COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels,19.03.1999
COM(1999)132 final

99/0078 (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 Republic of Iceland, of the other part, on Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland

(presented by the Commission)

EXPLANATORY MEMORANDUM

The trade regime for processed agricultural products between the EC, on the one hand, and Norway and Iceland, on the other hand, is regulated by Protocol 2 of the respective bilateral Free Trade agreements and Protocol 3 of the Agreement on the European Economic Area.

Protocol 3 has not yet been finalised. The EC and Iceland agreed to adapt Protocol 2 of the bilateral agreement to take into account the implementation of the Uruguay Round and the enlargement to new countries and to improve bilateral trade regime.

In 1996, the European Community and Norway agreed in the form of an exchange of letters (Council Decision 96/753/EC of 6.12.1996) to adapt Protocol 2, within the scope of a common mandate.

The result of this agreement is the improvement, on the reciprocal basis, of the market access conditions for operators of both parties.

In 1997, the European Community and the Republic of Iceland started exploratory talks with a view to improving trade on a reciprocal basis in a similar way to the preferential regime agreed in 1996 with Norway.

Moreover the adaptation of the EC/Iceland agreement is necessary, as it would allow the Community to have a common basis with both partners before launching the negotiations to complete Protocol 3 of the Agreement on the European Economic Area.

The Commission has concluded these negotiations and it proposes to the Council to approve this proposal for a decision reflecting the result of the negotiations.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 113 in conjunction with the first sentence of Article 228 (2) thereof,

Having regard to the proposal from the Commission,

Whereas an Agreement in the form of an Exchange of Letters between the European Community, of the one part, and the Republic of Iceland, of the other part, on Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland[1] has been negotiated in order to take into account the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union and the implementation of the Uruguay Round Settlement;

Whereas the Agreement should be approved,

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 Republic of Iceland, of the other part, on Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland is hereby approved on behalf of the Community.

The text of the Agreement is attached to this Decision.

Article 2

Detailed rules for the application of this Decision shall be adopted by the Commission assisted by the Committee referred to in Article 15 of Regulation (EC) No 3448/93[2] in accordance with the procedure provided for in Article 16 of that Regulation.

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1 OJ L 301 of 31.12.1972, p. 2

2 OJ L 318 of 20.12.1993, p. 18

Article 3

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.

Done at Brussels,

For the Council
The President

AGREEMENT

in the form of an Exchange of Letters between the European Community, of the one part, and the Republic of Iceland, of the other part, on Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland

A. Letter from the Community

Brussels,

Sir,

I have the honour to confirm the agreement of the European Community to the "Agreed Minutes" annexed hereto concerning Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland.

I should be grateful if you would confirm the agreement of the Government of the Republic of Iceland with the content of this letter.

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

For the European Community

B. Letter from Iceland

Brussels,

Sir,

I have the honour to acknowledge receipt of your letter of today worded as follows:

> *'I have the honour to confirm the agreement of the European Community to the "Agreed Minutes" annexed hereto concerning Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland.`*

I have the honour to confirm the agreement of my Government with the contents of your letter and to the date proposed for the entry into force of the amendments.

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

For the Government of the Republic of Iceland

AGREED MINUTES

I. INTRODUCTION

1. Following a number of meetings held between officials from the Commission of the EC and Iceland it was agreed to submit to their respective authorities for approval a series of adjustments to the import regimes applied respectively by the Community and Iceland for processed agricultural products falling within the scope of Protocol 2 to the 1972 Free Trade Agreement.

   These adjustments should enter into force on 1 May 1999.

2. Both parties agreed that implementation of the Uruguay Round Settlement by both sides required an adaptation of the duties applied in bilateral trade between the Community and Iceland. To this end it was agreed to apply the duties set out below.

3. Both parties agreed to examine on a regular basis the functioning of this Agreement and the possibility to improve it.

II. ICELANDIC IMPORT REGIME

The duties (ISK/kg) applicable to the processed agricultural products covered by Protocol 2 of the Agreement are as follows:

Tariff no.	**Description**	**Applied Duty** (in ISK/kg)
0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa:	
0403-1011	Yoghurt containing cocoa	61
0403-1012	Yoghurt containing fruit or nuts	61
0403-1021	Yoghurt as beverage containing cocoa	52
0403-1022	Yoghurt as beverage containing fruit or nuts	52
0403-9011	Other containing cocoa	53
0403-9012	Other containing fruit or nuts	53

