

COMMISSION OF THE EUROPEAN COMMUNITIES

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RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND THE
EFTA COUNTRIES: IMPLEMENTATION OF THE LUXEMBOURG DECLARATION
(Information memo from the Commission to the Council)

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I. INTRODUCTION

1. The Ministers of the Community and the EFTA countries plus the Commission solemnly confirmed, in their Joint Declaration in Luxembourg in April 1984, their determination to create a European economic space and, to this end, to extend their cooperation beyond the free trade Agreements in various areas of mutual interest.

The Commission set out its intentions as to the implementation of the Declaration in the memorandum of 13 May 1985 (COM(85)206 final). In it the Commission stressed the reasons for and advantages of closer cooperation embracing the whole of western Europe, and defined the basic criteria to guide the Community in undertaking this enterprise:

- (a) The Community's independent powers of decision must under no circumstances be affected.
- (b) The elimination of technical barriers to trade and the simplification of administrative formalities at Community-EFTA frontiers are a logical extension of the free trade Agreements and should be pursued parallel to the progressive integration of the Community's internal markets.
- (c) No specific field of cooperation should be excluded automatically. The Community must, for example, step up coordination with the EFTA countries in fields such as transport or environmental policy, which, by their nature, cannot be limited by frontiers and are issues of great concern to ordinary people.
- (d) It will only be possible to achieve a European economic space if the costs and benefits are shared fairly. Therefore, action taken between partners must involve real reciprocity.

2. EC-EFTA cooperation has made good progress since the May 1985 memorandum. It has seen, inter alia, the constructive adaptation of the free trade Agreements consequent upon the accession of Spain and Portugal and a significant strengthening of cooperation on research (conclusion of scientific and technical framework agreements, work on reforming COST, the planned participation by the EFTA countries in Community research programmes).

Progress has or is being made on reducing obstacles to trade (simplification of customs documents and frontier controls and formalities, harmonization of standards).

The will to extend cooperation was evident particularly on the occasion of the nuclear accident in Chernobyl. The Commission and the EFTA countries immediately engaged in consultations, during which the EFTA countries declared themselves ready to continue to exchange information and coordinate closely, notably on trade measures.

More generally, there have been many meetings at all levels with the EFTA countries, permitting improved reciprocal information, consultations, and even concerted approaches in numerous fields and joint reflection on future cooperation opportunities.

3. The EFTA countries have welcomed the aims established by the White Paper on the completion of the internal market and have indicated their desire to be able to benefit from certain of the measures planned in order to avoid the introduction of new obstacles to the achievement of the European economic space.

In this context must be situated the Community's offer to extend the single administrative document, as soon as it is introduced on 1 January 1988, to the whole of the European Community and the EFTA countries. The Commission feels that the Community should also, in the same spirit, make a fresh effort to bring about a simplification of the complex origin rules in trade between the European Community and EFTA.

Furthermore, the absolute priority accorded to Community integration and the need for real reciprocity require the EFTA countries to take appropriate measures in good time in order to align themselves on Community initiatives (for instance, the harmonization of standards) and to be careful on their side not to introduce new obstacles (for instance, by bringing in different standards for exhaust gas emission) and to remove existing obstacles (for example, certain quantitative restrictions on exports and non-access to regional and local public procurement).

4. Consequently the priorities in relations between the Community and the EFTA countries should be the following:

- to introduce the single administrative document in the EFTA countries at the same time as in the Community, i.e. on 1 January 1988, and to open formal negotiations to this effect;
- Community research programmes (such as ESPRIT, BRITE, RACE) to be opened to participation by firms and bodies from the EFTA countries;
- to continue actively the efforts aimed at bringing about a simplification of border controls and formalities, reinforcing cooperation in the matter of standardization and simplifying the rules of origin;

- to stress the need for progress on access to regional and local public procurement contracts, abolition of certain quantitative restrictions on exports and harmonization of exhaust gas emission;
- to continue and, as far as possible, intensify contacts, coordination and cooperation in other fields such as economic, monetary, trade and environmental policy, development policy, and so on.

II. PROGRESS IN IMPLEMENTING THE LUXEMBOURG DECLARATION

1. REMOVAL OF OBSTACLES TO TRADE

1.1 BORDER FORMALITIES AND CONTROLS

1.1.1 POSSIBLE CONCLUSION OF SPECIFIC AGREEMENTS BETWEEN THE COMMUNITY ON THE ONE HAND, AND SWITZERLAND AND AUSTRIA ON THE OTHER, ON THE EASING OF BORDER CHECKS AND FORMALITIES. PROGRESS MADE WITH THE NORDIC COUNTRIES.

