

**ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN COMMUNITY
AND CYPRUS**

The following communication, dated 14 January 2005, is being circulated at the request of the Delegations of the European Communities.

Biennial Report on the Operation of the Agreement (2001-2003)

Communication from the European Communities

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Membership And Dates Of Signature, Ratification And Entry Into Force.

The Association Agreement between the EC and Cyprus was signed in December 1972 and entered into force in 1973 (Official Journal L 133, 21/05/1973 p. 0002 – 0086). As of 1 May 2004 it was superseded by the accession of the Republic of Cyprus to the EU. The Association Agreement is therefore no longer in force.

2. Type Of Agreement

The Association Agreement established a free trade area between the parties through progressive liberalisation of trade in goods.

3. Scope

The scope of the agreement was largely unaltered in the reporting period, even though further liberalization was achieved in the area of fish.

4. Trade Data

Bilateral trade totalled €3.44 billion in 2003 and averaged €3.16 billion over the period 2001-2003. The EU-15 imports from Cyprus were €701 million in 2003 whereas the imports into Cyprus from the EU-15 amounted to €2.74 billion. Of total bilateral trade, industrial goods represented 89 percent in 2003 and also averaged 89 percent over 2001-2003. The share of trade in agricultural and processed agricultural products was 10 percent in 2003. Further statistical information is provided in the annex.

II. TRADE PROVISIONS

1. Import Restrictions

An agreement to further liberalise trade in fish products was concluded by the Parties in 2001. The parties agreed to decrease their tariffs on fish products by one third per year upon entry into force of the agreement (2002) while the EU fixed a temporary tariff quota for various categories of fish (sea bream, sea bass). Trade in fish products was thus fully liberalised two years after the entry into force of the agreement, i.e. on 1 January 2004.

3. Rules Of Origin

The Association Agreement applied the pan-European preferential rules of origin even though Cyprus has been granted derogation from the rules of origin, allowing more extensive use of imported fabric in the production of certain textile products, since 1973 for men's garments and since 1989 for women's garments. A decision by the EC-Cyprus Association Council in March 2001 upheld Cyprus' derogation and applied it until Cyprus' accession to the EU.

4. Standards

As part of its EU accession process, Cyprus gradually aligned to all EU standards, norms and regulations.

III. GENERAL PROVISIONS OF THE AGREEMENT

5. Institutional framework

The following institutional structures were created during the reporting period: Subcommittee on the macroeconomic situation in Cyprus (April 2001) and Joint Consultative Committee (July 2001).

EU15-Cyprus Imports/Exports, 2001-2003 (million Euro)

05 November 2004

Cyprus	EU15 trade 2001 - 2003 with Cyprus (million Euro)											
	imports			exports			balance			total trade		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
HS Section												
Total	592	534	701	2,408	2,510	2,736	1,816	1,976	2,035	3,000	3,044	3,437
<i>of which:</i>												
01 Animals & animal products	16	19	19	33	35	37	17	15	18	49	54	56
02 Vegetable products	70	83	73	35	29	30	-35	-54	-43	105	113	103
03 Animal or vegetable fats	0	0	0	9	8	9	9	8	9	9	8	9
04 Prepared foodstuffs	23	23	19	164	175	172	141	152	154	187	198	191
05 Mineral products	23	33	33	127	82	108	104	49	75	150	115	141
06 Chemical products	33	39	40	253	279	292	221	240	252	286	318	332
07 Plastics & rubber	6	7	6	95	90	94	89	84	88	100	97	100
08 Hides & skins	4	3	2	14	13	13	10	10	10	17	17	15
09 Wood & wood products	1	2	2	35	39	40	34	37	38	36	40	42
10 Wood pulp products	9	9	5	98	103	111	89	94	107	107	112	116
11 Textiles & textile articles	36	31	20	193	196	208	156	165	187	229	227	228
12 Footwear, headgear	2	1	1	38	39	34	36	38	33	40	40	35
13 Articles of stone, plaster, cement, asbestos	2	1	1	75	83	84	74	82	83	77	84	85
14 Pearls, (semi-)precious stones, metals	8	6	5	30	28	26	22	21	21	38	34	31
15 Base metals & articles thereof	24	22	22	121	131	140	97	108	118	146	153	163
16 Machinery & mechanical appliances	35	30	30	543	606	532	508	576	502	578	637	563
17 Transportation equipment	255	178	372	305	388	608	50	210	236	560	566	980
18 Instruments - measuring, musical	17	17	36	69	71	88	52	54	52	86	89	124
19 Arms & ammunition	1	1	1	28	7	2	27	6	2	29	8	3
20 Miscellaneous	10	21	7	109	100	101	100	80	94	119	121	108
21 Works of art	13	1	1	28	3	1	15	2	1	42	3	2
Other	5	6	5	5	4	5	0	-2	0	10	10	10

