

# WORLD TRADE ORGANIZATION

WT/REG95/R/B/1  
G/L/361  
14 April 2000  
(00-1525)

Original: English

## AGREEMENT BETWEEN THE EUROPEAN COMMUNITIES AND ICELAND

### Biennial Report on the Operation of the Agreement

#### *Communication from the Parties*

The report below presents the information received from the Permanent Delegation of the European Commission, dated 21 March 2000. It is organized in accordance to the Standard Format for Information on Regional Trade Agreements (WT/REG/W/6).

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## I. BACKGROUND INFORMATION ON THE AGREEMENT

### 1. Membership and Dates of Signature, Ratification and Entry into Force

The trade agreement between the European Community and Iceland has undergone considerable change since 1994. At that time the existing free trade agreements were largely replaced by a new agreement, the Agreement on the European Economic Area (EEA),<sup>1</sup> which links the European Union (EU) and Iceland, together with Norway and Liechtenstein, in a broad integrated economic agreement.

### 2. Type of Agreement

The EEA Agreement provides for the freedom of movement of goods, persons, services and capital, throughout the territories of the Contracting Parties. It provides for a high degree of economic integration, set out in a large number of Protocols and Annexes.

It also contains provisions for the strengthening and broadening of co-operation among the Parties in a wide range of activities, including research and technological development, information services, the environment, youth policy, education and training.

All transitional periods associated with the free trade area established by the EC/Iceland Agreement have long expired. The EEA Agreement provides for some transitional periods to allow for adaptation to the full terms of the Agreement. Most of these have also now expired, but some remain subject to periodic review and will expire as the Contracting Parties' legislation converges. As additional legislation is integrated into the Agreement, the Parties may establish further transitional periods, to allow for their adaptation.

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<sup>1</sup> Official Journal of the European Communities, No L1, 3 January 1994, p.1

#### **4. Trade Data**

Statistical data on the evolution of trade between the European Communities and Iceland is presented in the Annex.

### **II. TRADE PROVISIONS**

#### **1. Import Restrictions & 2. Export Restrictions**

The EEA Agreement confirms that all trade in non-agricultural products between the EC and Iceland is free of duty or quantitative restrictions (as has been the case since the mid-1980s). Arrangements for trade in agricultural products are set out in a number of specific Protocols.

The extent of liberalisation under the EEA Agreement is only possible because the non-EU members have agreed to take over in its entirety the whole of the Community *acquis* in the relevant economic sectors. This is done on an ongoing basis, and requires a continuing effort on the part of the Contracting Parties to integrate new *acquis* into the Agreement.

#### **3. Rules of Origin & 4. Standards & 5. Safeguards & 6. Anti-dumping and Countervailing Measures & 7. Subsidies and State-aid**

The EEA Agreement prohibits the use of trade defence instruments in relation to areas covered by its provisions and in which the Community *acquis* is fully integrated into the Agreement. The Agreement provides that the non-EU Contracting Parties will take over the EU's *acquis* into their national legislation. This concerns a wide range of trade instruments and measures, including standards, rules of origin, Veterinary and Phytosanitary regulations, rules on state-aids and competition etc.

#### **8. Sector-Specific Provisions**

Those products falling within chapters 1 to 24 of the Harmonized System and a small number of other products of agricultural origin, are covered by the EEA Agreement only to a limited extent, as set out in specific protocols to the Agreement (Protocol 3 for processed agricultural products, Protocol 9 for fisheries products). The Protocols which formed part of the 1973 EC/Iceland FTA have been incorporated in the EEA agreement, to the extent that they have not been completely overtaken by the Protocols forming part of the new Agreement.

The EEA Agreement also includes a provision foreseeing future bilateral negotiations for additional liberalisation in the agricultural sector. As yet the Parties have not availed themselves of this possibility.

### **III. GENERAL PROVISIONS OF THE AGREEMENT**

#### **5. Institutional Framework**

The EEA Agreement is managed on an ongoing basis by a Joint Committee which meets on a monthly basis. Political direction is provided by a Joint Council, and a number of other institutions with consultation, surveillance, judicial and arbitration functions are set up under the Agreement.

