



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.7.2004
COM(2004) 522 final

2004/0177 (ACC)

Proposal for a

COUNCIL DECISION

concerning the conclusion of an Agreement in the form of an Exchange of Letters between the European Community, of the one part, and the Kingdom of Norway, of the other part, on Protocol 2 to the bilateral Free Trade Agreement between the European Economic Community and the Kingdom of Norway

(presented by the Commission)

EXPLANATORY MEMORANDUM

The trade arrangements applicable to processed agricultural products between the European Community and the Kingdom of Norway are governed by Protocol 2 to the bilateral free trade agreement (FTA), of the one part, and by Protocol 3 of the European Economic Area Agreement (EEAA) of the other part.

In 2002, discussions between Commission and Norwegian officials on the elimination of the non agricultural component of the duties set in Protocol 3 to the EEAA were initiated and concluded on 11th March 2004. The compromise reached comprises: (a) tariff reductions or abolition on a number of goods, leading to improvement of market access on a reciprocal basis for Norway and the EC; (b) a compromise on the import into the Community of certain mineral waters containing sugar originating in Norway (temporary suspension of the duty free regime and establishment of a Community duty free quota under Protocol 2 to the FTA).

The new tariff concessions shall be implemented by an EEA Joint Committee Decision amending Protocol 3 to the EEAA. This is why a Commission proposal for a draft Community position for adoption as an EEA Joint Committee Decision was presented to the Council in June 2004.

In parallel, it is necessary to amend Protocol 2 to the bilateral free trade agreement between Norway and the EC: (a) to replace the agreement in the form of an exchange of letters of 27 November 2002 to consolidate the results of the negotiations (certain quotas will become redundant as the duty will be set at 0 by Norway under Protocol 3 to the EEAA); (b) to implement the compromise reached on soft drinks. The latter consists of the suspension of the duty free regime and the introduction of a duty free tariff quota of 13 million litres for products CN 2202 10 00 (waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured) and ex 2202 90 10 (other mineral waters containing sugar (sucrose and invert sugar)). Quantities imported outside the quota will be charged with a duty of 0.047 €/litre (i.e. equal to the difference in sugar prices between the Community and Norway).

The enclosed draft proposal for a Council Decision concerning the conclusion of an agreement in the form of an exchange of letters reflects the latter objectives and it is proposed that the Council adopt it.

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(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 in conjunction with the first sentence of Article 300(2) thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Protocol 2 to the bilateral free trade agreement between the European Economic Community and the Kingdom of Norway¹, of the one hand, and Protocol 3 to the EEA Agreement, as amended by Decision No 140/2001 of the EEA Joint Committee², of the other hand, determine the trade arrangements for certain agricultural and processed agricultural products between the Contracting Parties.
- (2) At the time of the adoption of Decision No 140/2001, the EC and Norway stated in a joint declaration that the non-agricultural component of customs duties on products in Table I of Protocol 3 must be eliminated. On this basis, discussions between Commission and Norwegian officials were concluded on 11 March 2004. The new tariff concessions shall be implemented by an EEA Joint Committee Decision amending Protocol 3 to the EEA Agreement.
- (3) An agreement in the form of an exchange of letters between the European Community, of the one part, and the Kingdom of Norway, of the other part, on Protocol 2 to the bilateral Free Trade Agreement between the European Economic Community and the Kingdom of Norway, has also been negotiated in order to take into account the results of these discussions.
- (4) The Agreement should be approved.

¹ OJ L 171, 27.6.1973, p. 1.

² OJ L 22, 24.1.2002, p. 34.

- (5) Since the measures necessary for implementing this Decision are management measures within the meaning of Article 2 of Council Decision 1999/468/EEC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission,³ they should be adopted by the management procedure laid down in Article 4 of that Decision.

HAS DECIDED AS FOLLOWS:

Article 1

The Agreement in the form of an Exchange of Letters between the European Community, of the one part, and the Kingdom of Norway, of the other part, concerning Protocol No 2 to the bilateral Free Trade Agreement between the European Economic Community and the Kingdom of Norway is hereby approved on behalf of the Community.

The text of the Agreement is attached to this Decision.

