

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

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 (WT/REG/W/6).

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**I. BACKGROUND INFORMATION ON THE AGREEMENT**

**2. Type of agreement**

Since 1973, Cyprus has been linked to the European Community by an association agreement which provides for the establishment of a customs union in two stages over a period of ten years. After several successive extensions of the first stage, a protocol on stage two of the Agreement was signed in Luxembourg on 19 October 1987. Pursuant to this protocol, the final phase of the establishment of a customs union, itself broken down into two phases, began on 1 January 1988.

The first phase provides for:

- Reduction by Cyprus of customs duties, and quantitative restrictions on industrial products (with a few exceptions) and on 43 agricultural products covered by the Agreement;
- adoption by Cyprus of the Common Customs Tariff (CCT); and
- harmonization of accompanying policies: competition rules, state aids, approximation of laws.

The second phase provides for totally free movement of industrial and agricultural products and the adoption of the accompanying policies necessary to complete the customs union.

**4. Trade data**

The member States of the European Union (EU) are the major suppliers of goods to Cyprus, accounting for 55 per cent of total imports in 1998.

Imports into the EU from Cyprus amounted to ECU 427 million in 1998, while exports to Cyprus totalled ECU 2,106 million.

Supplementary statistical information, which also covers the rest of the world, appears in the Annex.

## **II. TRADE PROVISIONS**

### **1. Import restrictions, and**

### **2. Export restrictions**

Since 1 January 1998, Cyprus has:

- (i) Abolished all customs duties on manufactured goods originating in the EC and referred to in the Protocol;
- (ii) abolished all quantitative restrictions; and
- (iii) aligned its tariffs completely with the CCT for manufactured goods from third countries.

The transitional measures of the additional protocols signed in 1987 following the accession of Spain and Portugal to the European Communities and relating to imports into these two countries of industrial and agricultural products from Cyprus have now expired.

### **3. Rules of origin**

### **4. Standards**

### **5. Safeguards**

### **6. Anti-dumping and countervailing measures, and**

### **7. Subsidies and State aid**

Within the framework of the accession negotiations, Cyprus will gradually take up all of the EC's trade policy instruments.

### **8. Sector-specific provisions**

On 28 July 1989 the EEC-Cyprus Association Council granted a two-year exemption from rules of origin for certain textile products manufactured in Cyprus; a request for an extension to this exemption was turned down in August of this year.

The provisions of the agreement relating to agriculture have remained unchanged.

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

#### **5. Institutional framework**

The institutions established by the Association Agreement, including the Association Council, are working smoothly. In the framework of preparations for the accession of Cyprus, they were completed through structured dialogue followed by the process of accession negotiations.

### **IV. OTHER**

#### Financial aspects

Cyprus has benefitted from a total contribution ECU 136 million (including loans from the European Investment Bank, EIB, and venture capital) under three successive financial protocols, spread over the years 1977 to 1994.

A fourth financial protocol was signed on 30 October 1995 for a total of €74 million, made up of €50 million in loans from the EIB, €22 million in grants and €2 million in venture capital.

#### Pre-accession

The Luxembourg European Council decided on an individual pre-accession strategy for Cyprus based on participation in a number of targeted activities, particularly in the fields of administrative and judicial capacity building, justice and domestic affairs, on participation in various programmes and community agencies, and on the use of the technical assistance offered by TAIEX.

#### Services and intellectual property

These aspects are not covered by the Association Agreement. No specific agreement has since been signed in these areas.

# ANNEX<sup>1</sup>

Table 1 – EU Imports from the World and Cyprus 1980-1998  
(Millions of ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
<b>1980 (EU 9)</b>											
<b>World</b>	23,908	1,929	27,501	85,384	1,579	11,374	37,648	37,853	22,176	20,502	269,853
<b>Cyprus</b>	109	12	10	9	0	1	4	29	38	54	265
<b>1984 (EU 10)</b>											
<b>World</b>	33,643	2,810	36,139	107,594	2,803	19,968	48,969	71,432	34,537	24,205	382,100
<b>Cyprus</b>	145	10	8	-	0	2	8	13	52	45	284
<b>1988 (EU 12)</b>											
<b>World</b>	32,221	2,152	35,752	47,393	1,499	25,067	59,078	106,689	49,968	27,937	387,757
<b>Cyprus</b>	124	5	12	5	0	15	21	101	109	6	400
<b>1992 (EU 12)</b>											
<b>World</b>	34,580	3,215	32,218	65,183	1,748	33,888	69,355	146,277	76,771	23,900	487,135
<b>Cyprus</b>	111	14	8	1	0	6	23	238	166	29	597
<b>1996 (EU 15)</b>											
<b>World</b>	41,305	3,599	34,829	75,910	2,423	44,328	75,479	189,056	93,962	20,131	581,065
<b>Cyprus</b>	141	16	15	5	0	10	16	245	112	4	564
<b>1997 (EU 15)</b>											
<b>World</b>	44,248	4,072	40,131	85,155	2,554	51,485	87,685	229,346	108,779	17,690	672,413
<b>Cyprus</b>	70	15	21	3	0	10	23	120	109	2	372
<b>1998 (EU 15)</b>											
<b>World</b>	45,198	4,458	39,370	64,843	2,891	55,290	94,672	264,153	116,092	22,676	709,643
<b>Cyprus</b>	86	14	16	1	0	13	19	169	105	3	427