**ANNEX<sup>2</sup>**

**Table 1 - EU Imports from World and Iceland, 1980-1998**  
(Million ECU)

SITC:	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>TOTAL</b>
<b>1980 (EU 9)</b>											
World	23,908	1,929	27,501	85,384	1,579	11,374	37,648	37,853	22,176	20,502	269,853
Iceland	159	0	7	1	29	4	76	2	8	2	288
<b>1984 (EU 10)</b>											
World	33,643	2,810	36,139	107,594	2,803	19,968	48,969	71,432	34,537	24,205	382,100
Iceland	222	0	12	1	26	5	100	5	9	32	412
<b>1988 (EU 12)</b>											
World	32,221	2,152	35,752	47,393	1,499	25,067	59,078	106,689	49,968	27,937	387,757
Iceland	557	1	17	1	14	6	98	8	7	22	731
<b>1992 (EU 12)</b>											
World	34,580	3,215	32,218	65,183	1,748	33,888	69,355	146,277	76,771	23,900	487,135
Iceland	740	1	11	1	13	4	112	14	7	4	908
<b>1996 (EU 15)</b>											
World	41,305	3,599	34,829	75,910	2,423	44,328	75,479	189,056	93,962	20,131	581,065
Iceland	742	0	22	1	28	12	135	18	14	4	975
<b>1997 (EU 15)</b>											
World	44,248	4,072	40,131	85,155	2,554	51,485	87,685	229,346	108,779	17,690	672,413
Iceland	774	0	27	4	31	11	172	20	15	4	1,058
<b>1998 (EU 15)</b>											
World	45,198	4,458	39,370	64,843	2,891	55,290	94,672	264,153	116,092	22,676	709,643
Iceland	874	0	27	2	27	10	224	35	17	6	1,223

<sup>2</sup> The source for all the tales is Eurostat (COMEXT).

Table 2 - EU Exports to World and Iceland, 1980-1998  
 (Million ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
<b>1980 (EU 9)</b>											
World	13,662	3,422	4,327	10,071	717	23,228	46,455	84,154	21,333	13,716	221,084
Iceland	28	4	4	51	1	29	59	68	47	31	324
<b>1984 (EU 10)</b>											
World	21,120	5,784	7,319	18,087	1,343	38,465	65,412	129,088	39,835	24,806	351,259
Iceland	39	9	6	41	2	46	91	160	85	48	527
<b>1988 (EU 12)</b>											
World	19,588	6,205	7,602	8,232	1,158	44,449	65,673	141,249	48,507	20,256	362,917
Iceland	38	11	10	36	2	59	109	168	135	57	625
<b>1992 (EU 12)</b>											
World	24,887	8,778	8,068	10,552	1,491	54,200	71,091	180,838	59,247	16,939	436,091
Iceland	46	12	8	28	1	65	113	249	123	18	663
<b>1996 (EU 15)</b>											
World	30,646	10,339	11,414	15,431	1,998	79,144	102,957	283,081	79,287	12,695	627,011
Iceland	63	16	12	15	2	105	175	347	159	11	923
<b>1997 (EU 15)</b>											
World	33,504	12,374	13,084	17,109	2,575	93,046	114,927	331,113	88,686	13,717	721,109
Iceland	66	19	15	19	2	119	189	496	187	4	1,137
<b>1998 (EU 15)</b>											
World	31,772	12,005	11,554	13,833	2,831	95,885	112,815	343,435	89,424	16,869	730,423
Iceland	73	21	20	11	3	143	205	494	203	39	1,234

Table 3 - EU Trade with Iceland by HS Section  
(Million ECU)

