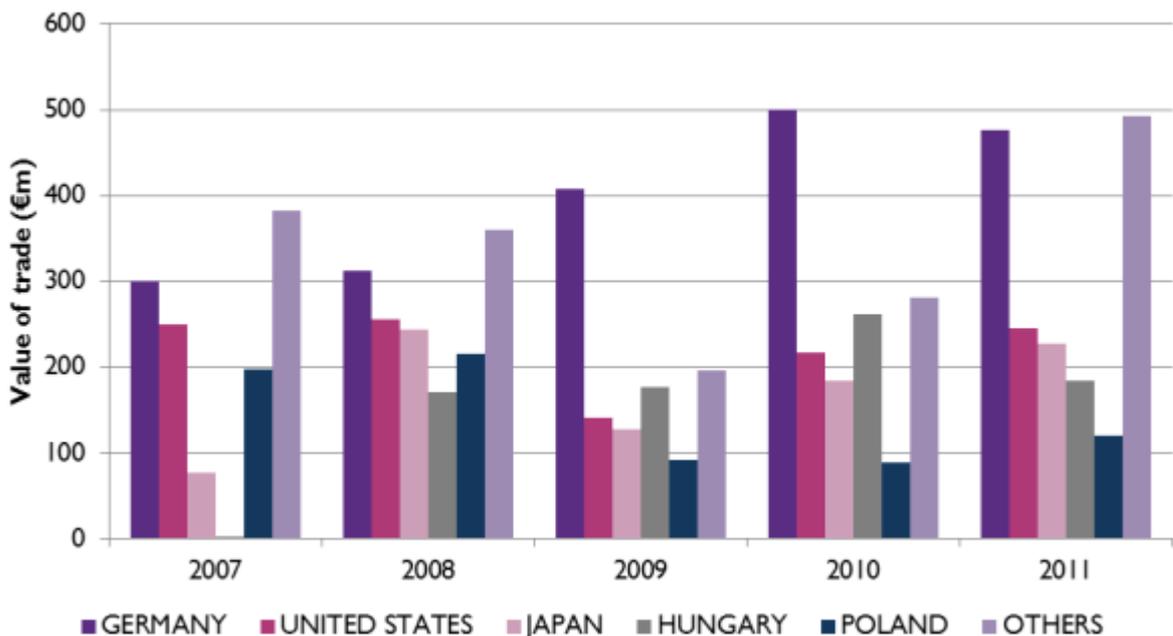
There is no evidence of imports of silicon nitride rollers or balls from the EPA, EBA or Western Balkan countries.

Figure 0.24: Exports to EU Member States of silicon nitride rollers or balls



Considering total exports of products that have the same eight-digit CN code as silicon nitride rollers and balls (see figure below), three of five largest exporters were EU countries and in 2011 Germany accounted for 27 per cent of the total export value.

Figure 0.25: Exports to EU Member States of all products in same eight-digit CN code as silicon nitride rollers or balls



EU Member States imported some products that share the same eight-digit CN code as silicon nitride rollers and balls from the EPA, EBA and Western Balkan countries. On average, trade with EPA countries accounted for 0.6 per cent of the total import value

while imports from the EBA and Western Balkans account for an average of 0.002 per cent and 0.02 per cent of total trade respectively. In light of the relatively low proportion of trade with countries that have special trading arrangements with the EU, we consider that it is unlikely that granting a suspension for silicon nitride rollers and balls led to a negative impact on imports from countries with special trading arrangements.

Information provided by applicant

Motivation for applying for suspension

In 2010, SKF made its first application for the tariff suspensions scheme after receiving information from the European Commission. SKF imported silicon nitride rollers and balls from US and Japan at a relatively stable input prices and it benefits from the duty suspension on imports from both countries after the approval of its application.

Experience of applying for suspension

Despite the large number of forms required for the application, SKF does not have any negative comments about the application procedure.

Experience after the suspension was granted

SKF considers that the suspensions scheme has benefitted its business. It considers that the scheme is important as it helps firms to be competitive.

Usage of the suspensions scheme

SKF operates in a highly competitive market with respect to its final products. It has one competitor from within the EU but the majority of its competitors are from Japan. Because of the degree of competition, 100% of the duty saving has been passed on to consumers in the form of lower prices.

The products imported under suspension are used to make a range of final goods and the range depends on the size of the import component: some sizes are associated with only one final product whereas others are associated with up to three final products. Some products that use the suspended input are new since the tariff suspension was granted. There are no alternative products or technologies that could be used and hence, the suspended product is an essential input to SKF.

Impacts of the suspension scheme

The scheme has given SKF a competitive advantage relative to its non-EU competitors. There has been some impact on production volume (and hence employment) but this has been relatively small and is lower than SKF expected. SKF has production facilities outside of the EU but these do not currently manufacture products that use the suspended product as an input. If the tariff suspensions scheme did not exist, it is possible that it would shift production to these non-EU production facilities.

Further comments on the scheme

SKF considers that that five-year duration for a suspension is relatively short. It would prefer a suspension to last for ten years in order to avoid the need to apply for an extension and bear the administrative costs of that procedure again in a short period of time.

While the scheme is beneficial, SKF would prefer to purchase inputs from a supplier based within the EU because of the easier transport and communication that this would create. It would also mean that SKF would have security of supply which would act as a safeguard against natural disasters such as the Japanese earthquake of 2011. As such, the tariff suspensions scheme is a second-best solution given that there is no EU supplier at present.

It is technically feasible to manufacture the suspended product within the EU but suppliers in Japan and the USA benefit from economies of scale, which acts as a barrier to an EU firm entering this market. EU producers have tended to focus on low volume specific ceramics that are not suitable inputs for the products manufactured by SKF.

Case study 7 – Pineapple in pieces (811909530):

Pineapple (*Ananas comosus*) is used for manufacture of spring rolls. The tariff suspension was applied for by Daloon, which is a Danish manufacturer of spring rolls. The non-EU producer listed on the tariff suspension application documents is SCT. Co Ltd, which is based in Thailand.

The information provided on the tariff suspension application is shown in the table below.

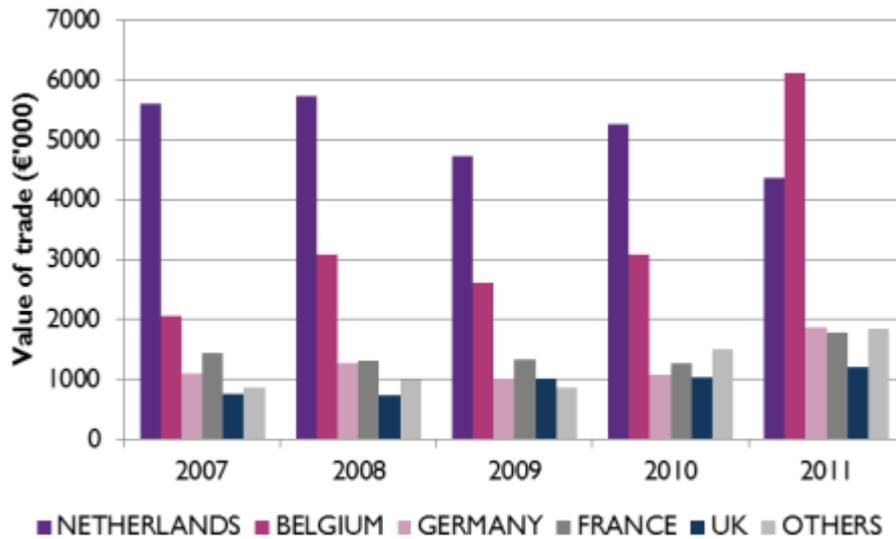
Data item	Response on application document
Anticipated annual imports	66,600kg (€96,500)
Current imports	66,600kg (€96,500)
Duty before implementation	5%
Estimated uncollected customs duties	€72,650.10

Quantitative desk research

Analysis of importing countries

As shown in the Figure below, the Netherlands was the single greatest importer of the case study product in each year of the period covered by this evaluation except 2011 in which it was overtaken by Belgium. The total value of imports increased between 2007 and 2011 despite the economic downturn. This may reflect an increase in EU production of spring rolls that contain pineapples but may instead reflect substitution towards using this type of pineapple in spring rolls so as to benefit from the tariff suspensions scheme.