Exploratory talks have taken place with Switzerland and Austria with a view to extending as much as possible the scope of Directive 83/643/EEC on the facilitation of inspections and administrative formalities in respect of the carriage of goods between those countries and the Member States. These talks will continue.

In the case of the Nordic countries, some progress has been made with experts reaching a consensus regarding the mutual acceptance of loading lists and mutual recognition of customs seals. This consensus should be officially agreed in the form of an exchange of letters by the end of the first half of the year.

1.1.2 INTRODUCTION OF THE SINGLE ADMINISTRATIVE DOCUMENT THROUGHOUT THE EUROPEAN ECONOMIC SPACE ON 1 JANUARY 1988.

Negotiating directives were proposed by the Commission on 17 January (COM(86)8 final) and adopted by the Council on 3 March. The EFTA countries have not yet adopted a position and do not yet have a mandate to open negotiations. As a result, work on this aspect has been limited to "exploratory talks". According to the latest information, there is hope that the EFTA countries will agree in principle to the introduction of a single administrative document and indicate, not later than the Commission-EFTA ministerial meeting in Reykjavik on 5 June at the latest, that they are willing to open negotiations.

1.2 RULES OF ORIGIN

1.2.1 SIMPLIFICATION OF THE CUMULATION RULES

On 11 January 1979, the Commission presented to the Council a recommendation for a decision (COM(78)746 final) authorizing it to negotiate a simplification of the system for cumulation of origin with the EFTA countries. The aim of the proposal was to extend free trade arrangements to products produced in an EFTA country or the Community which incorporated (under no special arrangement) materials, parts or components originating in countries outside EFTA and the Community. The present cumulation system is undoubtedly complex, difficult to apply and prone to give rise to high administrative costs for exporters in both the Community and the EFTA countries.

The Commission's 1979 proposal was rejected by certain Member States. In their view, the simplification of the cumulation rules would lead to an increase in the overall proportion of materials originating in non-member countries that benefited under the free trade arrangements between the Community and EFTA.

The Commission's view is that this risk is fairly theoretical and that it would only arise in the event of a highly improbable series of processing operations in various EFTA countries.

A study is under way on what improvements could be made to the present cumulation system. In the light of this interim report, the Commission will look into the advisability of taking a new initiative towards simplification.

1.2.2 INTRODUCTION OF A LONG-TERM EUR 1 CERTIFICATE AND THE ABOLITION OF THE EUR 2 FORM AND THE POSSIBILITY OF TRANSMITTING INFORMATION CONCERNING ORIGIN USING TELECOMMUNICATIONS OR COMPUTERS.

A proposal for a decision covering these three aspects is currently being drafted and could soon be put before the Council.

The proposal will be aimed at simplifying proof of origin and at reducing administrative costs for exporters by abolishing the EUR 2 form, which is for consignments not exceeding a total value of 4 000 ECU, introducing the possibility of using an EUR 1 certificate to cover a number of consignments during a certain period and the facility of transmitting proof of origin via telecommunications.

1.2.3 POSSIBILITY OF MERGING THE DOCUMENTS CONCERNING PROOF OF ORIGIN WITH THE SINGLE ADMINISTRATIVE DOCUMENT.

At the meeting of experts on 23 April, various possibilities were looked into: one was to combine the declaration of origin on the invoice with the single administrative document (EFTA approach), another was to use a supplementary document aligned on and annexed to the single administrative document (Commission approach). This latter approach offers the EFTA countries a solution based on a formula similar to that used in intra-Community trade and is regarded by the Commission's departments as the most realistic solution.

1.3. STANDARDS

INTERNAL APPLICATION OF THE NEW COMMUNITY APPROACH AND GUIDELINES FOR COOPERATION WITH EFTA IN THIS SPHERE.

1.3.1. Standards is one of the areas where talks between the EFTA countries and the Community have been most fruitful. A recent working meeting helped step up cooperation further, particularly with regard to enhancing the role and programming the work of the two European standards bodies, CEN and CENELEC.

1.3.2. In addition, there has been agreement on new procedures for exchanging information in the field of technical rules, in particular that of cooperation concerning the two information procedures of EFTA and the Community (Directive 83/189/EEC of 28 March 1983).

1.3.3. Procedures for prior consultation have also been agreed so that the EFTA countries can express their views on the new Community approach to harmonization, not only on standardization programmes and projects but also on what should be the essential features of legislation in the Community and the EFTA countries (constituting a form of "terms of reference" for standardization).