Article 2

The President of the Council is hereby authorised to designate the person empowered to sign the Agreement referred to in Article 1 in order to bind the Community.

Article 3

Rules for the application of this Decision shall be adopted by the Commission, assisted by the management committee on horizontal questions concerning trade in processed agricultural products referred to in Article 16 of Council Regulation (EC) No 3448/93⁴. Article 4 of Decision 1999/468/EC shall apply: the period provided for in Article 4(3) of that Decision shall be set at one month.

Article 4

This Decision shall enter into force on the first day of the first month following that of its adoption.

Done at Brussels,

For the Council
The President

³ OJ L 184, 17.7.1999, p. 23.

⁴ OJ L 318, 20.12.1993, p. 18. Regulation last amended by Regulation (EC) No 2580/00 (OJ L 298, 25.11.2000, p. 5).

AGREEMENT IN THE FORM OF AN EXCHANGE OF LETTERS

between the European Community, of the one part, and the Kingdom of Norway, of the other part, concerning Protocol No 2 to the bilateral Free Trade Agreement between the European Economic Community and the Kingdom of Norway.

A. Letter from the Community

Brussels,

Sir,

I have the honour to confirm that the European Community is in agreement with the "Agreed minutes" attached to this letter concerning Protocol No 2 to the bilateral free trade agreement between the European Economic Community and the Kingdom of Norway.

I should be obliged if you would confirm that the Government of the Kingdom of Norway is in agreement with the content of this letter.

Please accept, Sir, the assurance of my highest consideration.

For the European Community

B. Letter from Norway

Brussels,

Sir,

I have the honour to acknowledge receipt of your letter of today's date which reads as follows:

"I have the honour to confirm that the European Community is in agreement with the "Agreed minutes" attached to this letter concerning Protocol No 2 to the bilateral free trade agreement between the European Economic Community and the Kingdom of Norway."

I have the honour to confirm that my Government is in agreement with the content of your letter and the proposed date of entry into force of the amendments.

Please accept, Sir, the assurance of my highest consideration.

For the Government of the Kingdom of Norway

Agreed minutes

I – Introduction

On 11 March 2004, and after several meetings between Norway and Commission officials, a compromise was reached on tariff reductions or abolition on a number of processed agricultural products covered by Protocol 3 to the EEA Agreement¹ or by Protocol N° 2 to the 1973 free trade agreement between the European Economic Community and the Kingdom of Norway².

These concessions should lead to the improvement of market access for Norway and the Community and would require the modification of Protocol 3 to the EEA Agreement as well as Protocol N° 2 to the bilateral free trade agreement. Therefore, the two parties agreed to submit for approval to their respective authorities some changes to the import arrangements applied by the parties to certain processed agricultural products. The changes will be implemented in the form of a Decision of the EEA Joint Committee amending Protocol 3 to the EEA Agreement and of the present Agreement in the form of an exchange of letters between the European Community and the Kingdom of Norway.

The changes will enter into force on the first day of the first month following the date on which the parties sign this Agreement in the form of an exchange of letters to which these Agreed Minutes relate.

The two parties agree that the respective import arrangements under II and III-1 below will, from 1 January 2005, replace the agreement in the form of an exchange of letters of 27 November 2002. The import arrangements under III- 2 and IV shall apply from the date of entry into force of this Agreement.

II – Norwegian import arrangements

From 1 January 2005, Norway will open the following annual tariff quotas for the Community:

Norwegian tariff codes	Description	Volume	Applicable rate of duty
1506.0021	Bonefat, bone oil and neat's foot oil	2.360 tonnes	Free
1518.0041	Lineseed oil	100 tonnes	Free

¹ OJ L 22, 24.1.2002, p. 34.

² OJ L 171, 27.6.1973, p. 31.

