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REPORT

of the Committee on External Economic relations

on a Council decision concerning
the conclusion of an Agreement
in the form of an exchange of letters
between the European Economic Community
and the Principality of Andorra
C3-0217/90

Rapporteur: Mr Fernando PEREZ ROYO

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= Consultation procedure requiring a single reading



= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment



= Cooperation procedure (first reading)



= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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By letter of 9 July 1990, the Council consulted the European Parliament, pursuant to Article 99 of the EEC Treaty, on the proposal for a Council decision concerning the conclusion of an Agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra.

At the sitting of 13 July 1990 the President of Parliament announced that he had referred this proposal to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture, Fisheries and Rural Development and the Committee on Economic and Monetary Affairs and Industrial Policy for their opinions.

At its meeting of 17 July 1990, the Committee on External Economic Relations appointed Mr PEREZ ROYO rapporteur.

At its meeting of 17 October 1990 it considered the draft report.

At the latter meeting it adopted the draft legislative resolution unanimously.

The following took part in the vote: De Clercq, chairman; Cano Pinto, vice-chairman; Perez Royo, rapporteur; Benoit, Braun Moser, Chabert, Ib Christensen (for Moretti), da Cunha Oliveira (for Miranda), Janssen van Raay (for Peijs), Magnani Noya, Melandri (for Aglietta), Sainjon, Sonneveld (for Lemmer), Titley, Tsimas and Visser (for Junker).

The opinion of the Committee on Agriculture, Fisheries and Rural Development is attached. The Committee on Economic and Monetary Affairs and Industrial Policy decided not to deliver an opinion.

The report was tabled on 18 October 1990.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament on a Council decision concerning the conclusion of an Agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra

The European Parliament,

- having regard to Articles 99 and 113 of the EEC Treaty,
 - having regard to the proposal for a Council decision concerning the conclusion of an Agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra,
 - having been consulted by the Council pursuant to Article 99 of the EEC Treaty and the procedure laid down in Article 228 of that Treaty (C3-0217/90),
 - having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Agriculture, Fisheries and Rural Development (A3-0256/90,
1. Approves the conclusion and entry into force, in accordance with international public law and international practice, of the agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra;
 2. Instructs its President to forward this opinion to the Council and Commission and to the governments of the Member States and of the Principality of Andorra.

EXPLANATORY STATEMENT1. Introduction: notes on Andorra

The Principality of Andorra lies in the eastern Pyrenees, half way between Barcelona and Toulouse. It covers 467 sq. km and has a population of 46 976 (1986 census) of which 12 843 are 'real' Andorrans, with the vast majority of the rest being Spanish or French.

Andorra has no constitution as such and its unique status dates back to feudal times. The princes of Andorra are the President of the French Republic and the (Spanish) Bishop of Urgel, who are represented in Andorra by delegates working in cooperation with the two delegations (Spanish and French) that specialize in Andorran affairs.

Andorra pays a nominal twice-yearly tax, the 'questia', to France and the Bishop of Urgel.

2. Legal status of Andorra in international public law

The question is very complex and has already been the subject of many, sometimes conflicting, studies and analyses. For practical reasons, the Commission of the European Communities stated, in a press release dated 14 December 1988, that Andorra was an independent state placed under the joint sovereignty of the President of the French Republic and the Bishop of Urgel.

It is legitimate, therefore, for the Community to deal with Andorra as it would with any other independent state.

3. Andorra's economic resources

Andorra's agricultural output is not inconsiderable, but is mostly consumed locally.

Tourism is very important, although the great majority of visitors are merely passing through. (There are 250 hotels in Andorra.) In 1982, almost 10 million tourists visited Andorra, mostly en route elsewhere.

For many years, duty-free sales arrangements have enabled the country to grow rich by avoiding Spanish customs barriers.

Andorra is also a tax haven. The Government draws its revenues from a light tax on imports, various forms of indirect taxation and the sale of postage stamps, with the budget deficit being financed by loans. Property speculation has increased considerably.

The banks also play a very important role, although by tacit agreement their total number is restricted to five.

4. Relations between Andorra and the European Community

Andorra does not form part of the Community's customs territory. Council Regulation No. 1496/68/EEC on the definition of the Community's customs territory area does not mention Andorra. However, the act of accession of Spain and Portugal to the European Communities has annexed to it a joint declaration on future trade arrangements with Andorra. This declaration envisaged the introduction, within two years of the entry into force of the act of accession, of an arrangement governing trade relations between the Community and Andorra to replace existing national arrangements.