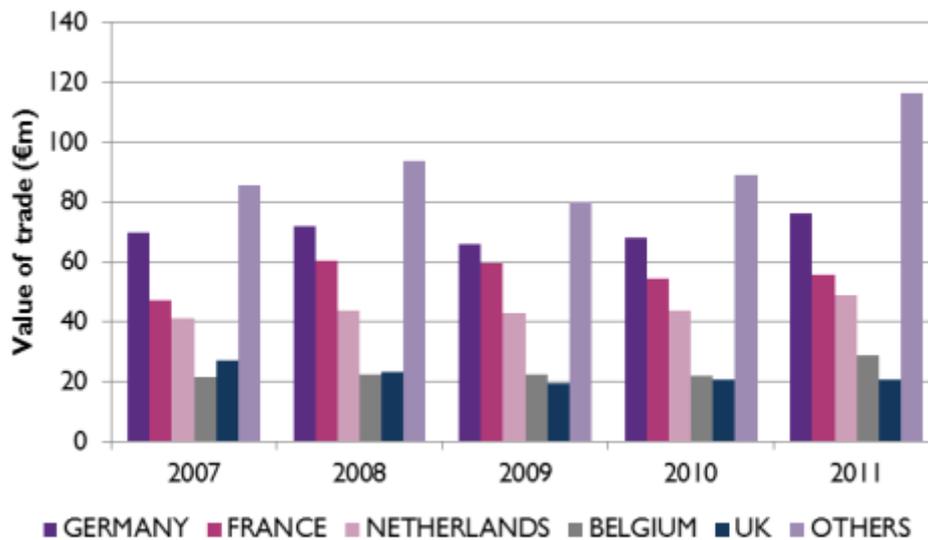
Figure 0.26: Imports of pineapple in pieces



Considering all imports of products that share the same eight-digit CN code as the case study product, Germany was the largest importer followed by France in the period of interest (see figure below). The value of trade for each of the top five importers remained relatively stable while the “Other” countries experienced a gradual rise in imports by value between 2009 and 2011.

This analysis shows that the growth rate of imports of the case study product outstripped that of the broader product category during the relevant period. This may potentially be explained by substitution towards the case study product but may instead reflect a positive impact of the tariff suspensions scheme: the scheme may have led imports to increase despite a decline in imports of similar products.

Figure 0.27: Imports of all products in same eight-digit CN code as pineapple in pieces

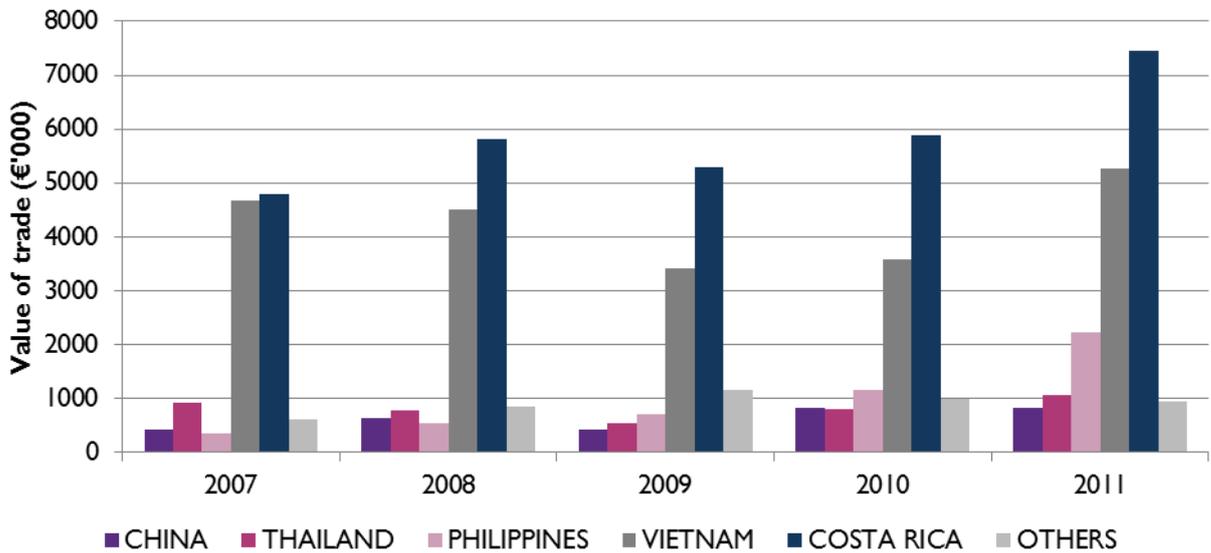


Analysis of exporting countries

The majority of imports of the case study product were from Costa Rica and Vietnam. Costa Rica was the largest exporter by trade value and its exports rose by 55 per cent

between 2007 and 2011, as shown in the figure below. There is no evidence of imports of this product from the EPA, EBA or Western Balkan countries.

Figure 0.28: Exports to EU Member States of pineapple in pieces



As shown in the figure below, the largest single exporter products that share the same eight-digit CN code as the case study product is China. However, given that the 'other' countries category accounts for the vast majority of exports (64 per cent in 2011), the figure indicates that imports of this product are sourced from a wide range of partner countries.

For trading with EPA countries, the UK was the largest importer by value while each of the remaining 14 importers had a very low value of imports from the EPA countries import between 2007 and 2011. The sum of the trading with EPA countries represented 1.2 per cent of all trade in the eight-digit CN code between 2007 and 2011.

For the EBA countries, Denmark was the largest importer by value followed by Germany. The trading patterns of all eight countries that traded with the EBA were more volatile than the patterns with EPA countries and, on average, only 0.05 per cent of all trade was with the EBA countries.

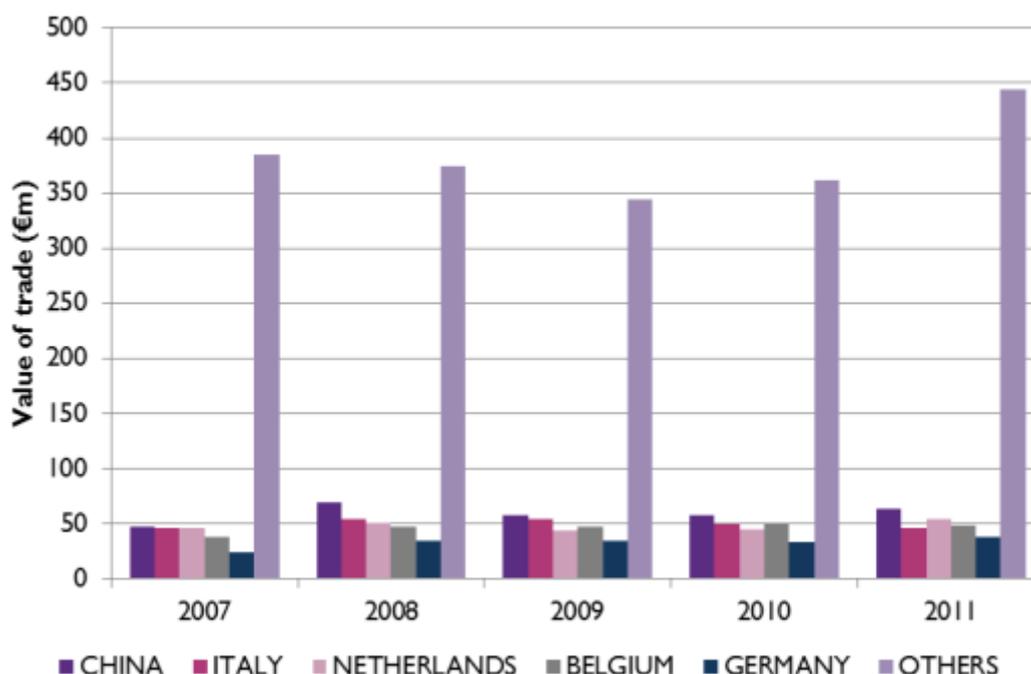
Imports from the Western Balkans accounted for a significant proportion of all trade in products that share the same eight-digit CN code as the case study product; 3.79 per cent of all trade by value between 2007 and 2011.

In general, an observation that close to four per cent of trade at the eight-digit CN code level is with the Western Balkans while zero per cent of a suspended product is imported from these countries would suggest that there may have been a negative impact on imports from these countries due to the tariff suspensions scheme. However, pineapples are due to the tariff suspensions scheme. However, pineapples are a tropical fruit and are not grown in the Western Balkans. Therefore, in this case, we can conclude that the tariff suspensions scheme has had no impact on trade with the Western Balkans.

Given that the proportion of trade with the EBA countries at eight-digit CN code level is so small, we consider that the tariff suspensions scheme is unlikely to have affected

EU imports from these countries. With respect to the EPA countries, the impact of the suspension scheme on trade is less clear but we cannot rule out the possibility that the scheme had a negative impact on imports from these countries given the data available to us.

