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MEMO 122/84

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Meeting of the EEC-Iceland Joint Committee

The EEC-Iceland Joint Committee took place in Brussels on 28 November 1984. The delegations were led, on the Community side, by Mr Eberhard RHEIN, Director in the Directorate-General for External Relations and, on the Icelandic side, by Mr Tomas TOMASSON, Ambassador and Head of the Icelandic Mission to the European Communities.

The two delegations passed in review developments in their relations since the previous Joint Committee in June. They noted particularly the meeting of high officials of the Commission and the EFTA states in September which set in motion the follow-up to the EC-EFTA Luxembourg Declaration. They hoped that meetings of this kind would lead to rapid progress being made in the implementation of the Luxembourg Declaration.

The Joint Committee noted the development of trade between the Community and Iceland in the first 9 months of 1984. Community's exports to Iceland increased by 9% while her imports rose by a remarkable 18%. The Community remains Iceland's most important trading partner accounting for 47% of her imports and 36% of her exports.

In response to Icelandic criticism of the Commission's proposals to discontinue certain tariff suspensions on fish products, the Commission replied that it was fully aware of Icelandic concern on this subject. Enlargement of the Community, with the consequent increase in the EC fishing fleet by 70%, would create new challenges for the management of the internal fish market and this measure was an essential precaution for the Community to enable it to adapt to the new situation. The Commission delegation declared its readiness to hold consultations with Iceland on this matter.

The State of EC-Iceland Relations

Iceland and the Community form, with the other members of the European Free Trade Association, an industrial free trade zone which comprises almost all of Western Europe and its more than 300 million consumers. Spain is the only exception but is currently negotiating membership of the Community. This is the end result of the free trade agreements which were signed in 1972 and 1973 in the wake of the decision by three EFTA Members, Britain, Ireland and Denmark, to become full members of the European Community.

Since the end of the transition period, a transition which was effectively accomplished in 1980 without encountering any major difficulties, trade in industrial products has been made completely free of tariffs and quantitative restrictions.

One small exception exists on the Icelandic side where quantitative restrictions may be maintained on certain oil products and brushes.

Since Iceland does not produce any products covered by the European Coal and Steel Treaty, the agreement between the ECSC and Iceland only covers Community exports to Iceland.

Although agriculture was not part of the original agreement a provision was included whereby both parties would foster the harmonious development of trade. In an Annex to the 1972 Agreement specific rules were also agreed clearly defining how tariff reductions would be applied to the industrial element of transformed agricultural produce.

An important element of the agreement was Protocol 6 dealing with tariff concessions for fishery products. Fish products are Iceland's principal export to the Community accounting for 50% of the EC total imports from Iceland in 1983. The application of Protocol 6 was delayed to 1 July 1976 when the economic problems caused by Iceland's extension of its fishery zone were resolved.

COOPERATION BEYOND THE FREE TRADE AGREEMENT

In April 1984, the Foreign Ministers of the Community and of the EFTA states met in Luxembourg where they committed themselves to consolidating the achievements of the past decade and extending in a pragmatic way cooperation beyond the free trade agreements.

Fisheries

In this light discussions have since taken place between the Commission and the Icelandic authorities on the possibility of concluding a framework fisheries agreement to deal with questions of conservation and access but it has not yet proved possible to achieve this.

It was assumed, following the implementation of Protocol 6, that an overall fisheries agreement would be reached between the Community and Iceland.

Sheepmeat

Following the introduction of a Community sheepmeat regime the Commission negotiated an agreement with Iceland whereby Iceland limits her exports to the EC to 600 tonnes per year in return for a reduction in the duty applicable.

TRADE STRUCTURE AND DEVELOPMENT

The Community is Iceland's main trading partner accounting for 44% of her imports and 31% of her exports in 1983. Iceland's main exports to the Community are fish products, aluminium, fish oil and animal feed. The Community's principal exports to Iceland are machinery and transport equipment and oil.

TRADE BETWEEN THE COMMUNITY AND ICELAND

(million ECU)(*)

	1973	1979	1980	1981	1982	1983	1984 (3 months)
EC Imports	48	249	288	277	265	335	97
EC Exports	65	272	324	417	531	408	110
Balance	17	23	36	140	266	73	13

Source: EUROSTAT

(*) The exchange rate ECU/dollar varies daily as the various EC currencies, which make up the ECU, vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.30 in 1980, US\$ 1.12 in 1981, US\$ 0.98 in 1982, US\$ 0.89 in 1983 and US\$ 0.83 in 1984.