Tariff no.	Description	Applied Duty (in ISK/kg)
0403-9021	Other as beverage containing cocoa	53
0403-9022	Other as beverage containing fruit or nuts	53
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No 1516: - Margarine, excluding liquid margarine:	
1517-1001	-- Containing more than 10 % but not more than 15 % by weight of milkfat	90
1517-9002	-- Containing more than 10 % but not more than 15 % by weight of milkfat	90
1806-2003	Cocoa powder containing by weight less than 90 % but more than 30 % of fresh milk powder and/or skimmed milk powder, whether or not containing added sugar or other sweetening matter, but not mixed with other substances	111
1806-2004	Containing by weight less than 30 % of fresh milk powder and/or skimmed milk powder	40
1806-2005	Other containing by weight more than 30 % of fresh milk powder and/or skimmed milk powder	111
1806-2006	Other containing by weight less than 30 % of fresh milk powder and/or skimmed milk powder	40
1806-3101	Filled chocolate in slabs or bars	52
1806-3109	Other filled in slabs or bars	52
1806-3202	Chocolate containing cocoa paste, sugar, cocoa butter and milk powder, in slabs or bars	48
1806-3203	Imitation chocolate in slabs or bars	40
1806-3209	Other not filled in blocks, slabs or bars	21
1806-9011	Prepared beverage materials mostly from goods in 0401-0404, containing by weight 10 % or more of cocoa power, containing sugar or other sweetening material, and other materials and flavouring to less extent	22
1806-9022	Food specially prepared for dietetic purposes	18

Tariff no.	Description	Applied Duty (in ISK/kg)
1806-9023	Easter eggs	49
1806-9024	Ice-cream sauces and dips	40
1806-9025	Coated or covered, such as raisins, nuts, "puffed" cereals, liquorice, caramels and jellies	54
1806-9026	Chocolate creams	49
1806-9027	Breakfast cereals	-
1806-9028	Cocoa powder containing by weight less than 90 % but at least 30 % of fresh milk powder and/or skimmed milk powder, whether or not containing added sugar or other sweetening matter, but not mixed with other substances	120
1806-9029	Cocoa powder containing by weight less than 30 % of fresh milk powder and/or skimmed milk powder, whether or not containing added sugar or other sweetening matter, but not mixed with other substances	44
1806-9039	Other	48
1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa powder or containing cocoa powder in a proportion by weight of less than 50 %, not elsewhere specified or included; food preparations of goods of headings Nos 0401 to 0404, not containing cocoa powder or containing cocoa powder in a proportion by weight of less than 10%, not elsewhere specified or included:	
1901-2012	--- For the preparation of gingerbread and the like of heading No. 1905.2000	25
1901-2013	--- For the preparation of sweet biscuits of heading No. 1905.3011 and 1905.3029 and the like	17
1901-2014	--- For the preparation of ginger snaps of heading No. 1905.3021	30
1901-2015	--- For the preparation of waffles and wafers of heading No. 1905.3030	10
1901-2016	--- For the preparation of rusks, toasted bread and similar toasted bread of heading No. 1905.4000	15
1901-2017	--- For the preparation of bread of the heading No. 1905.9011 with filling based on butter or dairy products	40

Tariff no.	Description	Applied Duty (in ISK/kg)
1901-2018	--- For the preparation of bread of heading No. 1905.9019	5
1901-2019	--- For the preparation of plain biscuits of heading No. 1905.9020	5
1901-2022	--- For the preparation of cakes and pastry of heading No. 1905.9040	34
1901-2023	--- Mixes and doughs, containing meat, for the production of pizza and the like of heading No. 1905.9051	99
1901-2024	--- Mixes and doughs, containing ingredients other than meat, for the preparation of pizza and the like of heading No. 1905.9059	54
1901-2029	--- For the preparation of the products of heading No. 1905.9090	44
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared;	
1902-1100	-- Containing eggs	8
1902-2022	--- Stuffed pasta containing from 3 % up to 20 % by weight of sausage, meat, meat offal, blood or any combination thereof	42
1902-2031	--- Stuffed pasta containing more than 3 % by weight of cheese	36
1902-2042	--- Pasta stuffed with cheese and meat, containing more than 3 % but not more than 20 % of meat and cheese	42
1902-3021	--- Other pasta containing more than 3 % but not more than 20 % by weight of sausage, meat, meat offal, blood or any combination thereof	42
1902-3031	--- Other pasta containing by weight more than 3 % cheese	36
1902-3041	--- Containing meat and cheese that combined is more than 3 % but not more than 20 % by weight	42
1902-4021	--- Couscous containing more than 3 % but not more than 20 % by weight of sausage, meat, meat offal, blood or any combination thereof	42