Figure 0.29: Exports to EU Member States of all products in same eight-digit CN code as pineapple in pieces



Information provided by applicant

When approached by the evaluation team for interview, the applicant for this tariff suspension stated that it was “a little bewildered by your request”. It stated that “no-one presently employed by our company has any recollection of us ever having used any pineapple for the manufacture of spring rolls and hence we have no experience of the tariff suspension scheme which is the object of your study”. This is rather surprising given that the company was listed on the application documents.

Case study 8 – Metal cartridge for gas generator (8708211000):

This case study product is a metal cartridge for gas generators that is used by manufacturers of automobiles safety belts. The tariff suspension was applied for by the TRCZ group, which is based in the Czech Republic. It is a subsidiary of the non-EU producer listed on the tariff suspension application documents, Japanese Tokai Rika.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	1,279,000 units (€823,000)
Current imports	1,237,698 units (€966,023)
Duty before implementation	3%

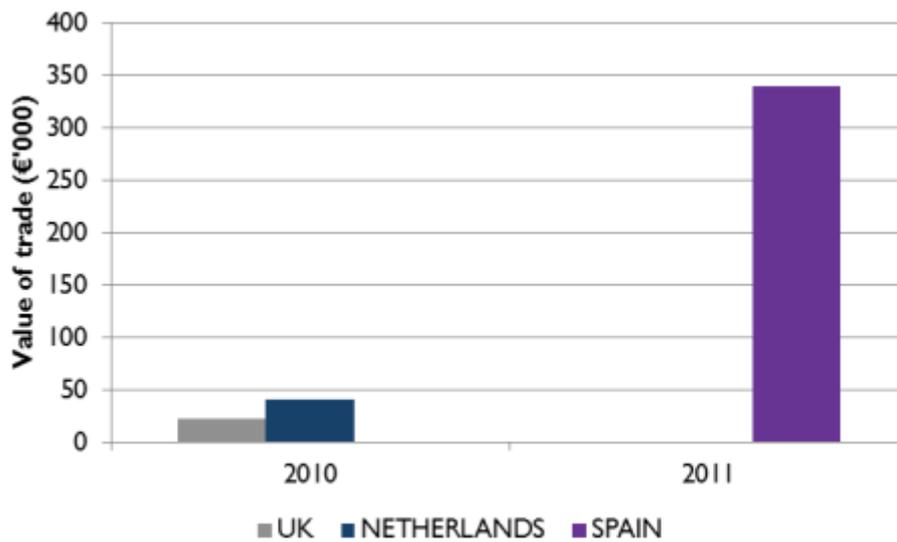
Estimated uncollected customs duties €24,690

Quantitative desk research

Analysis of importing countries

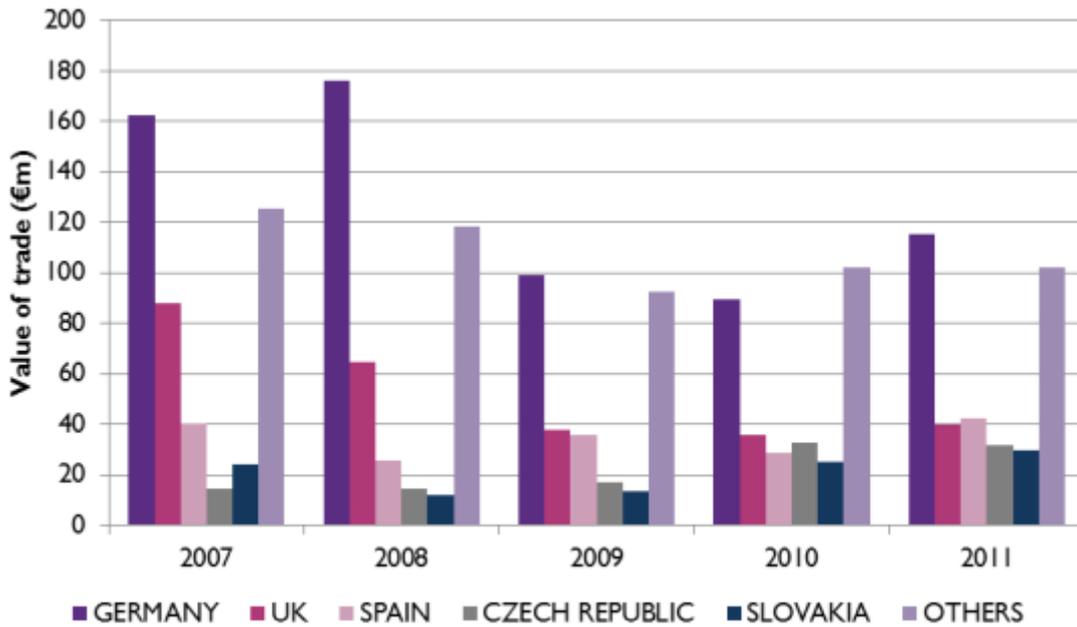
As shown in the figure below, UK and Netherlands are the only importing countries in 2010 while Spain replaced UK and Netherlands as the sole importer in 2011. It is not possible for us to identify the reason for the change in trade patterns using the data available.

Figure 0.30: Imports of metal cartridge for gas generator



Germany and the UK were the largest two importers by value of all products that share the same eight-digit CN code as the metal cartridge between 2007 and 2011. However, as shown in the figure below, the value of imports fell by 29 per cent and 55 per cent respectively between 2007 and 2011.

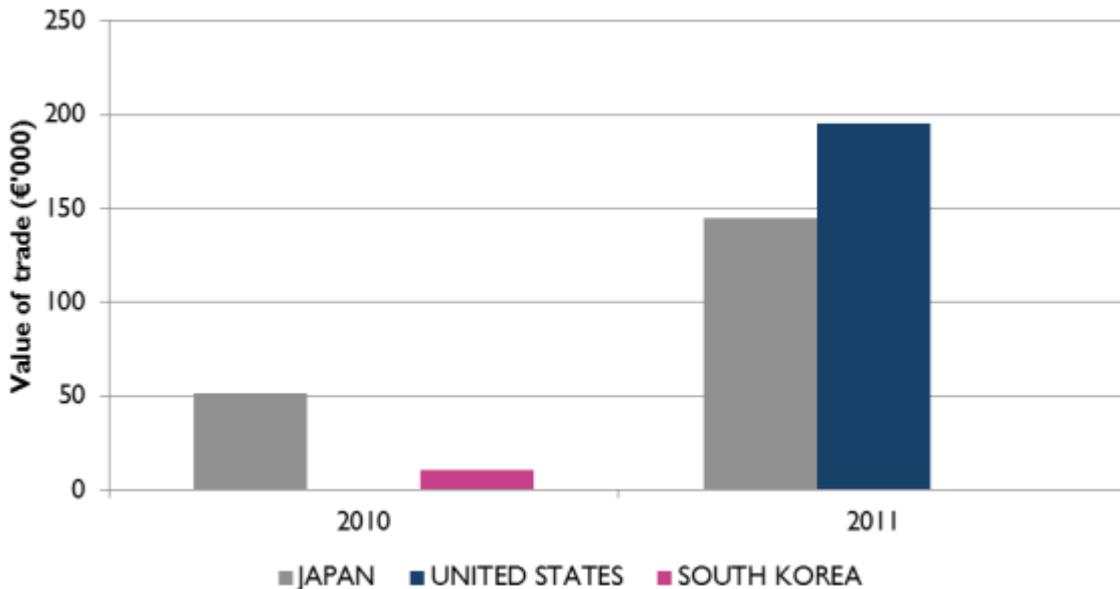
Figure 0.31: Imports of all products in same eight-digit CN code as metal cartridge for gas generator



Analysis of exporting countries

As shown in the figure below, Japan and the USA were the largest exporters by value of metal cartridges for gas generators between 2010 and 2011. There was no trade with the EPA, EBA or Western Balkan countries.