On 13 July 1988, a delegation of the Principality submitted to the Commission a memorandum requesting the opening of negotiations between Andorra and the Community.

The Commission drew up a draft directive for negotiations with the Principality of Andorra. This proposal was based on two main principles: firstly, eliminating the existing disparities and incompatibilities between the existing national arrangements with regard to Andorra and Community duties by introducing a uniform Community system, and secondly, recognizing the special situation of the Principality and the need to protect its economic and trade interests.

On 20 March 1989, the Council adopted a directive authorizing the Commission to negotiate an agreement in the form of an exchange of letters with the Principality of Andorra with a view to creating a customs union for industrial products.

5. Analysis of the Agreement

5.1. The agreement is designed to replace existing national arrangements by a Community system.

Andorra must be given special treatment, particularly as regards exemption from import duties, turnover tax and excise duties collected on goods contained in travellers' personal luggage. This special treatment is justified by geographical, historical, social and economic factors and the Principality's exceptional situation.

5.2. EC/Andorra Customs Union (Title I) (Articles 2 and 3)

This concerns products covered by Chapters 25 to 97 of the Harmonized System, and applies to:

- goods produced in the Community or in Andorra,
- goods which come from third countries and are in free circulation in the Community or in Andorra,

in respect of which Andorra shall adopt:

- the provisions on import formalities applied by the European Economic Community to third countries,
- the laws, regulations and administrative provisions applicable to customs matters in the Community and necessary for the proper functioning of the customs union.

5.3. Arrangements for products not covered by the Customs Union (Title II)

Products covered by Chapters 1 to 24 of the Harmonized System which originate in Andorra shall be exempt from import duties when imported into the Community (Article 11).

The arrangements applied to goods from third countries imported into Andorra shall not be more favourable than those applied to imports of Community goods (Article 12).

5.4. Exemption arrangements

Exemptions from import duties, turnover taxes and excise duties levied on imports by travellers between the Contracting Parties and applicable to goods contained in personal luggage of travellers coming from one of the Contracting Parties shall be those currently applicable to the Community in respect of third countries, provided imports of those goods are strictly non-commercial (Title III, Article 1).

5.5. Fiscal discrimination

The Contracting Parties shall refrain from any domestic tax measure or practice leading directly or indirectly to discrimination between the products of one Contracting Party and similar products from the other Contracting Party.

Products sent to the territory of one of the Contracting Parties shall not be eligible for a refund of domestic charges which is higher than the charges which have been levied directly or indirectly (Title III, Articles 17, 18 and 19).

The Agreement is to be administered by a Joint Committee composed on the one hand of representatives of the Community and, on the other, of representatives of the Principality of Andorra, which shall take decisions by common accord.

6. Conclusions

The agreement in question is a remarkable effort to reconcile two apparently contradictory objectives: ensuring Andorra is united to the EEC without being absorbed into it. Its main features are:

- to link, by means of a customs union, Andorra to the European Community, which is its main, if not its only partner and to which it is connected by a complex network of economic, commercial and political ties;
- to recognize Andorra's special status and full autonomy.

This agreement should make it possible to overcome most of the problems that complicate economic and commercial relations between the EEC and Andorra. The Committee on External Economic Relations therefore recommends that the European Parliament approve the agreement.

Community trade with Andorra, 1986-1989

-1000 ECU-

EC-imports (cif)

	1986	1987	1988	1989
Total	117.210	23.151	29.018	32.627
of which:				
F.R. Germany	2.290	1.209	2.203	1.516
France	11.960	15.356	16.645	20.207
Italy	558	863	775	610
Netherlands	106	41	287	505
Belg./Lux.	333	94	163	203
UK	34	197	60	48
Ireland	0	0	0	0
Denmark	6	7	159	20
Spain	101.778	5.010	8.246	8.810
Greece	14	26	215	71
Portugal	131	348	265	637

EC-exports (fob)