EXPORTS					
SECTION	1988	1892	1996	1997	1998
<b>TOTAL</b>	625	663	923	1,137	1,234
I	1	2	5	5	8
II	13	17	19	20	22
III	2	1	2	2	3
IV	37	42	59	63	70
V	39	30	18	22	16
VI	47	56	91	102	128
VII	35	34	49	55	60
VIII	7	4	4	4	4
IX	10	9	18	21	24
X	22	24	43	43	43
XI	62	54	62	67	73
XII	9	9	9	11	13
XIII	12	14	15	18	21
XIV	3	3	4	5	5
XV	51	54	82	88	98
XVI	131	137	275	305	388
XVII	39	114	80	201	146
XVIII	17	18	24	28	29
XIX	1	0	0	0	0
XX	32	25	37	46	57
XXI	21	4	7	8	6

IMPORTS					
SECTION	1988	1992	1996	1997	1998
<b>TOTAL</b>	731	908	975	1,058	1,223
I	464	593	465	472	596
II	1	1	1	1	2
III	14	13	28	31	27
IV	95	149	279	304	281
V	5	4	9	14	11
VI	5	4	11	11	10
VII	1	2	4	4	5
VIII	12	13	13	15	14
IX	0	1	0	0	1
X	1	1	2	2	2
XI	11	6	7	7	8
XII	0	0	0	0	0
XIII	0	1	2	3	2
XIV	1	0	1	0	0
XV	88	99	126	162	216
XVI	5	5	16	18	27
XVII	3	9	2	2	7
XVIII	2	2	4	6	9
XIX	-	-	-	-	0
XX	1	0	0	0	1
XXI	3	4	4	5	7

Table 4 - EU Trade with World by HS Section  
 (Million ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
<b>TOTAL</b>	362,917	436,091	627,011	721,109	730,423
I	7,060	8,001	9,980	10,897	10,062
II	6,372	8,511	8,819	9,757	9,145
III	1,341	1,673	2,286	2,977	3,156
IV	13,817	19,194	24,510	27,744	27,279
V	9,723	12,152	17,487	19,630	16,711
VI	37,393	46,951	68,968	81,772	85,215
VII	15,521	16,914	23,128	27,148	27,504
VIII	4,119	4,084	7,159	7,375	6,435
IX	1,771	2,035	4,045	4,927	5,182
X	7,937	10,271	18,033	19,764	19,803
XI	20,244	25,208	31,611	34,724	35,221
XII	3,440	4,526	5,922	6,313	6,043
XIII	7,153	8,120	11,257	12,916	12,894
XIV	13,026	12,425	16,992	19,285	17,990
XV	30,826	30,864	42,214	46,944	45,623
XVI	93,666	120,842	193,730	226,482	234,539
XVII	46,674	59,351	89,086	104,705	110,049
XVIII	14,107	17,067	23,982	28,129	29,109
XIX	402	388	1,097	1,326	1,656
XX	7,819	9,378	13,350	15,177	15,242
XXI	8,204	5,727	13,354	13,115	11,565

IMPORTS					
SECTION	1988	1992	1996	1997	1998
<b>TOTAL</b>	387,757	487,135	581,065	672,413	709,643
I	8,349	10,300	10,897	12,227	13,296
II	17,555	17,353	23,130	25,437	24,992
III	1,542	1,781	2,250	2,390	2,693
IV	13,638	15,595	18,511	19,019	19,518
V	55,920	73,081	84,793	95,737	75,508
VI	22,179	29,303	39,774	46,234	49,432
VII	10,125	13,862	17,132	19,323	21,043
VIII	6,121	5,701	7,590	8,498	8,224
IX	9,615	10,926	9,118	10,973	11,434
X	17,605	19,227	11,110	11,996	12,571
XI	28,639	39,478	47,467	55,248	57,903
XII	3,325	5,451	7,029	8,308	8,274
XIII	2,593	3,883	4,386	5,090	5,648
XIV	17,526	15,037	21,620	23,890	26,981
XV	26,101	29,345	33,661	40,312	44,472
XVI	81,389	106,397	146,298	173,122	195,378
XVII	25,240	40,386	42,797	56,275	68,476
XVIII	14,869	19,652	24,343	27,814	29,926
XIX	118	194	466	603	510
XX	6,655	12,072	14,394	17,529	19,046
XXI	5,733	5,511	14,298	12,387	14,318