Figure 0.32: Exports to EU Member States of metal cartridge for gas generator



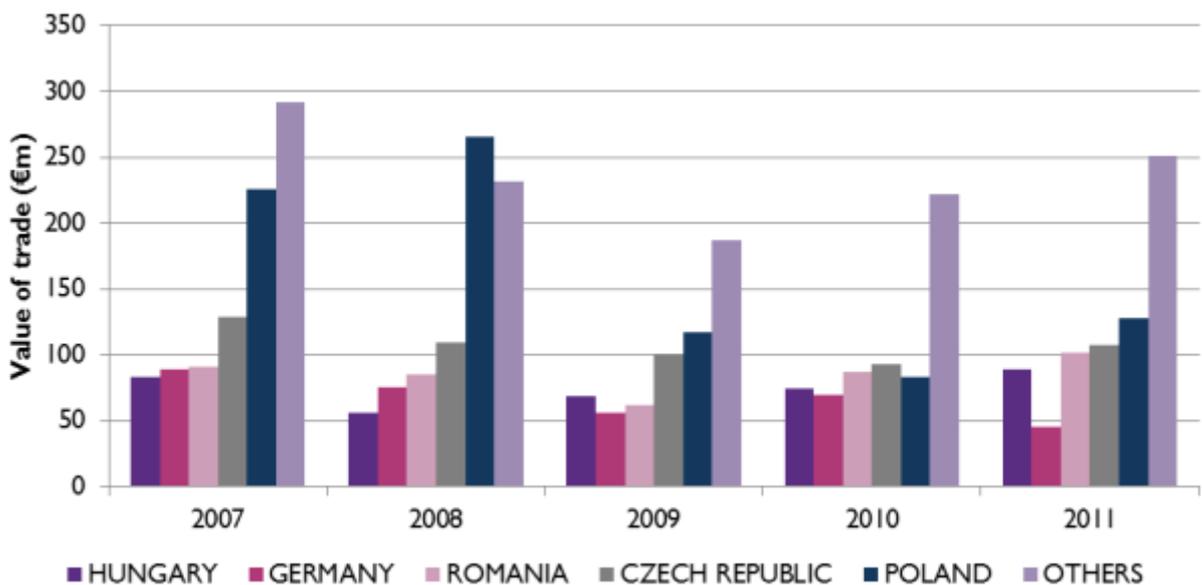
The figure below shows that each of the top five exporters of products that share the same eight-digit CN code as metal cartridges for gas generators were EU Member States. Poland was the largest exporter but by 2011 its exports had fallen by 44 per cent from its 2007.

For trading with EPA countries, Czech Republic was the largest importer followed by Spain and both of them only traded in 2010. We found 10 EU Member States that had

traded with the Western Balkans of which Germany was the largest importer by value. Overall, trading with the EPA and Western Balkans countries represented, on average, 0.004 per cent and 0.05 per cent of total import value respectively. We found no evidence of trade with EBA countries.

Given the very small proportion of trade in the broad product group that is with countries that have special trading arrangements with the EU, we conclude that the tariff suspension applied to metal cartridges for gas generators does not appear to have had a negative impact on imports from countries with special trading arrangements.

Figure 0.33: Exports to EU Member States of all products in same eight-digit CN code as metal cartridge for gas generator



Information provided by applicant

Motivation for applying for suspension

TRCZ receives an email form Deloitte and Touche twice each year which provides information on new tariff suspensions. One such email contained a message that prompted TRCZ to check whether it imports any components that could be included in the scheme. As a result, the firm checked and applied for a suspension for two components, one of which was granted on the metal cartridge. It has a special shape and is used only in the manufacture of its seatbelts and there is no alternative use for the components.

Experience of applying for suspension

The application process was not difficult. The most challenging part of the application was to prove that the component could not be purchased from an EU supplier. TRCZ contacted EU companies that manufacture similar products and checked whether they could manufacture the product for which the suspension application was made. No EU company could supply the component and so the suspension was granted.

Experience after the suspension was granted

The metal cartridge is one of more than 20 components used in the manufacture of the final product and represented only a small part of the final product. An administrative mistake meant that TRCZ has paid CCT duty in the period since the suspension was granted. It will soon apply to the customs office for a refund of these duty payments and does not anticipate any problem in securing the refund.

Impacts of the suspension scheme

Due to the administrative problem, there has been no benefit to the company to date. It would envisage once the problem has been solved, the direct impact of the scheme would be on the costs of production instead of the retail price or its R&D activities. TRCZ sells its final products to the UK, Hungary, the Czech Republic and Turkey and it does not expect the suspensions scheme to have any impact on its competition with all other European seatbelt manufacturers.

Further comments on the scheme

TRCZ considers that it would be beneficial to have an EU manufacturer of the metal cartridge component because of lower transport costs and easier logistics. However, it has looked for local producers and does not think that an EU producer is likely to be able to manufacture and supply the product. The tariff suspensions scheme is a second-best solution given the absence of an EU producer. TRCZ considers that the list of new suspensions is not particularly user friendly and suggests that a user-guide would help it to identify suspension applications that are relevant to its business.

Case study 9 – Vinylidene-chloride methacrylate co-polymer (3904509092):

This product is a vinylidene-chloride methacrylate co-polymer used in the manufacture of monofilaments, fibres, yarn or strip. The tariff suspension was applied for by Fugafil-Saran GmbH, which is a German producer of technical textiles and fabrics. The non-EU producer listed on the tariff suspension application documents is the Dow Chemical Company of Michigan, USA.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	150,000kg (€500,000)
Current imports	150,000kg (€500,000)
Duty before implementation	6.5%
Estimated uncollected customs duties	€32,500

Quantitative desk research

Analysis of importing countries

The product could be traded under the tariff suspension scheme in from 2010 onwards. We found two EU Member States that had imported the product under suspension: the Netherlands and Germany. As shown in the figure below the total

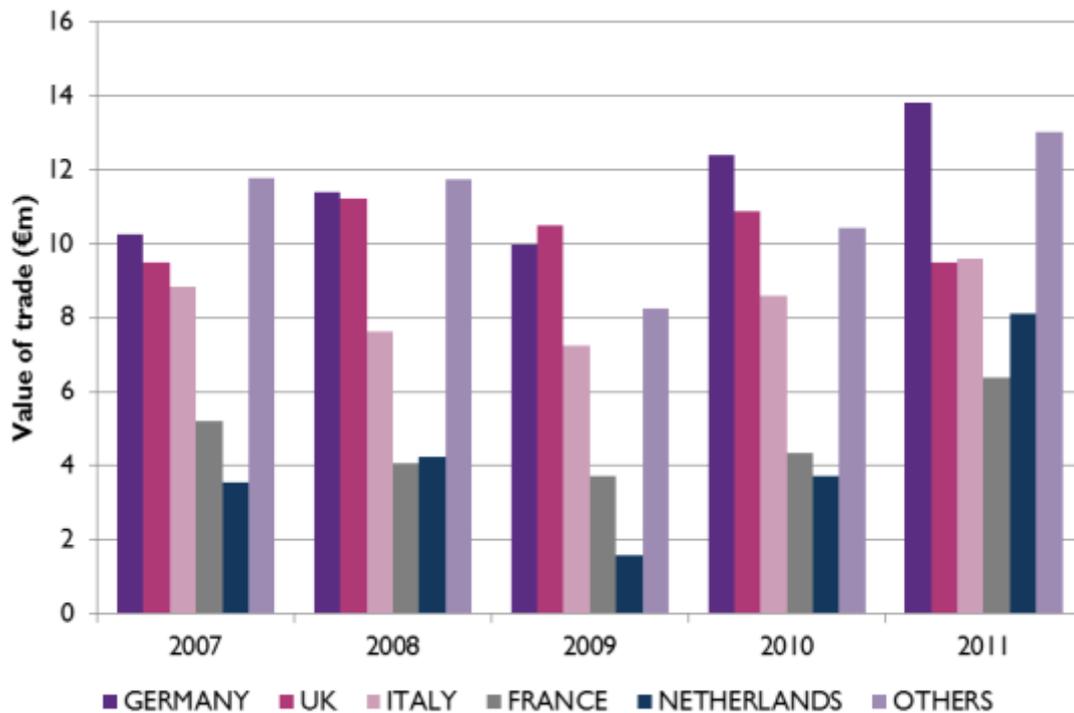
value of imports is low relative to other case study products and each of the importer countries had a slight drop in import value between 2010 and 2011.

Figure 0.34: Imports of vinylidene-chloride methacrylate co-polymer



Germany was the largest importer of products that share the same eight-digit CN code as the case study product between 2007 and 2011, accounting for 23 per cent of the total import value. The value of imports rose between 2007 and 2011 for the majority of the countries.