Source : Eurostat COMEXT - 5 November 2004 (Statistical regime 1)

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EU15-Cyprus: Imp/Exp 2003 - comparison with extra-EU15 (million Euro)

Cyprus / Total	EU15 trade 2003 with Cyprus					EU15 trade 2003 with Extra-EU15					Cyprus		
	imports		exports		balance	imports		exports		balance	market shares		Exp-Imp ratio
	M Euro	% Total	M Euro	% Total	M Euro	M Euro	% Total	M Euro	% Total	M Euro	imports	exports	
HS Section											05 November 2004		
Total	701	100.0%	2,736	100.0%	2,035	899,676	100.0%	853,002	100.0%	-46,674	0.1%	0.3%	3.90
of which:													
01 Animals & animal products	19	2.7%	37	2.2%	18	16,046	1.8%	10,483	1.2%	-5,563	0.1%	0.3%	1.93
02 Vegetable products	73	10.4%	30	5.0%	-43	25,276	2.8%	11,388	1.3%	-13,888	0.3%	0.3%	0.41
03 Animal or vegetable fats	0	0.0%	9	0.2%	9	2,427	0.3%	1,988	0.2%	-439	0.0%	0.5%	1598.76
04 Prepared foodstuffs	19	2.7%	172	2.2%	154	23,696	2.6%	26,396	3.1%	2,700	0.1%	0.7%	9.25
05 Mineral products	33	4.7%	108	1.8%	75	141,932	15.8%	28,125	3.3%	-113,807	0.0%	0.4%	3.27
06 Chemical products	40	5.7%	292	16.8%	252	67,153	7.5%	124,587	14.6%	57,434	0.1%	0.2%	7.33
07 Plastics & rubber	6	0.9%	94	5.3%	88	26,750	3.0%	37,629	4.4%	10,878	0.0%	0.2%	14.98
08 Hides & skins	2	0.4%	13	0.1%	10	9,342	1.0%	8,767	1.0%	-576	0.0%	0.1%	5.19
09 Wood & wood products	2	0.3%	40	2.3%	38	13,694	1.5%	7,358	0.9%	-6,336	0.0%	0.5%	18.34
10 Wood pulp products	5	0.7%	111	3.7%	107	14,666	1.6%	24,961	2.9%	10,296	0.0%	0.4%	23.93
11 Textiles & textile articles	20	2.9%	208	2.5%	187	65,714	7.3%	37,079	4.3%	-28,635	0.0%	0.6%	10.16
12 Footwear, headgear	1	0.1%	34	0.2%	33	11,539	1.3%	6,154	0.7%	-5,386	0.0%	0.6%	53.40
13 Articles of stone, plaster, cement, asbestos	1	0.1%	84	1.7%	83	7,946	0.9%	14,671	1.7%	6,725	0.0%	0.6%	82.06
14 Pearls, (semi-)precious stones, metals	5	0.7%	26	0.3%	21	29,693	3.3%	21,893	2.6%	-7,800	0.0%	0.1%	5.47
15 Base metals & articles thereof	22	3.2%	140	7.0%	118	51,792	5.8%	54,252	6.4%	2,461	0.0%	0.3%	6.28
16 Machinery & mechanical appliances	30	4.3%	532	35.2%	502	237,072	26.4%	266,465	31.2%	29,393	0.0%	0.2%	17.46
17 Transportation equipment	372	53.1%	608	5.4%	236	79,715	8.9%	102,270	12.0%	22,555	0.5%	0.6%	1.64
18 Instruments - measuring, musical	36	5.2%	88	4.3%	52	37,342	4.2%	41,430	4.9%	4,087	0.1%	0.2%	2.42
19 Arms & ammunition	1	0.1%	2	0.1%	2	503	0.1%	891	0.1%	388	0.1%	0.3%	3.04
20 Miscellaneous	7	1.0%	101	1.0%	94	29,532	3.3%	17,650	2.1%	-11,882	0.0%	0.6%	13.74
21 Works of art	1	0.1%	1	0.0%	1	2,100	0.2%	3,767	0.4%	1,667	0.0%	0.0%	1.89
Other	5	0.7%	5	0.0%	0	5,744	0.6%	4,799	0.6%	-945	0.1%	0.1%	1.01

Source : Eurostat COMEXT - 5 November 2004 (Statistical regime 1)

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