<sup>1</sup> Source for all tables: Eurostat (COMEXT)

**Table 2 – EU Exports to the World and Cyprus 1980-1998**  
(Millions of ECU)

<b>SITC:</b>	<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>											
<b>World</b>	13,662	3,422	4,327	10,071	717	23,228	46,455	84,154	21,333	13,716	221,084
<b>Cyprus</b>	44	13	2	14	1	40	105	146	47	111	522
<b>1984 (EU 10)</b>											
<b>World</b>	21,120	5,784	7,319	18,087	1,343	38,465	65,412	129,088	39,835	24,806	351,259
<b>Cyprus</b>	93	24	8	53	18	96	227	378	94	102	1,093
<b>1988 (EU 12)</b>											
<b>World</b>	19,588	6,205	7,602	8,232	1,158	44,449	65,673	141,249	48,507	20,256	362,917
<b>Cyprus</b>	88	21	9	48	8	98	221	406	95	60	1,053
<b>1992 (EU 12)</b>											
<b>World</b>	24,887	8,778	8,068	10,552	1,491	54,200	71,091	180,838	59,247	16,939	436,091
<b>Cyprus</b>	122	69	14	63	10	135	326	988	224	123	2,073
<b>1996 (EU 15)</b>											
<b>World</b>	30,646	10,339	11,414	15,431	1,998	79,144	102,957	283,081	79,287	12,695	627,011
<b>Cyprus</b>	146	60	18	75	10	176	336	782	241	45	1,938
<b>1997 (EU 15)</b>											
<b>World</b>	33,504	12,374	13,084	17,109	2,575	93,046	114,927	331,113	88,686	13,717	721,109
<b>Cyprus</b>	172	62	22	67	7	215	331	725	312	26	1,958
<b>1998 (EU 15)</b>											
<b>World</b>	31,772	12,005	11,554	13,833	2,831	95,885	112,815	343,435	89,424	16,869	730,423
<b>Cyprus</b>	161	49	23	67	10	214	351	844	341	34	2,106

Table 3 – EU Trade with Cyprus by HS Section  
(Millions of ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
<b>TOTAL</b>	1,053	2,073	1,938	1,958	2,106
I	21	26	27	32	32
II	27	26	41	54	33
III	9	12	11	9	12
IV	64	141	140	151	148
V	51	68	78	71	71
VI	71	115	146	184	190
VII	48	56	72	76	76
VIII	13	14	12	13	14
IX	8	13	22	25	27
X	29	46	82	96	95
XI	89	111	122	142	166
XII	5	7	17	23	27
XIII	30	53	61	59	60
XIV	15	37	22	24	30
XV	69	127	128	124	137
XVI	199	335	342	355	464
XVII	208	655	448	382	388
XVIII	19	47	31	49	44
XIX	10	48	5	3	5
XX	18	32	47	50	58
XXI	14	41	16	16	16

IMPORTS					
SECTION	1988	1992	1996	1997	1998
<b>TOTAL</b>	400	597	564	372	427
I	3	4	5	8	7
II	104	96	125	55	73
III	0	0	0	0	0
IV	24	26	27	22	22
V	15	9	11	12	9
VI	16	7	9	10	13
VII	2	2	6	5	5
VIII	13	8	4	5	3
IX	0	0	0	1	0
X	5	6	4	5	5
XI	89	133	87	79	74
XII	3	5	1	1	3
XIII	0	0	1	1	1
XIV	0	0	2	1	2
XV	10	6	11	20	16
XVI	12	17	44	54	57
XVII	89	221	201	65	110
XVIII	2	17	13	15	15
XIX	2	1	1	1	1
XX	5	9	9	11	9
XXI	2	4	2	2	4

Table 4 – EU Trade with the World by HS Section  
(Millions of ECU)

<b>EXPORTS</b>					
<b>SECTION</b>	<b>1998</b>	<b>1992</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<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

<b>IMPORTS</b>					
<b>SECTION</b>	<b>1998</b>	<b>1992</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<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