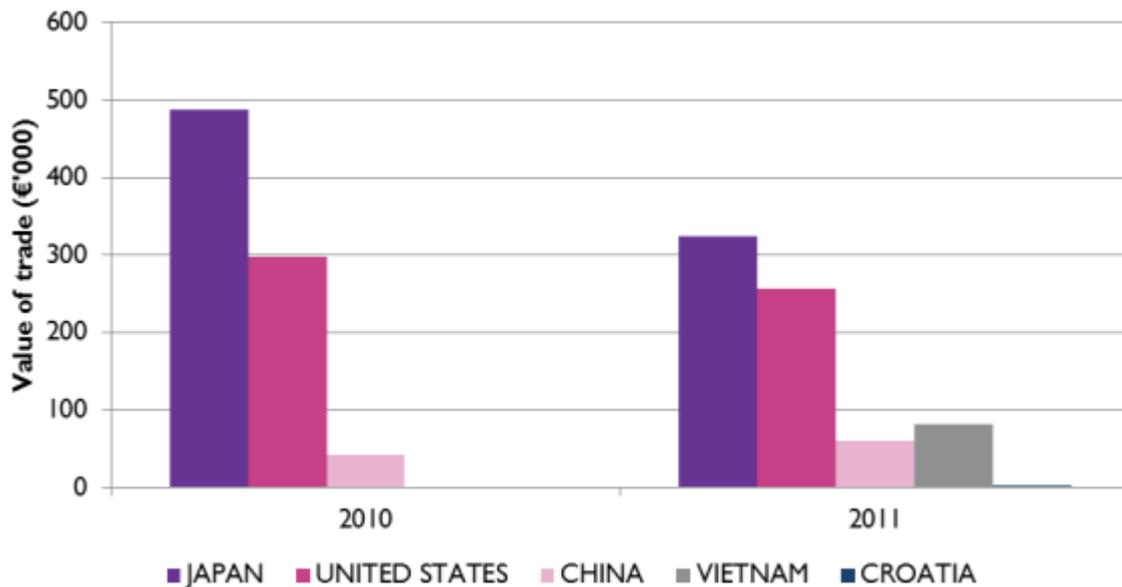
Figure 0.35: Imports of all products in same eight-digit CN code as vinylidene-chloride methacrylate co-polymer



Analysis of exporting countries

In the period since the tariff suspension was granted, Japan has been the largest exporter of the case study product by value of trade, followed by United States. Interestingly, the value of imports from Japan and the United States fell between 2010 and 2011 while Vietnam and Croatia (a Western Balkan country) began to export the product in 2011. While the value of exports from Croatia in 2011 was very small, the fact that imports rose between 2010 and 2011 appears to suggest that the suspensions scheme has not had a negative impact on trade with the Western Balkans.

Figure 0.36: Exports to EU Member States of vinylidene-chloride methacrylate co-polymer

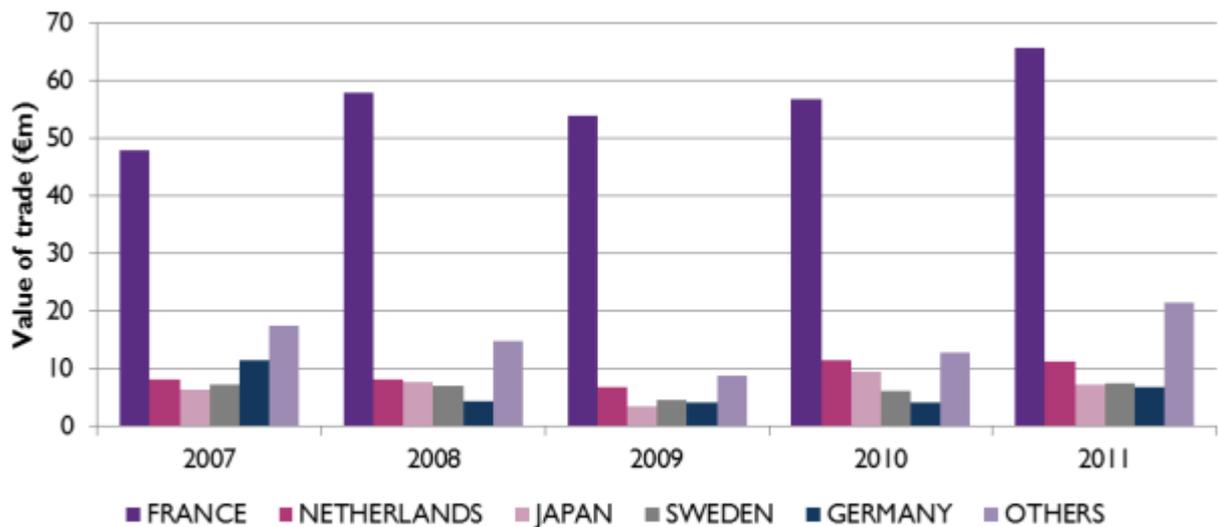


France was by far the largest exporter to EU countries of products that share the same eight-digit CN code as the case study product; it alone accounted for 55 per cent of all exports by value in 2011. Its exports expanded between 2007 and 2011 by 37 per cent.

There was little trade with the EPA, EBA and Western Balkans countries in products that share the same eight-digit CN code as the case study product. Italy was the only country that traded with EPA countries between 2009 and 2011 and its imports averaged 0.08 per cent of the total trade by value between 2008 and 2011. We found no evidence of trade with the EBA countries while, on average, trade with the Western Balkans accounted for 0.06 per cent of total imports by value.

Given the small proportion of trade at eight-digit CN code level that is with the EBA, EPA and Western Balkan countries, and the fact that Croatia began to export the suspended product in 2011, we consider that the tariff suspension scheme does not appear to have affected EU trade in vinylidene-chloride methacrylate co-polymer with countries that have special trading arrangements.

Figure 0.37: Exports to EU Member States of all products in same eight-digit CN code as vinylidene-chloride methacrylate co-polymer



Information provided by applicant

The applicant for this tariff suspension elected not to complete our online survey or participate in an interview. However, it did provide some basic information on the impacts of the tariff suspension scheme.

Fugafil-Saran GmbH informed us that the exempted product from duty played an important role in the production of the final product within the EU and accounted for large part of the total production cost. It informed us that there has been no change in technology since the suspension was granted and so the suspended product remains a key input to its production process.

The company informed us that the final product would not be produced in the absence of the tariff suspensions scheme and so it reported that its production volume increased after the suspension was granted and it increased the number of employees.

Case study 10 – ARF/KRF (3707100035):

ARF/KRF is a photoactive product consisting of acrylate and/or methacrylate polymers and maximum of 7 per cent by weight photosensitive acid precursors dissolved in an organic solvent. The product is used in the manufacturing of chips or integrated circuits for the construction of microelectronic equipment.

The tariff suspension was applied for by JSR Micro N.V, which is a located in Belgium and is a subsidiary of JSR Corporation, a multinational company which is headquartered in Japan. JSR is a leading materials supplier and has its competitive advantage based on leading edge technologies. The non-EU producers listed on the tariff suspension application documents are JSR Corporation (Japan) and JSR Micro (USA).

The information provided on the tariff suspension application is shown in the table below.

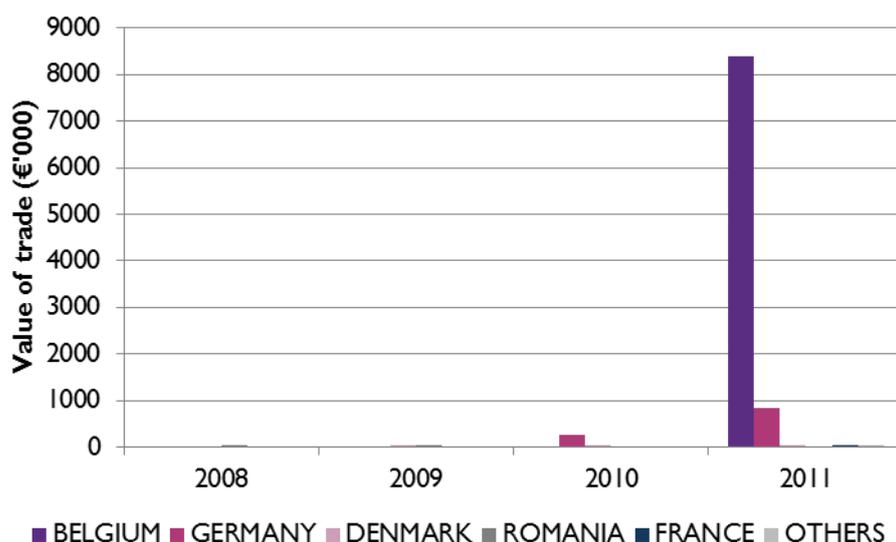
Data item	Response on application document
Anticipated annual imports	9,500 litres (€7.33m)
Current imports	3,700 litres (€3.5m)
Duty before implementation	6%
Estimated uncollected customs duties	€439,800

