Commission Implementing Regulation (EU) 2018/348 of 8 March 2018 on a temporary derogation from the rules of preferential origin laid down in Delegated Regulation (EU) 2015/2446 in respect of bicycles and other cycles produced in Cambodia regarding the use, under cumulation, of parts originating in Malaysia

COMMISSION IMPLEMENTING REGULATION (EU) 2018/348

of 8 March 2018

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code[(1)] and in particular Articles 64(6) and 66(b) thereof,

Whereas:

(1) By Regulation (EU) No 978/2012 of the European Parliament and of the Council[(2)] the Union granted generalised tariff preferences ('GSP') to Cambodia. The GSP scheme became applicable on 1 January 2014.

(2) Regulation (EU) No 952/2013 provides for the possibility to grant, in certain precisely defined circumstances and for certain goods, derogations from the rules on preferential origin in favour of GSP beneficiary countries. According to Commission Delegated Regulation (EU) 2015/2446[(3)], regional cumulation can only apply in the same regional group to countries which, at the time of exportation to the Union, are beneficiaries of the GSP.

(3) On 13 October 2016, Cambodia submitted a request for a 3-year extension of a derogation granted by Commission Implementing Regulation (EU) No 822/2014[(4)]. Under that derogation, Cambodia was entitled, for the purpose of determining the origin of bicycles of HS heading 8712 imported to the Union from Cambodia, to consider parts originating in Malaysia to be materials originating in Cambodia by virtue of regional cumulation under the GSP scheme, even though Malaysia was not a GSP beneficiary country.

(4) In its request, Cambodia considered that considerable efforts had been made by its bicycle industry to gradually comply with the Union rules of origin for the least developed countries (as provided for in Annex 22-03 of Delegated Regulation (EU) 2015/2446), under which in order for a product to be considered originating in the least developed country, the materials used for its production and imported from other countries should not exceed 70 %. However, Cambodia concluded that more time is

needed for that industry to reach full compliance with the Union rules of origin for the least developed countries.

(5) By letter of 17 February 2017, the Commission requested Cambodia to submit further information. On 15 June 2017, Cambodia transmitted its answer to that request, as a result of which its application was considered complete.

(6) In its reply, Cambodia demonstrated that efforts had been made to render the bicycle industry more autonomous thanks to investments aiming to set up further part manufacturing lines (such as frames, painting, wielding or rims). Cambodia also explained that manufacturers had been incented to purchase bike accessories as well as packaging material from local suppliers in order to increase the added value created in Cambodia. Consequently, Cambodia has now its own policy to attract investors to set up industrial clusters in special economic zones to support the bicycle industry.

(7) Cambodia underlines that an additional period of time is important to maintain the momentum of the Cambodian bicycle industry and for new projects to take effect, notably in the field of promoting investments in other ASEAN members which will help to meet the needs of the Cambodian bicycle industry with regard to quality and price of the bicycle parts.

(8) It appears from that additional information that Cambodia now affords its bicycle industry a satisfactory level of autonomy and the figures presented in its report show that a continuous fulfilment of the rule of origin allowing the use of up to 70 % of non-originating materials is now within reach. Therefore, given that improvement, there is no need for a long period of extension of the derogation or for a high number of units imported into the Union to be covered by that derogation. As the derogation for 2016 concerned 150 000 units, a number of 100 000 units will be sufficient to support Cambodia in completing the autonomy of its industry.

(9) Nevertheless, as Cambodia explained in its request, making full use of the derogation depends on the seasonal rhythm separating the period for ordering parts (October-December) from the period of importation of those parts from the other countries (from May of the following year to March of the third year). Therefore it appears necessary to provide a sufficiently long period of time for the derogation to be beneficial. For the same purposes, this Regulation should enter into force on the day of its publication in the *Official Journal of the European Union*.

(10) In order to allow efficient monitoring of the operation of the derogation, it is necessary to require the authorities of Cambodia to communicate regularly to the Commission the details of the certificates of origin Form A which have been issued within the framework of the derogation.

(11) The derogation should concern all products of HS heading 8712 using parts of HS heading 8714 originating in Malaysia.

(12) The measures provided for in this Regulation are in accordance with the opinion of the Customs Code Committee,

HAS ADOPTED THIS REGULATION:

Article 1

1 By way of derogation from point (a) of Article 55(2) of Delegated Regulation (EU) 2015/2446, Cambodia shall be entitled to rely on regional cumulation of origin in accordance with Title II, Chapter 1, Section 2 of Delegated Regulation (EU) 2015/2446 when using parts of HS heading 8714 originating in Malaysia for the production of bicycles and other cycles of HS heading 8712 to be exported to the Union.

2 The proofs of origin for the parts referred to in paragraph 1 shall be drawn up in accordance with Title II, Chapter 2, Section 2, Subsection 2 of Commission Implementing Regulation (EU) 2015/2447[(5)].

Article 2

The derogation provided for in Article 1 shall apply to products of HS heading 8712 exported from Cambodia and declared for release for free circulation in the Union during the period and up to the quantities set out in the Annex.

Article 3

The quantities set out in the Annex to this Regulation shall be managed in accordance with Articles 49 to 54 of Implementing Regulation (EU) 2015/2447.

Article 4

Box 4 of certificates of origin Form A issued by the competent authorities of Cambodia or statements on origin made out by the exporters registered in Cambodia with regard to products referred to in Article 2 shall bear the following endorsements:

— ‘Derogation — Commission Implementing Regulation (EU) 2018/348’,

The competent authorities of Cambodia shall forward to the Commission, by the end of the month following each civil quarter, a quarterly statement of the quantities of products referred to in Article 2 in respect of which certificates of origin Form A have been issued and the serial numbers of those certificates.

Article 5

The competent authorities of Cambodia shall take all the necessary measures to ensure compliance with Articles 1 and 4 and to put in place and maintain any administrative structures and systems to ensure the correct implementation of the derogation referred to in Article 1 and administrative cooperation, both with the authorities of Malaysia and with the European Commission and the customs authorities of the Member States of the Union, as specified in Title II, Chapter 2, Section 2, Subsection 2 of Implementing Regulation (EU) 2015/2447.

Article 6

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.