Tariff no.	Description	Applied Duty (in ISK/kg)
1904-9001	-- Prepared foods obtained by the swelling or roasting of cereal products containing by weight more than 3 % but not more than 20 % of meat	42
1905-3011	--- Sweet biscuits coated or covered with chocolate or with fondants containing cocoa	17
1905-3019	--- Other coated or covered with chocolate or with fondants containing cocoa	16
	-- :	
	--- :	
1905-3021	---- Ginger snaps	32
1905-3029	---- Other sweet biscuits and cookies	19
1905-3030	--- Other	11
1905-4000	- Rusks, toasted bread and similar toasted products:	16
	- Other:	
	-- :	
1905-9011	--- Bread with a filling consisting essentially of butter or other dairy products (for example garlic butter)	40
1905-9019	--- Other	5
1905-9020	-- Plain biscuits	5
1905-9040	-- Cakes and pastry	36
	-- : ... (pizza)	
1905-9051	--- Pies, including pizza, containing meat	99
1905-9059	--- Other	54
1905-9060	-- Snacks, such as flakes, screws, rings, cones, sticks, and the like	-
1905-9090	---- Other	46

Tariff no.	Description	Applied Duty (in ISK/kg)
2104	Soups and broths and preparations therefor; homogenised composite food preparations:	
2104-1001	-- Preparations of vegetable soups with the basic ingredients of flour, meal, starch or malt extract	3
2104-1003	-- Canned fish soups	28
2104-1011	-- Other soups containing by weight more than 20 % meat	80
2104-1012	-- Other soups containing by weight more than 3 % but not more than 20 % meat	45
2104-1019	--- Other soups	21
	-- Other:	
2104-1021	--- Other containing by weight more than 20 % meat	80
2104-1022	--- Other containing by weight more than 3 % but not more than 20 % meat	45
2104-1029	--- Other	21
2106-9041	--- Powder for making desserts in retail packings of 5kg or less	68
2106-9049	--- Powder for making desserts other	68
2106-9064	-- Containing by weight more than 3 % but not more than 20 % of meat	42
2202-9001	-- Other of dairy products with other ingredients, provided that the dairy products are 75 % or more by weight excluding packings	42

III. COMMUNITY IMPORT REGIME

1. The following basic amounts shall be used for the calculation of the agricultural components and the additional duties:

   – Cereals (common wheat, durum wheat, rye, barley and maize): 7,817 EUR/100 kg

   – Long grain husked rice : 28,910 EUR/100 kg

– Whole milk powder : 142,660 EUR/100 kg

– Skimmed-milk powder : 118,800 EUR/100 kg

– Butter : 207,333 EUR/100 kg

– Sugar : 43,675 EUR/100 kg.

2. The basic amounts laid down in paragraph 1 may not be higher than those applied to third countries.

3. Annual quotas of 300, 400 and 500 tonnes will be opened by the Community respectively for 1999, 2000 and 2001 and the following years, for imports of:

– sugar confectionery products (including white chocolate) not containing cocoa falling within CN code 1704 90 and

– chocolate and other food preparations containing cocoa falling within CN codes 1806 32, 1806 90 and 1905 30.

The duties applicable to this quota will be the *erga omnes* duties reduced by 50 % with a maximum of 35,15 EUR/100 kg.

IV. SPIRITS

Both parties agreed to apply a duty free regime from the entry into force of this Agreement for goods falling within CN codes 2208 50, 2208 60, 2208 90.

FINANCIAL STATEMENT

DATE: 05/11/1998

1. BUDGET HEADING: APPROPRIATIONS:
Article 120

2. TITLE:
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 Republic of Iceland, of the other part, on Protocol 2 to the Agreement between the European Economic Community and the Republic of Iceland

3. LEGAL BASIS:
Art. 113, 228

4. AIMS:
Measures concerning Iceland in the framework of the adaptation of Protocol 2 of the Free Trade Agreement between the European Community and the Republic of Iceland

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS (ECU million)	CURRENT FINANCIAL YEAR (98) (ECU million)	FOLLOWING FINANCIAL YEAR (99) (ECU million)
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	- 20 000 ECU		

	2000	2001	2002	2003
5.0.1 ESTIMATED EXPENDITURE 5.1.1 ESTIMATED REVENUE				

5.2 METHOD OF CALCULATION:
Calculation of loss of customs revenue taking account of tariff reductions

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET? ~~YES~~ /NO

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? ~~YES~~ /NO

6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY? ~~YES~~ /NO

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? ~~YES~~ /NO

OBSERVATIONS:
Loss of customs revenue has been calculated on the basis of the difference between the average duties applied within the period 1997-1998 and the reduced amounts, in relation to the import volume