Quantitative desk research

Analysis of importing countries

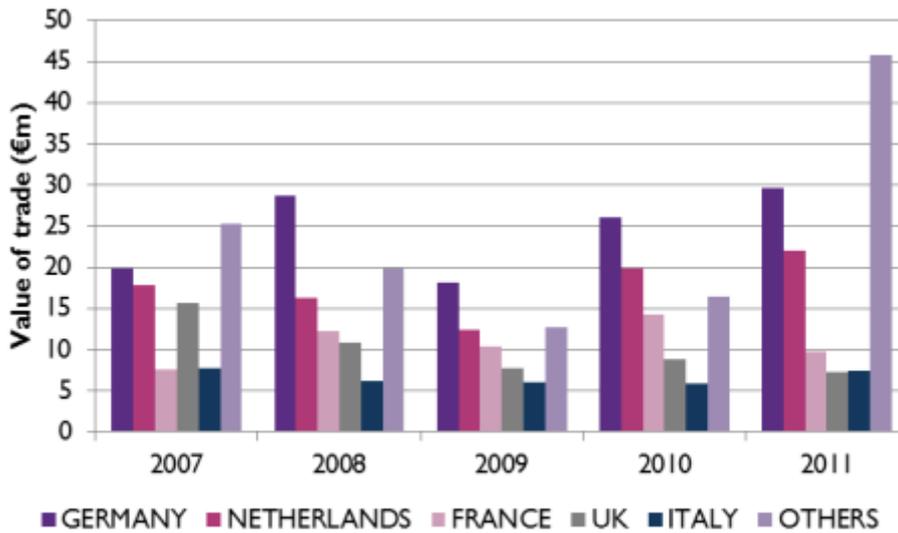
The autonomous tariff suspension for this product was active from January 2007 but we found no imports during that year and the value of trade remained close to zero until 2011. The vast majority of trade in 2011 was accounted for by Belgium, which imported a total of €8.3 million in that year.

Figure 0.38: Imports of ARF/KRF



As shown in the figure below Germany was the largest single importer of products that share the same eight-digit CN code as ARF/KRF in each year between 2007 and 2011. In 2011, Germany accounted for 24 per cent of all imports by value while the Netherlands accounted for 18 per cent of the total. The group of “other” countries were responsible for most of the imported products in 2011 and represented 38 per cent of the total imported value.

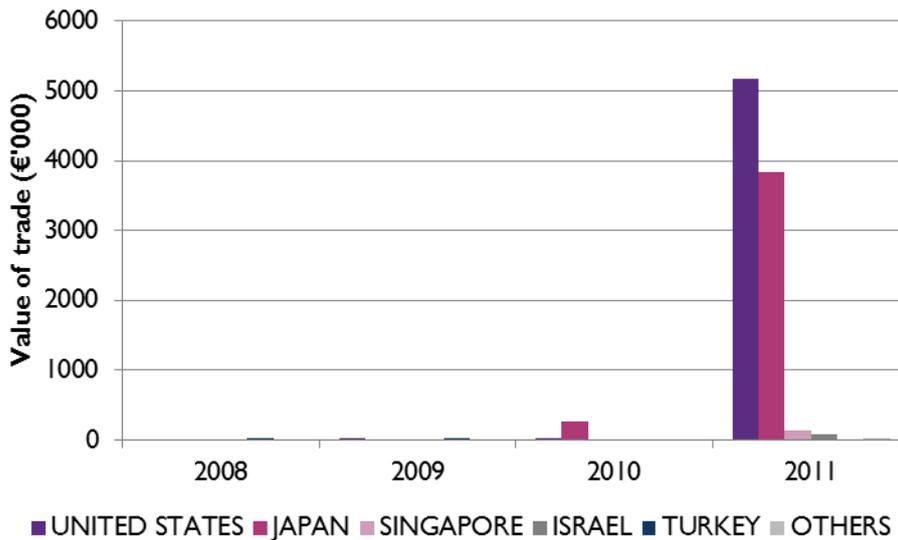
Figure 0.39: Imports of all products in same eight-digit CN code as ARF/KRF



Analysis of exporting countries

As per the analysis of imports, trade in ARF/KRF only began to pick up in 2010 and increased significantly in 2011. The figure below shows that the United States was the largest exporter of this product between 2007 and 2011, accounting for 56 per cent of the total exports by value while Japan was the second largest exporter. There was no trade in ARF/KRF with EPA, EBA or the Western Balkans.

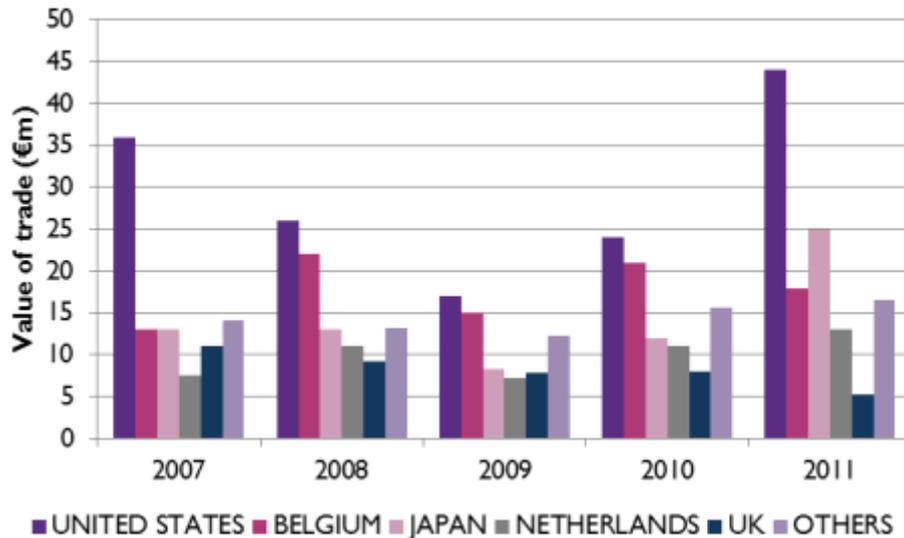
Figure 0.40: Exports to EU Member States of ARF/KRF



As shown in the figure below, the United States was also the largest exporter to EU countries of products that share the same eight-digit CN code as ARF/KRF. The value of its exports increased by 22 per cent between 2007 and 2011 and represented 36 per cent of total value of trade in 2011. On the other hand, the second largest exporter, Japan accounted for 21 per cent of the total traded while the group of “other” countries corresponded to 14 per cent in the same year.

The value of trade in products that share the same eight-digit CN code as ARF/KRF was extremely small during the period covered by this evaluation. We found no trade found with the EBA countries while trading with EPA and Western Balkans countries represented only 0.004 per cent and 0.006 per cent of the total value of imports respectively. This suggests that the tariff suspensions scheme is unlikely to have had a negative impact on imports of ARF/KRF from countries with special trading arrangements.

Figure 0.41: Exports to EU Member States of all products in same eight-digit CN code as ARF/KRF



Information provided by applicant

Motivation for applying for suspension

JSR Micro requires a very specific product that is not available within Europe and hence would be subjected to the tariff suspension scheme. In addition, the company faces competition from companies based in countries with low labour costs, such as China and the tariff suspensions scheme is one of the ways to help JSR Micro to reduce its input costs and gain competitiveness.

Experience of applying for suspension

JRS Micro gained the awareness of the scheme and its benefits through its communication with national government’s finance department on the characteristics of the products that JSR Micro imported from outside Europe. There were no specific difficulties during the application process and the company received excellent support from the Belgian representative who ensured that the application documents and supporting information would meet the requirements. It took approximately 1 to 2 man-days for JSR Micro to complete the application and the latest application has incurred a cost burden of approximately €1,001 to €5,000. The company found the level of complexity of the application to be average.

Experience after the suspension was granted

There was no objection to the tariff suspension granted to JSR Micro. This is because the product is very specific and there is no manufacturer based in the EU. While it would be technically possible to produce the product within Europe, it would require

raw materials to be imported from countries outside Europe. These materials could be subject to a tariff suspension but the cost of transforming the raw materials into the form required by JSR Micro would be more expensive in Europe. Therefore, the costs of the company are minimised through the importation of an intermediate good.

Usage of the suspensions scheme

A total of seven suspensions are used by JSR Micro, including the one for this case study product. The duty avoided for this suspended products is estimated to be more than €100,000 and is one of the top three most significant suspended products to the business. The cost of the suspended product accounts for more than 90 per cent of the total costs of the final product.

Impacts of the suspension scheme

The costs saved through the tariff suspensions scheme has allowed JSR Micro to continue operating within Europe and has also allowed the company to increase the number of people it employs significantly. The import duty saving was partially passed through to the company's consumers and helped to increase and its market share. However, there has been a limited impact on profitability and volume of production due to strong competition within and outside EU. Its competitors have also made use of the tariff suspension that was granted to the company.

