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PECHE 102

DECLASSIFICATION

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dated: 21 March 1995

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Subject: Recommendation for a Council Decision concerning the opening of negotiations with the Government of Denmark and the local government of the Faroe Islands for the adaptation of the Agreement between the EC, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, signed in Brussels on 2 December 1991, to take into account the accession of the republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union.

Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.

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EUROPEAN UNION
THE COUNCIL

Brussels, 21 March 1995

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PECHE 102

OUTCOME OF PROCEEDINGS

of : Article 113 Committee-Faroe Islands

dated : 17 March 1995

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Subject : Recommendation for a Council Decision concerning the opening of negotiations with the Government of Denmark and the local government of the Faroe Islands for the adaptation of the Agreement between the EC, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, signed in Brussels on 2 December 1991, to take into account the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union

1. The Commission representative explained that existing Trade Agreement with the Faroe Islands had to be adapted to take account of accession arrangements for the new Member States. This was particularly the case with Sweden and Finland ; the bilateral agreement between Austria and the Faroes was not operational before 1 January 1995. These agreements had to be covered by additional protocols, which would deal with traditional trade provisions and certain technical amendments concerning fish products from the Faroe Islands.

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2. An examination of the existing bilateral agreements between Sweden and Finland and the Faroe Islands had brought to light two areas of discrepancy: access to markets and rules of origin. On the question of access there is at present full free trade for almost all fishery products at zero duty rate and with no quantitative restrictions. Under the rules of origin fishery products from the Faroe Islands should not include elements from a third country.
3. With effect from 1 January 1995 these products should be submitted to European Community duties, which may be zero rated, but incorporated into a tariff quota or reference ceiling. On the question of compensation the only provision possible would be under Art 24 (6) of GATT, which the Commission would prefer to avoid. The underlying principle was to ensure the continuity of traditional trade flows between the Faroe Islands and the new Member States, an approach already accepted by the Council for agreements with Iceland and Norway.
4. As far as implementation is concerned the Commission suggested that, for those products for which the Community already had preferences, it would adapt the quotas and ceilings. Where there was no Community preference, it would open new tariff quotas and set the quantities in the light of historical trade patterns.

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5. The Commission representative confirmed that there would be a harmonisation of rules of origin for trade deals with Eastern European countries and efforts would be made to ensure that rules for the Faroe Islands conformed with that harmonisation.
6. In response to a request from the United Kingdom delegation for clarification of the priorities in paragraph III of the Annex - Fishery Products, the Commission representative explained that these were for products where there was substantial and recent trade between the Faroes and the new Member States over a significant period of time.
7. The Irish and Spanish delegations sought clarification on the issue of sensitive products. The Commission representative confirmed that the sensitive products which had so far been identified were on the one hand *refrigerated salmon* and *frozen cod fillets*, which were restricted by quotas, and on the other hand *herring fillets* where the volume of trade between the Faroes and the new Member States was insignificant. In fact after eliminating products benefiting from a zero duty, at a tariff quota, the overall volume of trade left which attracted duty was only 10%, and that at an average rate of around 4.6%.
8. The French delegation raised the question of how quotas would be applied to products not subject to preferences. The Commission representative reaffirmed that the main concern was with traditional trade flows and that products without preferences, or where there was no trade, had not been considered.

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9. He confirmed that the normal period of reference for assessing traditional trade flows was 3 years and agreed to provide delegations with the latest trade statistics for 1994 as soon as possible.
10. The United Kingdom delegation entered a Parliamentary scrutiny reservation on the proposal, which it hoped would be lifted by the end of March.
11. Scrutiny reservations were entered by the Portuguese, Irish and Netherlands delegations.
12. The Commission representative agreed to provide more information on the rules of origin and to expand paragraph III - Fishery Products of the Annex. A written submission to this end would be supplied before the next meeting of the Committee, scheduled for 7 April 1995.

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