	1986	1987	1988	1989
Total	456.520	517.738	643.368	773.294
of which:				
F.R. Germany	24.327	27.744	37.325	47.529
France	221.907	244.006	325.841	383.336
Italy	14.688	20.055	18.179	24.626
Netherlands	9.860	13.157	12.839	12.997
Belg./Lux.	10.782	7.893	6.577	11.903
UK	19.629	15.556	16.116	15.592
Ireland	1.354	1.359	1.912	2.151
Denmark	2.288	2.900	2.593	2.828
Spain	151.356	184.495	221.439	271.423
Greece	39	183	32	186
Portugal	290	390	515	723

Balance

	1986	1987	1988	1989
Total	339.310	494.587	614.350	740.667
of which:				
F.R. Germany	22.037	26.535	35.122	46.013
France	209.947	228.650	309.196	363.129
Italy	14.130	19.192	17.404	24.016
Netherlands	9.754	13.116	12.552	12.492
Belg./Lux.	10.449	7.799	6.414	11.700
UK	19.595	15.359	16.056	15.544
Ireland	1.354	1.359	1.912	2.151
Denmark	2.282	2.893	2.434	2.808
Spain	49.578	179.485	213.193	262.613
Greece	25	157	-183	115
Portugal	159	42	250	86

Source: CRONOS-FRIC, EUROSTAT

Production: European Parliament/Statistical Service

Community trade with Andorra, 1989				
	EC-imports (cif)		EC-exports (fob)	
	-1000 ECU-	- % -	-1000 ECU-	- % -
Total	32,627	100.0	773,294	100.0
of which:				
F.R. Germany	1,516	4.6	47,529	6.1
France	20,207	61.9	383,336	49.6
Italy	610	1.9	24,626	3.2
Netherlands	505	1.5	12,997	1.7
Belg./Lux.	203	0.6	11,903	1.5
UK	48	0.1	15,592	2.0
Ireland	0	0.0	2,151	0.3
Denmark	20	0.1	2,828	0.4
Spain	8,810	27.0	271,423	35.1
Greece	71	0.2	186	0.0
Portugal	637	2.0	723	0.1

Source: CRONOS-FRIC, EUROSTAT

Production: European Parliament/Statistical Service

OPINION
OF THE COMMITTEE ON AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT

Letter from Mr COLINO SALAMANCA, chairman of the Committee on Agriculture, Fisheries and Rural Development, to Mr Willy DE CLERCQ, chairman of the Committee on External Economic Relations

Brussels, 17 October 1990

Subject: Council decision on the conclusion of an Agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra
(Doc. C3-217/90)

Dear Mr Chairman,

At its meeting of 15 and 16 October 1990¹, the Committee on Agriculture, Fisheries and Rural Development considered the above proposal for a Council decision, on which your committee is currently drawing up a report.

The Agreement between the EEC and the Principality of Andorra is to replace the existing national arrangements with a Community system:

- a customs union shall be established for the products covered by Chapters 25 to 97 of the Harmonized System (TITLE I, Article 2);
- products covered by Chapters 1 to 24 of the Harmonized System which originate in Andorra shall be exempt from import duties when imported into the Community (TITLE II, Article 11).

Products originating in the Principality of Andorra shall be taken to mean agricultural produce harvested there, livestock bred and raised there, as well as products from hunting and fishing and processed products made from any of the above.

¹ The following took part in the vote: Colino Salamanca, chairman; Graefe zu Baringdorf, vice-chairman, Blaney, Carvalho Cardoso, Domingo Segarra, Garcia, Görlach, Livanos, Marck, Ortiz Climent, Partsch, (for Falqui), Ferruccio Pisoni (for Nino Pisoni), Sonneveld, Verbeek and Vohrer.

Situated in the heart of the Pyrenees, the Principality of Andorra is a small mountainous country with a surface area of 467 km². The terrain is partly wild pine forest (the main species) and partly natural meadows, with a UAA of only 4%. Agriculture is varied, but small-scale being limited by a cold climate and the altitude, with some more temperate pockets: vineyards, olive groves, cereals, pulses and potatoes. Cattle and sheep account for most of the animal husbandry, which benefits from natural meadows and cultivated alfalfa fields.

Andorra is far from being self-sufficient, and her trade with the Community has been concentrated on her neighbours, France and Spain.

The Committee on Agriculture, Fisheries and Rural Development agrees wholeheartedly that Andorra's special situation, resulting from a series of geographical, historical and socio-economic factors, merits special provisions. Therefore the committee has no hesitation in recommending that the European Parliament conclude this Agreement.

Yours faithfully,

(sgd) Juan Luis COLINO SALAMANCA