COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.09.1999
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99/0186 (ACC)

Proposal for a

COUNCIL DECISION

on a Community position on an amendment to Protocol 3 on the definition of the concept of "originating products" and methods of administrative cooperation set out in the Europe Agreement between the European Communities and the Republic of Latvia

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. GENERAL

The rules of origin are essential to the correct functioning of the free trade agreements between the Community and its trading partners.

The European Council meeting in Essen in December 1994 drew attention to the fact that differences in the origin rules included in the different agreements signed by the Community constituted a barrier to trade. Therefore a programme was initiated aimed at applying identical origin rules and thereby putting trade between the Community, the CEECs, the Baltic States, the EFTA and the EEA countries on the same footing. It also decided that other countries in a situation similar to those mentioned above could be similarly integrated into the system when the time came and that was done for Turkish industrial products from 1.1.1999.

The origin rules are not immutable. They must be adaptable to the political and economic requirements of the free trade area in which they apply. Therefore, some changes have already been deemed necessary to the rules which entered into force in 1997 and an amendment has already been adopted in the framework of all the agreement to enter into force on 1st January 1999.

2. AMENDMENTS TO THE RULES OF ORIGIN IN THE EU-CEECS, EU-EFTA AND EEA AGREEMENTS

Since the entry into force of the standard protocol on rules of origin and of its amendment of 1999, a few technical amendments to Annex II to the protocols are already necessary and therefore proposed. Those amendments concern products whose raw materials are in short supply in the trade zone.

3. CONCLUSION

The annexed proposal is one of a series of 14 proposals intended to improve the functioning of the common system of origin rules. These 14 proposals should be taken as a single package. If the current arrangements allowing cumulation of working and processing are to remain in force, it is essential that they enter into force at the same time, i.e. on 1 January 2000.

The Commission therefore calls on the Council to draw up a common position for presentation to the committees provided for in each of the Agreements.

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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 thereof,

Having regard to Article 2(1) of the Council and Commission Decision of 19 December 1997 on the conclusion of the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Latvia, of the other part,

Having regard to the Commission proposal,

Whereas Article 38 of Protocol 3 to the said Europe Agreement provides that the Association Council may amend the provisions of the Protocol,

HAS DECIDED AS FOLLOWS:

The position to be adopted by the Community within the Association Council created by virtue of Article 110 of the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Latvia, of the other part, on an amendment to Protocol 3 on the definition of the concept of “originating products” and methods of administrative cooperation set out in the Agreement shall be based on the draft Association Council decision annexed to this Decision.

Done at Brussels,

For the Council
The President

ANNEX

EUROPE AGREEMENT
establishing an association between the European Communities and their Member States, of the one part, and the Republic of Latvia, of the other part

DECISION No …/… of the ASSOCIATION COUNCIL

amending Protocol 3 on the definition of the concept of "originating products" and methods of administrative cooperation

THE ASSOCIATION COUNCIL,

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Latvia, of the other part, signed in Luxembourg on 12 June 1995 and in particular Article 38 of Protocol 3 thereof,

Whereas the definition of the term “originating products” needs to be amended to ensure the proper operation of the extended system of cumulation which permits the use of materials originating in the European Community, Poland, Hungary, the Czech Republic, the Slovak Republic, Bulgaria, Romania, Latvia, Lithuania, Estonia, Slovenia, Turkey, the European Economic Area (hereinafter referred to as the EEA), Iceland, Norway and Switzerland;

Whereas it would seem advisable to revise the Articles concerning the amounts in order to fully take into consideration the entry into force of the euro;

Whereas, to take account of changes in processing techniques and shortages of certain raw materials, some corrections must be made to the list of working and processing requirements which non-originating materials have to fulfil to qualify for originating status,

HAS DECIDED AS FOLLOWS:

Article 1

Protocol 3 on the definition of the concept of “originating products” and methods of administrative cooperation is hereby amended as follows:

1. In Articles 21 and 26 the word "Ecu" shall be replaced by "euro".

2. Article 30 shall be replaced by the following:

"Article 30

Amounts expressed in euro

1. Amounts in the national currency of the exporting country equivalent to the amounts expressed in euro shall be fixed by the exporting country and communicated to the importing countries through the European Commission.