III- Community Import arrangements

1. From 1 January 2005, the Community will open the following annual tariff quotas for Norway:

Order number	CN Code	Description	Volume	Applicable rate of duty
09.0765	1517 10 90	Margarine, excluding liquid margarine, containing, by weight, not more than 10% of milk fats	2 470 tonnes	Free
09.0771	Ex 2207 10 00 (TARIC Code 90)	Undenatured ethyl alcohol of an alcohol strength by volume of 80% vol. or higher, other than that obtained from agricultural products listed in Annex I to the EEC Treaty	164 000 hectolitres	Free
09.0772	Ex 2207 20 00 (TARIC Code 90)	Ethyl alcohol and other spirits, denatured, of any strength, other than that obtained from agricultural products listed in Annex I to the EEC Treaty	14 340 hectolitres	Free
09.0774	2403 10	Smoking tobacco, whether or not containing tobacco substitutes in any proportion	370 tonnes	Free

2. From the date of entry into force of this agreement and until 31 December 2004, the Community will open the following additional duty free tariff quotas for Norway:

09.0771	Ex 2207 10 00 (TARIC Code 90)	Undenatured ethyl alcohol of an alcohol strength by volume of 80% vol. or higher, other than that obtained from agricultural products listed in Annex I to the EEC Treaty	[15 000] hectolitres	Free
09.0772	Ex 2207 20 00 (TARIC Code 90)	Ethyl alcohol and other spirits, denatured, of any strength, other than that obtained from agricultural products listed in Annex I to the EEC Treaty	[5500] hectolitres	Free

IV- Community arrangements on certain soft drinks

- The present arrangements temporarily suspend the duty free regime applied under Protocol N° 2 to the bilateral free trade agreement to goods classified under CN codes 2202 10 00 (waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured) and ex 2202 90 10 (other mineral waters containing sugar (sucrose and invert sugar)).

- The Community will open an annual duty free tariff quota from 1 January to 31 December for goods originating in Norway and classified under CN codes 2202 10 00 (waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured) and ex 2202 90 10 (other mineral waters containing sugar (sucrose and invert sugar)), for the following quantity: 13 million litres in 2004 and 14.3 million litres in 2005. For the year 2004, the tariff quota shall be open from [...] to 31 December 2004]. The volume for the year 2004 shall be reduced on a pro rata basis according to the period, based on whole months, already elapsed. Outside the quota allocation, the import duty will be 0.047€/litre. The import duty may be revised annually on the basis of the difference in sugar prices between Norway and the Community.
- On 31 October 2005, and on 31 October of each following year, if the tariff quota has been exhausted, the tariff quota applicable from 1 January of the following year will be increased by 10%. If the quota has not been exhausted on that date, the products mentioned in paragraph 1 will be granted unlimited duty free access to the Community from 1 January to 31 December of the following year.

V- The tariff quotas specified under II, III and IV shall be granted to originating products in accordance with the rules of origin laid down in Protocol No 3 to the 1973 free trade agreement between the European Economic Community and the Kingdom of Norway.

FINANCIAL STATEMENT		ENTR F.4		
		DATE: 10.05.2004		
1. BUDGET HEADING(S) INVOLVED: Chapter 12, Article 120		APPROPRIATIONS:		
2. TITLE OF OPERATION: Proposal for a Council Decision concerning the conclusion of an Agreement in the form of an Exchange of Letters between the European Community, of the one part, and the Kingdom of Norway, of the other part, on Protocol 2 to the bilateral Free Trade Agreement between the European Economic Community and the Kingdom of Norway				
3. LEGAL BASIS: Article 133				
4. OBJECTIVES OF THE MEASURE: The purpose of this Decision is to implement the results of discussions concluded with Norway in March 2004 and relating to the trade arrangements applied to processed agricultural products.				
5. FINANCIAL IMPACT	12-MONTH PERIOD (Million euro)	CURRENT FINANCIAL YEAR 2004 (Million euro)	NEXT FINANCIAL YEAR 2005 (Million euro)	
5.0 EXPENDITURE				
- CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION)	-	-		-
- NATIONAL AUTHORITIES				
- OTHER				
5.1 REVENUE				
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	-	-		-
- NATIONAL				
	2006	2007	2008	2009
5.0.1 ESTIMATED EXPENDITURE				
5.1.1 ESTIMATED REVENUE	-	-	-	-
5.2 METHOD OF CALCULATION:				
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFERS BETWEEN CHAPTERS OF THE CURRENT BUDGET?			NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			NO
OBSERVATIONS: There will be no financial consequence following the adoption of this decision as the financial impact was foreseen when proposing the Draft EEA Decision amending Protocol 3.				