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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	9 September 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2016) 564 final
Subject:	Proposal for a COUNCIL DECISION on the signing, on behalf of the European Union, of an agreement in the form of an exchange of letters between the European Union and Iceland concerning additional trade preferences in agricultural products

Delegations will find attached document COM(2016) 564 final.

Encl.: COM(2016) 564 final



EUROPEAN
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Proposal for a

COUNCIL DECISION

on the signing, on behalf of the European Union, of an agreement in the form of an exchange of letters between the European Union and Iceland concerning additional trade preferences in agricultural products

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The EU and Iceland are signatories to the Agreement on the European Economic Area (EEA Agreement) which provides for the free movement of goods, with the exception of agricultural and fisheries products. As regards agriculture, Article 19 of the EEA Agreement provides that the Parties will carry out, every two years, review on the conditions of trade in agricultural products and decide on a reciprocal and mutually beneficial basis on the further reduction of any type of barriers to trade in the agricultural sector.

The current negotiations were conducted from 4 July 2012 to 17 September 2015. This Agreement was initialled by the Parties on 17 September 2015 and provides for further trade preferences for trade in agricultural products, including additional fully liberalised tariff lines. As a result almost 90 % of EU agricultural products will enter Iceland duty-free. For more sensitive products such as meat, dairy, fruit, vegetable and ornamental plants, additional tariff quotas or tariff reductions have been agreed upon.

The intention of both Parties is that this Agreement enters into force on the seventh month following the date on which the Parties have notified each other that the required internal procedures have been completed.

- **Consistency with existing policy provisions in the policy area**

The previous agreement took the form of an exchange of letters liberalising trade in agricultural products between Iceland and the EU, based on Article 19 of the EEA Agreement. The previous agreement entered into force on 1 January 2007. It provided for mutual tariff rate quotas and reductions in duty. It also included an undertaking by the Parties to resume bilateral negotiations under Article 19 of the EEA Agreement two years' time.

The 2007 EU-Iceland bilateral agricultural trade agreement increased the duty-free access of Icelandic agricultural products to the EU market to 51.9 % of trade and increased the duty-free access of EU agricultural products to the Icelandic market to 66.4 % of trade. These figures demonstrate that there was ample room for further trade concessions. Therefore, the latest round of negotiations aimed at:

- increasing the degree of liberalisation on both sides;
- increasing the current tariff rate quotas; and
- opening new tariff rate quotas for additional agricultural products.

- **Consistency with other EU policies**

The deepening of trade relations with Iceland fits into the overall context of EU trade policy and is beneficial for the EU since the EU is a net exporter of basic agricultural products to Iceland. The 2014 trade balance was EUR 129 million in favour of the EU, with EU exports reaching EUR 150 million against EUR 21 million imports. The main products exported by the EU are fruit and vegetables and cereals, where to a large extent, duty-free access to the Icelandic market exists for these commodities. Imports into the EU from Iceland are mainly seaweed and algae, sheep meat, live horses and fur skins.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

In April 2012 the Council authorised the Commission to launch a new round of negotiations with Iceland to achieve additional preferences for trade in agricultural goods under Article 19 of the EEA Agreement.

3. BUDGETARY IMPLICATIONS

This agreement will have no impact on the expenditure side of the EU budget. The new concessions granted on imports from Iceland will likely result in a reduction of own resources through a lower collection of customs duties.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first subparagraph of Article 207(4), in conjunction with Article 218(5) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Article 19 of the Agreement on the European Economic Area provides that the contracting Parties undertake to continue their efforts to achieve progressive liberalisation of agricultural trade between them.
- (2) On 24 April 2012 the Council authorised the Commission to open negotiations with Iceland with a view to achieving greater liberalisation of bilateral trade in agricultural products under Article 19 of the Agreement on the European Economic Area. The negotiations were successfully concluded on 17 September 2015 and an Agreement in the form of an exchange of letters between the European Union and Iceland concerning additional trade preferences in agricultural products was initialised.
- (3) Therefore, the Agreement should be signed on behalf of the Union, subject to its conclusion at a later date,

HAS ADOPTED THIS DECISION:

Article 1

The signing on behalf of the Union of the Agreement in the form of an exchange of letters between the European Union and Iceland concerning additional trade preferences in agricultural products is hereby authorised, subject to the conclusion of the said Agreement.¹

¹ The text of the Agreement will be published together with the decision on its conclusion.

Article 2

The Council Secretariat-General shall establish the instrument of full powers to sign the Agreement, subject to its conclusion, for the person(s) indicated by the negotiator of the Agreement.

Article 3

This Decision shall enter into force on [...].

Done at Brussels,

For the Council
The President