2. When the amounts exceed the corresponding amounts fixed by the importing country, the latter shall accept them if the products are invoiced in the currency of the exporting country. When the products are invoiced in the currency of EC Member States or another country referred to in Articles 3 and 4, the importing country shall recognise the amount notified by the country concerned.

3. The amounts to be used in any given national currency shall be the equivalent in that national currency of the amounts expressed in euro as at the first working day of October 1999.

4. The amounts expressed in euro and their equivalents in the national currencies of Member States and Latvia shall be reviewed by the Association Committee at the request of the Community or Latvia. When carrying out this review, the Association Committee shall ensure that there will be no decrease in the amounts to be used in national currency and shall furthermore consider the desirability of preserving the effects of the limits concerned in real terms. For this purpose, it may decide to modify the amounts expressed in euro."

3. Annex II shall be amended as follows:

(a) the entry for HS heading 1904 shall be replaced by:

1904	Prepared foods obtained by the swelling or roasting of cereal or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included	Manufacture: - from materials not classified within heading No 1806; - in which all the cereals and flour (except durum wheat and its derivatives and Zea indurata maize) used must be wholly obtained; [1] - in which the value of any materials of Chapter 17 used does not exceed 30% of the ex-works price of the product	
[1] The exception concerning the Zea indurata maize is applicable until 31.12.2002.			

(b) the entry for HS heading 2207 shall be replaced by:

2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength	Manufacture: - from materials not classified within heading Nos 2207 or 2208, - in which all the grapes or any material derived from grapes used must be wholly obtained or if all the other materials used are already originating, arrack may be used up to a limit of 5% by volume	

(c) the entry for HS Chapter 57 shall be replaced by:

Chapter 57	Carpets and other textile floor coverings: - Of needleloom felt	Manufacture from[1]: - natural fibres or - chemical materials or textile pulp However: - polypropylene filament of heading No 5402, or - polypropylene fibres of heading Nos 5503 or 5506, or - polypropylene filament tow of heading No 5501, of which the denomination in all cases of a single filament or fibre is less than 9 decitex, may be used provided their value does not exceed 40% of the ex-works price of the product Jute fabric may be used as backing	
	- Of other felt	Manufacture from [1]: - natural fibres not carded or combed or otherwise processed for spinning, or - chemical materials or textile pulp	

	- Of other textiles materials	Manufacture from [1]: - coir or jute yarn, - synthetic or artificial filament yarn, - natural fibres, or - man-made staple fibres not carded or combed or otherwise processed for spinning Jute fabric may be used as backing	
[1] For special conditions relating to products made of a mixture of textile materials, see Introductory Note 5.			

(d) the entry for HS heading 8401 shall be replaced by:

ex 8401	Nuclear fuel elements	Manufacture in which all the materials used are classified within a heading other than that of the product[1]	Manufacture in which the value of all the materials does not exceed 30% of the ex-works price of the final product
[1] This rule shall apply until 31 December 2005.			

(e) the following shall be inserted between the entries for HS heading Nos 9606 and 9612:

9608	Ball-point pens; felt-tipped and other porous-tipped pens and markers; fountain pens, stylograph pens and other pens; duplicating stylos; propelling or sliding pencils; pen-holders, pencil-holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading No 9609	Manufacture in which all the materials used are classified within a heading other than that of the product. However, nibs or nib-points classified within the same heading may be used	

Article 2

That Decision shall enter into force on the day of its adoption.

It is applicable from 1 January 2000.

Done at Brussels,

For the Association Council
The President

FINANCIAL STATEMENT

1. BUDGET HEADING INVOLVED

Chapter 12, Article 120 (zero-rated duty)

2. LEGAL BASIS

Article 133 of the Treaty.

3. TITLE OF THE MEASURES

Proposal for an amendment to the definition of the concept of "originating products" and the methods of administrative cooperation set out in Protocol 4 to the different Europe Agreements between the EC and the CEECs, the Baltic States and Slovenia and the Agreement on the European Economic Area, and in Protocol 3 to the free trade agreements between the EEC and the EFTA countries

4. OBJECTIVE

To revise certain rules concerning the working or processing of non-originating materials that confers originating status and to take into account the introduction of the euro.

5. COST OF THE OPERATION

As the purpose of the amendments is essentially to revise some of the origin rules without any implication on the concessions granted by the agreement, this proposal would not seem to have any financial implications.