The choice of production method has not been affected by the use of tariff suspensions scheme. The scheme also does not affect the company's decision on whether to produce final goods within EU.

From a production perspective, the suspended product is an essential input for JSR Micro since an adequate substitute does not exist. This is mainly because the products manufactured by the company are tailored to the needs of its customers. Any change in the product produced by JSR Micro would have an impact on its customer, who would then need to change their own production process. Therefore, it is too costly to change ARF/KRF as an input for JSR Micro and its clients.

Additional comments

Concerns have been raised by the company on the communication of new tariff suspensions. In the past, JSR Micro was not fully aware of how the process worked and only became aware of new suspension applications after they had been granted. They believed that it would be helpful if DG TAXUD could improve the channel of communication of new suspension applications.

Also, as part of the application process, JSR Micro found that it can sometimes be very difficult to identify which section of the classification a new product belongs to. This is a significant concern for the company because it operates in a highly innovative sector.

Case study 11 – Laminated Aluminium foil (7607119030):

This product contains an aluminium content of 99 per cent or more and a silica and water glass free hydrophilic coating of a total thickness of not more than 0.12mm with a tensile strength of 100N/mm² or more and an elongation at break of one per cent or more. It is being imported on rolls of maximum 2 tons each. The foil is being processed which would include forming, bending, cutting and forms the basis of a waffle-louvre fin as part of a heat exchanger used in an air-conditioning unit.

The tariff suspension was applied for by Daikin Europe N.V., which is based in Belgium and is a subsidiary of Daikin industries, which operates in a number of countries within and outside Europe. The non-EU producer listed on the tariff suspension application documents is a Japanese company, Sumitomo Light Metals Industries.

The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	€6.1m
Current imports	€5.6m
Duty before implementation	7.5%
Estimated uncollected customs duties	€457,306

Quantitative desk research

Analysis of importing countries

The tariff suspension for this product only became active in 2012 and so we are unable to analyse trade in this product during the evaluation period.

The rationale for including laminated aluminium foil as a case study because it allows us to confirm whether or not the experience of tariff applicants differed in any way for those that applied towards the end of the evaluation period from those that applied earlier. For this, we rely on feedback from the tariff applicant.

Information provided by applicant

Motivation for applying for suspension

The main motivation for applying was the monetary saving of the custom duties, which is very important to the business during the recession. In general, Daikin Europe sees the customs process as an opportunity rather than a responsibility and tries to reduce its customs bills as much as possible. The suspensions scheme is just way in which it does this. It first gained awareness of the scheme through its professional advisor.

Daikin Europe educates its suppliers about the scheme and other preferential agreements and their use. This is relatively straightforward as the majority of its suppliers are members of the Daikin Group. The main driver to educate suppliers and group companies on the aforementioned subjects is our drive to be legal compliant.

Experience of applying for suspension

Daikin Europe does not have any real concerns with the application process and perceives the complexity in completing the application documents to be reasonable. It took the company approximately 3 to 5 man-days to prepare for the application at a cost of €1,001 to €5,000.

During the process, it received excellent support from the Belgian representative during the application process. However, it has found information provided by the DG TAXUD's and Member States to be less useful.

The customs unit of Daikin appreciates the time length of the application but it can be difficult to communicate this to the manufacturing parts of the group and it does

reduce the Group's flexibility. It would be helpful if the application timeframe could be shortened to cope with fast changing requirements triggered by customer demand and production changes.

Experience after the suspension was granted

Daikin's tariff suspension on laminated aluminium foil was objected to by an Italian manufacturer which claimed it could produce the same type of foil. Daikin was required to provide detailed samples and technical information on the characteristics of the foil during the objection process. Daikin feels that the objections process favours the objector since the burden of proof is on the applicant rather than the objector and so the applicant is always in the weakest position. Daikin suggests that the objection process should be amended to give equal responsibility to each party.

Usage of the suspensions scheme

Daikin has applied and used two suspensions, including the one granted for this case study product. The cost of the imported product represented less than 10 per cent of the total production costs of the final product.

Impacts of the suspension scheme

The tariff suspensions scheme has allowed Daikin to keep production within the EU as it has helped to keep its costs down despite increases in the costs of other raw materials. It sells throughout the EU and has manufacturing plants in Belgium and Czech Republic. It likes to be located close to the market to minimise transport costs and to maintain flexibility towards the EMEA customer group.

Daikin's manufacturing process requires a very specific type of laminated aluminium foil. The key element of the foil is its coatings, specific thickness and technical qualities – the manufacturing system would breakdown if a type of foil with different coatings were used. Changing its systems to use a different type of foil would require many months of testing and would be a very costly exercise. Therefore, Daikin is entirely reliant on the suspended product in its production of air conditioning units.

The scheme will enable Daikin to keep the final product price constant despite increases in the costs of other raw materials. As such, a portion of the cost saving will be passed through to consumers. Daikin's main competitors are other multinational companies, some of whom take advantage of the lower production costs outside the EU. To compete while producing within the EU, the suspensions scheme is essential.

Additional comments

Daikin has submitted an objection form against another company's application for a suspension and strongly disagreed with the process of raising an objection and its role in facilitating a compromise solution. The process has imposed significant financial and time burdens on the companies involved.

Case study 12 – Textile fabric of warp filament yarns (5407100010):

This product is a type of textile fabric, consisting of warp filament yarns of polyamide 6.6 and weft filament yarns of polyamide 6.6, polyurethane and a copolymer of terephthalic acid, p-phenylenediamine and 3,4'-oxybis (phenyleneamine).

The tariff suspension was applied for by DAYCO Europe Italia, which is an Italian manufacturer of timing belts and chains, amongst other products. The non-EU producer listed on the tariff suspension application documents is a Japanese company, Ayaha.

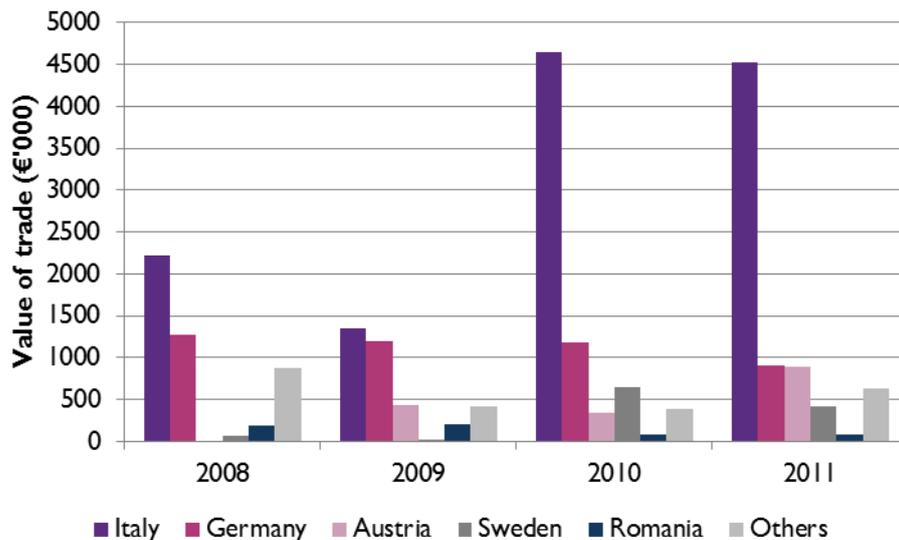
The information provided on the tariff suspension application is shown in the table below.