1.3.4. As regards the opportunities for cooperation on the mutual recognition of certificates and test results, this is one of the most thorny issues in the Community itself and cooperation with the EFTA countries will necessarily depend on the progress made in Community policy. The Community is moving towards the development of a system of Community accreditation (whereby certification bodies and testing laboratories would be certified competent and reliable by an independent professional technical body on the basis of public, transparent quality criteria). On the Community side, work under way should produce the basis of a Community policy within a few months, at which point it will be seen how this could open the way to greater cooperation with the EFTA countries, taking into account, inter alia, existing international rules.

2. RESEARCH AND DEVELOPMENT

2.1 COOPERATION IN THE CONTEXT OF THE FRAMEWORK AGREEMENTS CONCLUDED WITH THE EFTA COUNTRIES

Framework agreements have been negotiated with all the EFTA countries, apart from Iceland, and already signed in the case of Switzerland (8 January 1986), Sweden (13 January) and Finland (29 April).

The five joint committees on research specially set up to ensure that the five framework agreements are properly implemented will meet soon to decide on the specific areas for cooperation and methods of implementing it. Possible areas for cooperation were identified during the negotiation of the agreements so a rapid decision can be expected.

In this context a specific R&D agreement on the management of radioactive waste was signed on 15 February with the Swedish company responsible for nuclear fuel and waste management (SKB).

2.2 PROGRESS ON REFORM OF THE COST FRAMEWORK

The context in which COST cooperation has taken place over the last 15 years has radically changed: Community enlargement, the development of a Community science and technology policy, the progressive opening up of Community research programmes to non-member countries, the setting up of bilateral framework agreements and the start-up of the EUREKA project in 1985.

For these reasons, the Committee of Senior Officials on Scientific and Technical Research (COST) has been examining the role COST may be called on to play in future years. The consensus opinion which is emerging is that COST projects should complement Community R&D programmes adopted under the framework programme (1987-91). This would allow varying degrees of involvement, so giving flexible approach to specific research requirements.

2.3 PARTICIPATION OF THE EFTA COUNTRIES IN THE COMMUNITY STIMULATION PROGRAMME

In 1985 Austria, Finland, Norway and Sweden expressed interest in the possibility of their scientists' participating in the stimulation programme.

The likely conditions for such participation were communicated to these countries during exploratory talks.

In March 1985 Austria indicated that it was willing to agree to these conditions; a draft agreement on Austria's participation in the programme is being drawn up.

Norway, Sweden and Finland have not yet made any clear response on the subject of the proposed conditions.

2.4 PARTICIPATION OF FIRMS IN THE EFTA COUNTRIES IN COMMUNITY PROGRAMMES SUCH AS ESPRIT, BRITE AND RACE

The Commission has already announced its intention to propose the opening of the various Community industrial R&D programmes to firms and organizations in the EFTA countries. Commission experts met those of the EFTA countries on 24 April to examine the conditions and ways and means of their participation.

Proposals are being drafted in connection with ESPRIT - Phase II - BRITE and RACE.

3. OTHER FIELDS OF PARTICULAR INTEREST TO THE COMMUNITY

3.1. MUTUAL ACCESS TO PROCUREMENT CONTRACTS

At their meeting in Geneva on 24 April EFTA and Commission experts looked into the opportunities for gradually opening access to procurement contracts. In this context it should be noted that the GATT code on public contracts, which is applicable to relations between the Community and the EFTA countries, covers only central government contracts. Commission experts therefore proposed to start by examining the possibility of gradually opening up regional and local procurement contracts, which are not covered by the GATT code.

The EFTA delegations, particularly those of countries with a federal structure, expressed reservations about this approach. They would prefer a sectoral approach, starting with the telecommunications sector, which could be done by expanding the scope of Recommendation 84/550/EEC (giving access to 10% of national procurement contracts to enterprises of other Member States) to include the EFTA countries. They justify this demand by referring to EEC-EFTA cooperation on the development of new standards in the field of research.

The Commission experts expressed reservations about extending the application of a recommendation still in the process of being implemented in the Community at the present time; nor does such an extension seem feasible when the EFTA countries have made no response to the Community's request for an opening of regional and local contracts.

These two approaches will be examined by experts, but at this stage progress does not seem likely.

