



COMMISSION OF THE EUROPEAN COMMUNITIES

**Brussels, 23.07.1997
COM(97) 426 final**

97/0216 (ACC)

Proposal for a

COUNCIL DECISION

concerning a decision to be taken by the Association Council established by the Europe Agreement between the European Community and their Member States, of the one part, and the Czech Republic, of the other part

(presented by the Commission)

Explanatory Memorandum

On 21 April the Czech government introduced an import deposit scheme (IDS) under Article 65 of the Europe Agreement. It informed the Commission by Note Verbale of the same date. It stated that the IDS was part of a package of economic measures adopted on 16 April to tackle a number of economic problems such as low economic growth, the very large trade deficit and an increasing budget deficit.

Article 65 provides that either party may "adopt restrictive measures including measures related to imports," in case of "serious balance of payments difficulties or the imminent threat thereof". On the basis of the information available the Commission concluded that the conditions of Article 65 were not met. It informed the Czech Republic by Note Verbale of 28 April and requested urgent consultations with a view to withdrawing the scheme.

After initial consultations between the Commission and the Czech authorities on 29 April the Association Committee met on 29 May to try to resolve the issue. The Committee did not succeed in reaching agreement, except as regards the establishment of intensified economic policy dialogue between the two sides to examine economic data and Czech medium-term economic policy in more detail.

On that occasion the Community informed the Czech side that if the latter did not reestablish compatibility with the Europe Agreement by the end of June, the Community would submit a draft decision to the Association Council to settle the issue in accordance with Article 107(2).

On 30 June the first meeting took place in the context of the intensified economic policy dialogue. The data provided by the Czech side on that occasion confirm that the conditions of Article 65 are not met. The Czech side informed the Commission that it would not withdraw the measure in the short term.

The Czech side repeated this position at the Association Committee meeting on 11 July.

In view of the above, the Community will now have to institute the dispute settlement procedure under Article 107 of the Europe Agreement. It therefore proposes, in line with Article 107(2) of the Agreement, the annexed draft decision of the Association Council under which the Czech side will abolish the IDS by 15 September. If this proposal is not accepted by the Czech side, the Community will, in accordance with Article 107(4), appoint an arbitrator. The Czech side can then appoint an arbitrator on its side and the Association Council will appoint a third one. The arbitrators' decisions will be taken by majority vote.

The Commission therefore requests the Council to adopt the attached proposal for a Council Decision.

Proposal for a Council Decision

concerning a decision to be taken by the Association Council established by the Europe Agreement between the European Community and their Member States, of the one part, and the Czech Republic, of the other part

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 113 and 228(2) thereof,

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part,

Having regard to the Council and Commission Decision of 19 December 1994 concluding the Europe Agreement, and in particular Article 2(1) thereof,

Having regard to the proposal from the Commission,

Whereas Article 107(2) of the Europe Agreement states that the Association Council established by the Agreement may settle any dispute relating to the application or interpretation of the Agreement by means of a decision;

Whereas the Czech Republic introduced an import deposit scheme under Article 65 of the Europe Agreement on 21 April 1997;

Whereas the Community concluded that the conditions of Article 65 were not fulfilled at the time the Czech Republic introduced the import deposit scheme; whereas it informed the Czech Republic accordingly by Note Verbale of 28 April 1997 requesting consultations concerning the import deposit scheme and its withdrawal;

Whereas the special meeting of the Association Committee established by the Europe Agreement on 29 May 1997, which had been requested by the Community in order to discuss the measure with a view to finding a solution, was unable to reach agreement, except to institute an intensified economic policy dialogue between the Parties;

Whereas the economic data provided by the Czech Republic during the first meeting held in the context of the intensified economic policy dialogue on 30 June 1997 confirm that the conditions of Article 65 are not met;

Whereas the Czech authorities indicated on that occasion that the import deposit scheme would not be withdrawn in the short term, a position which was repeated at the Association Committee meeting on 11 July 1997;

Whereas it considers that, until a satisfactory solution is found, the dispute settlement procedure provided for in Article 107 should be initiated in accordance with paragraph 2 thereof;

Whereas the Community and the Czech Republic wish to undertake a joint assessment of the Czech Republic's medium-term economic strategy with a view to intensifying the economic policy dialogue between the Community and the Czech Republic in the pre-accession period,

HAS DECIDED AS FOLLOWS:

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic of the other part, on the settlement of any disputes relating to the import deposit scheme shall be based on the draft decision by the Association Council attached to this Decision.

Done at Brussels,

For the Council
The President

Decision No .../97 of the Association Council established by the European Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part

settling the dispute between the European Union and the Czech Republic on the import deposit scheme in accordance with Article 107(2) of the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part

The Association Council,

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Czech Republic of the other part, and in particular Article 107 thereof,

Whereas Article 107(2) of the Europe Agreement stipulates that the Association Council established by this agreement may settle by means of a decision any dispute concerning the implementation or interpretation of the Agreement;

Whereas, on 21 April 1997, the Czech Republic introduced, under Article 65 of the Europe Agreement, an import deposit scheme for a large number of consumer and processed agricultural products, of which it informed the European Community by Note Verbale of 21 April 1997;

Whereas the Community concluded that the conditions of Article 65 were not fulfilled at the time the Czech Republic introduced the import deposit scheme; whereas it informed the Czech Republic accordingly by Note Verbale of 28 April 1997, requesting consultations concerning the import deposit scheme and its withdrawal;

Whereas the special meeting of the Association Committee established by the Europe Agreement on 29 May 1997, which had been requested by the Community in order to discuss the measure with a view to finding a solution, was unable to reach agreement, except to institute an economic policy dialogue between the Parties;

Whereas the economic data provided by the Czech Republic at the first meeting held in the context of the intensified economic policy dialogue on 30 June 1997 confirm that the conditions of Article 65 are not met;

Whereas the Czech authorities indicated on that occasion that the import deposit scheme would not be withdrawn in the short term, a position which was repeated at the Association Committee meeting on 11 July 1997;

Whereas it considers that, until a satisfactory solution is found, the dispute settlement procedure provided for in Article 107 should be instituted in accordance with paragraph 2 thereof;

Whereas the Community and the Czech Republic wish to undertake a joint assessment of the Czech Republic's medium-term economic strategy with a view to intensifying the economic policy dialogue between the Community and the Czech Republic in the pre-accession period,

HAS DECIDED AS FOLLOWS:

Article 1

The Czech Republic shall withdraw, not later than 15 September 1997, the import deposit scheme which it introduced on 21 April 1997.

Article 2

The Community and the Czech Republic shall intensify the economic policy dialogue agreed on 29 May 1997.

Done at Brussels,

For the Association Council
The President

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DOCUMENTS

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