Data item	Response on application document
Anticipated annual imports	50,000 linear metres (€2.35m)
Current imports	8,300 linear metres (€393,000)
Duty before implementation	8%
Estimated uncollected customs duties	€190,000

Quantitative desk research

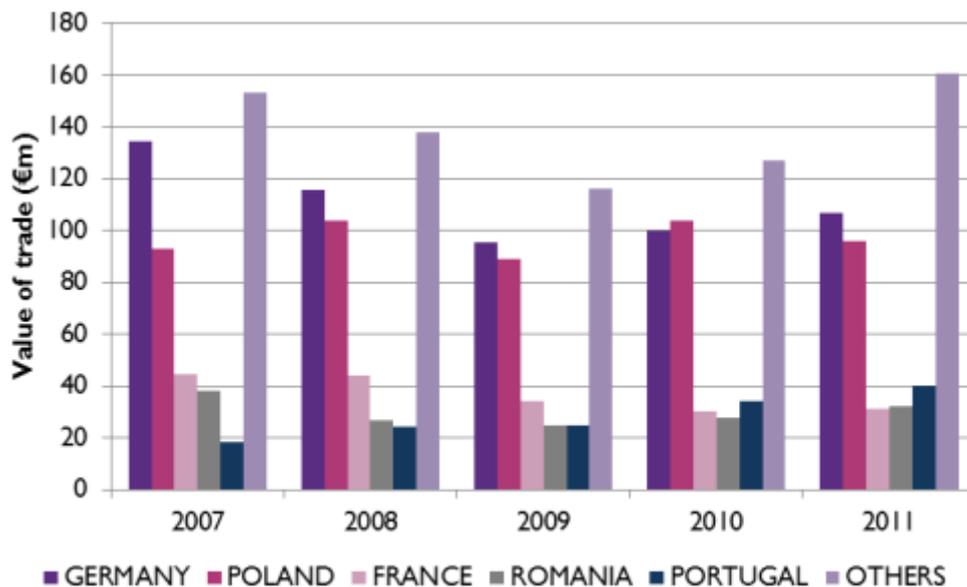
As shown in the figure below, Italy was the largest importing country in terms of trading value and the majority of its trading occurred in 2010 and 2011. In contrast, the value of imports by the remaining four largest countries was broadly unchanged across the period.

Figure 0.42: Imports of textile fabric of warp filament yarns



As shown in the figure below, Germany is the largest importer by value of all products that share the same eight-digit CN code as the case study product, followed by Poland. Comparing this figure with that above, it is clear that the suspended product accounts for a very small proportion of trade in products that share the same eight-digit CN code.

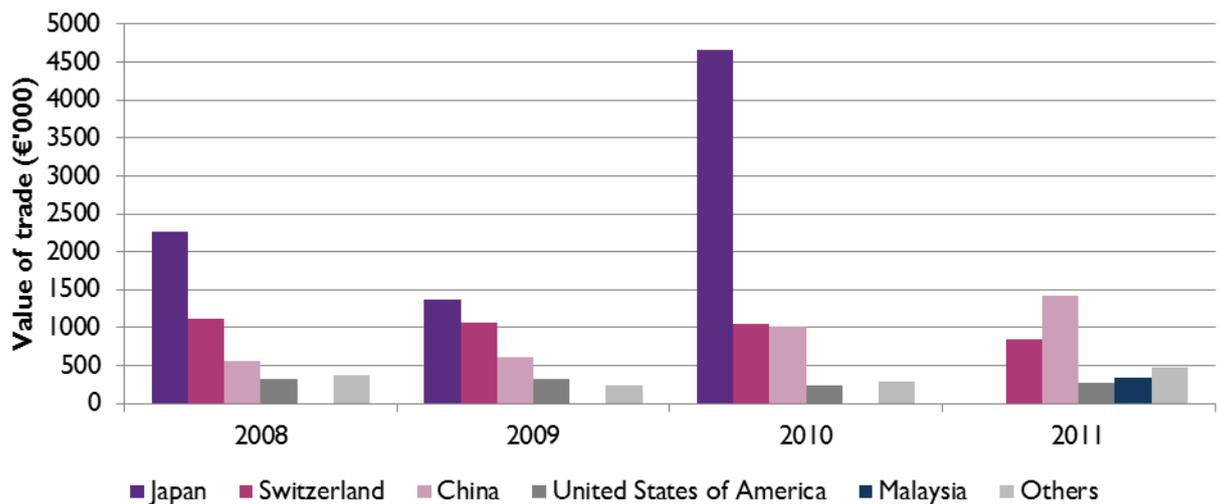
Figure 0.43: Imports of all products in same eight-digit CN code as textile fabric of warp filament yarns



Analysis of exporting countries

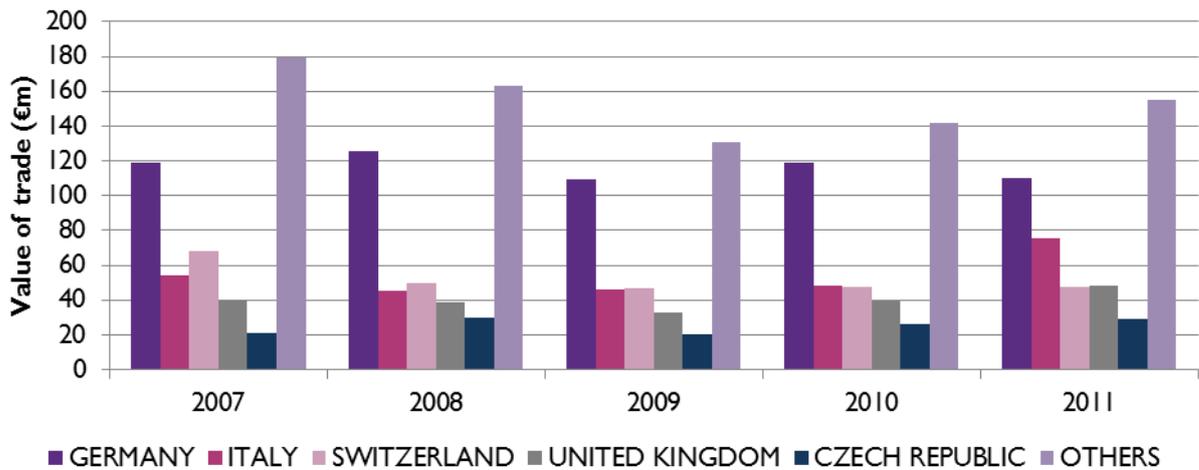
As shown in the figure below, the United States was by far the largest trading partner of EU countries for the case study product, accounting for more than 95 per cent of all trade between 2007 and 2009.

Figure 0.44: Exports to EU Member States of textile fabric of warp filament yarns



Interestingly, Germany was the biggest exporter to EU countries of products that share the same eight-digit CN code as the case study product in addition to being the greatest importer of these products. It is also interesting to note that, as shown on the figure below, all of the five largest exporters are EU countries.

Figure 0.45: Exports to EU Member States of all products in same eight-digit CN code as textile fabric of warp filament yarns



Overall, the value of trade with the EPA countries, EBA countries and Western Balkans in products that share an eight-digit CN code with the case study product was low between 2007 and 2011 and so we consider that the scheme is unlikely to have had a negative impact on imports of textile fabric of warp filament yarns from countries with special trading arrangements.

A total of 20 EU countries traded with the EPA countries between 2007 and 2011. The average sum of trading with EPA countries accounted for around 0.23 per cent of total imports by value during the period but there was a significant decline in imports from these countries after 2007.

Only three EU countries traded with EBA countries in the period, importing around 0.02 per cent of total imports by value from these countries. The average sum of imports by value from the Western Balkans is the lower than those from the EPA and EBA countries, representing only 0.01 per cent of total trading.

Information provided by applicant

Motivation for applying for suspension

The automotive field is very competitive and the decline in the size of the market during the economic downturn increased the difficulties faced by those that operate in the market. The decline in car purchases by consumers has had a negative impact to the component producers dedicated to this market.

Due to the fact that some materials are not available in Europe, DAYCO applied for the duty suspension to enable it to remain competitive and maintain its market share.

Experience of applying for suspension

DAYCO did not face difficulties in applying for the tariff suspension. It dealt directly with the national office in Rome.

Usage of the suspensions scheme

DAYCO uses a total of five suspensions for its business.

Impacts of the suspension scheme

DAYCO's timing belts are made using different materials and the textile fabric is one of the key components. DAYCO has developed a special production method which requires niche, high quality inputs. The original material (yarn) is only available from one producer outside Europe and the technique of production to produce the textile fabric and is an essential input for DAYCO.

The tariff suspensions scheme has contributed towards DAYCO being able to support the manufacture of timing belts in Europe and contributed to keep the number of people it employs.

In addition, the tariff suspensions scheme has helped it to maintain its competitive position despite the decline in car sales. While there are two other manufacturers of timing belts in the EU, DAYCO considers that its main competition is with manufacturers of timing chains, as well as the direct competitors. The suspension helps it to compete with manufacturers of transmission system.

To remain competitive, DAYCO needs to innovate and develop new products that offer a higher level of performance. The tariff suspensions scheme also helped the support of R&D activities.

Besides the contribution to R&D activities, part of the avoided duty was passed through to consumers and none was retained for direct additional profit. The duty exemption could help the competitiveness of the Italian or more generally, European automotive industry against the non-EU competitors, such as Japanese, Korean and USA producers.

Additional comments

DAYCO considers that it would be helpful if the procedure for granting a suspension application could be quicker. It understands the reasons why it takes approximately a year at present but notes that such a lengthy approval procedure can be bad for EU businesses, due to the dynamic nature of the market.