3.2. ABOLITION OF QUANTITATIVE RESTRICTIONS ON EXPORTS OF
NON-FERROUS METAL WASTE AND SCRAP

The talks held with the EFTA countries on 14 March and 25 April did not provide the basis for drawing up negotiating directives. The EFTA countries, notably Switzerland, are not willing at this stage to accept the Commission's proposal to abolish restrictions between the Community and those countries. Talks between experts will continue.

3.3. CONSULTATIONS WITH THE EFTA COUNTRIES ON EXHAUST EMISSIONS

Representatives of the EFTA countries have regularly been kept abreast in great detail of the Community's work on environment issues, particularly since the Council started discussing vehicle exhaust emissions. The Community has stressed the need for a harmonized approach so as to avoid introducing new obstacles to trade between the Community and the EFTA countries. Nevertheless, Sweden, Switzerland and Austria have decided to introduce standards which are more or less the same as those introduced in the United States.

In view of the fundamental importance of this issue from the point of view of both the integration of markets and the protection of the environment, this problem should be raised with the EFTA countries at political level whenever the opportunity presents itself.

Every possible effort must be made to ensure that similar difficulties do not arise in future as regards exhaust emissions from commercial diesel vehicles.

3.4 ADAPTATION OF THE ARRANGEMENTS CONCERNING AGRICULTURE AND THE CONCESSIONS ON PROCESSED AGRICULTURAL PRODUCTS FOLLOWING THE ACCESSION OF SPAIN AND PORTUGAL

3.4.1 The negotiations for the adaptation of the agricultural arrangements between the Community and the EFTA countries consequent upon the accession of Spain and Portugal have enabled a balanced agreement to be reached and the signing is planned for before the end of May this year, with the entry into force on 1 July. The agreement has been applied since 1 March this year on the basis of autonomous measures.

3.4.2 Before renewing efforts to extend the free trade arrangements provided for in Protocol 2 of the Free Trade Agreements to a larger number of processed agricultural products, it is necessary to overcome some difficulties encountered in applying the Protocol in its present form. There are problems because of a lack of balance and transparency in the different price offsetting systems for the various basic agricultural products. The Commission is examining ways of improving the operation of the present arrangements.

3.5 MEETINGS WITH THE MEMBERS OF THE EFTA ECONOMIC COMMITTEE

A meeting was held in Stavanger on 16 May between representatives of the EFTA Economic Committee and Commission representatives. The results of this meeting indicated a convergent view of the economic situation and prospects and brought out the advantages to both the Community and the EFTA countries of uniting their efforts towards economic recovery in line with the principles of the cooperative strategy for growth and employment which was adopted by the Community in its annual economic report for 1985-86.

3.6 COOPERATION ON ENVIRONMENTAL MATTERS

At the meeting of 29 October 1985, in Brussels, senior officials from the EFTA countries and the Commission agreed on specific terms of reference for experts to establish an inventory of what has been achieved with possible new initiatives where no international agreements exist.

They also invited the experts to examine the possibility of improving the availability and exchange of information on the environmental impact of pollution with special reference to air pollution and dangerous substances. They also invited experts to examine practical ways in which EFTA can cooperate in the European Year of the Environment in 1987.

Several meetings of experts have taken place since then and an interim report for the EC-EFTA senior officials was finalized on 29 April 1986 during a joint meeting of EC-EFTA experts on the occasion of the OECD Environment Committee meeting in Paris.

As a result of this meeting experts stressed that EFTA-EC cooperation could go beyond the mere exchange of information and comprise exploratory exchanges of views on environmental policy development and mutual consultation within specific environmental issues.

On the occasion of the Chernobyl nuclear accident, consultation and exchange of information between the Community and EFTA countries worked rapidly and satisfactorily.

3.7 COOPERATION ON DEVELOPMENT AID

The Commission maintains close contacts on development with the Norwegian and Swedish authorities, particularly regarding Southern Africa and also Stabex and continuation of the North-South Dialogue. These contacts take the form of annual consultation and ad hoc meetings and also coordination in the field.

Furthermore, as a member of the OECD Development Assistance Committee, the Community has played a part in the preparation of development strategies with the EFTA countries.

The Commission has informed the EFTA countries that it is ready to provide any technical assistance required should they be interested in operating either bilaterally or in a group as EFTA's Stabex system for least developed countries not signatory to the Lomé Convention.

Meanwhile Norway has sent a party of experts who were received by Commission officials on 15 April. The latter will sound out the other EFTA countries as to their intentions since the matter will shortly become topical in the context of various international meetings (UNCTAD, OECD) and in view of the coming UNCTAD VII (July 1987).