

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

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8 October 1973

DOCUMENT 161/73

## Report

drawn up on behalf of the Committee on external economic relations

on the agreement signed between the European Economic Community and the  
Kingdom of Norway

Rapporteur: Mr Knud THOMSEN

PE 33.970/final



By letter of 22 May 1973 the President of the European Parliament requested the Committee on External Economic Relations to submit a report on the agreement signed on 14 May 1973 between the European Economic Community and the Kingdom of Norway. The Committee on Agriculture was asked for its opinion.

On 26 June 1973 the Committee on External Economic Relations appointed Mr Thomsen rapporteur.

It examined the draft report at its meeting of 13 September 1973 and on the same day unanimously adopted the motion for a resolution together with explanatory statement.

The following were present: Mr de la Malène, chairman; Mr Boano, vice-chairman; Mr Thomsen, vice-chairman and rapporteur; Sir Tufton Beamish, Mr Corterier, Mr Lange, Mr Lenyhan, Lord Mansfield, Mr Radoux, Mr Scholten, Mr Schulz, Mr Thornley.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement.

DRAFT MOTION FOR A RESOLUTION

on the agreement signed between the European Economic Community and the Kingdom of Norway

The European Parliament,

- considering the agreement signed on 14 May 1973 between the European Economic Community and the Kingdom of Norway,
- having regard to the explanation given on 4 May 1973, at a joint meeting of Political, Agriculture and External Economic Relations Committees, by the Chairman-in-Office of the Council of the European Communities, Mr van Elslande, on this subject,
- aware of the importance of this agreement for the enlarged community and for international relations,
- having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Agriculture (Doc. 161/73).

As regards principles

1. Welcomes the fact that Norway will now join the other EFTA non-candidate countries in the creation with the Community, in principle by 1977, of a free trade zone for industrial products.
2. Considers that the agreement, whilst taking full account of the present economic circumstances, establishes clearer, fairer and more advantageous commercial relations between the Community and Norway, with due regard for their autonomous power of decision, and in accordance with the provisions of the General Agreement on Tariffs and Trade (GATT).
3. Considers it wise that this agreement should not be viewed as the final word in relations between Norway and the Community and should not therefore exclude any further development.
4. Attaches great importance to the role which the Joint Committee, established under the agreement, can play, not only in the administration of the agreement but also in its possible extension into other fields - such as, for instance, the shipping policy - and therefore asks that the fullest possible use be made of this body.



5. Reiterates the demand, expressed in the resolution of 15 March 1973, (1) that the Commission of the Communities should study the problem of the participation of the Parliament in the ratification of commercial agreements signed by the Community and make proposals on this subject before 31 December 1973 so as to ensure that full information be given thus allowing for real democratic control.
6. Approves, as far as the Community is concerned, the aforementioned agreement as well as the agreement between the member states of the European Coal and Steel Community and the Community on the one hand and Norway on the other.

As regards particular provisions of the agreement

7. Considers that the concessions granted for fish products from Norway are justified on economic grounds and by the fact that free trade in some of them already existed within EFTA.
  8. Considers also that the arrangement for imports of aluminium from Norway represents a compromise which is fair and reasonable to both parties.
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9. Instructs its Chairman to forward this resolution and the accompanying report to the Council and Commission of the European Communities, and also to the competent authorities of the Kingdom of Norway.

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(1) O.J. C19, 12 April 1973

#### EXPLANATORY STATEMENT

1. The agreement between the Community and Norway was signed on 14 May 1973. Originally Norway had begun negotiations as one of the EFTA candidates for entry into the Community. However, a referendum in Norway in September 1972 brought that candidature to an end. Meanwhile, the EFTA countries which were not candidates had been negotiating agreements with the Community and these had been signed on 22 July 1972. After the referendum the Norwegian Government therefore immediately opened negotiations with a view to reaching a similar agreement with the Community. It would also seem appropriate at this point to recall the declaration made by Mr. Sico Mansholt, the then President of the Commission of the European Communities, in which he expressed the hope that time would allow Norway to participate once again in the great work towards European unity within the framework of the European Community.
2. For their part, the Heads of State or Government of the Community, meeting in Paris, expressed their eagerness to reach a satisfactory agreement with Norway. The European Parliament, on 15 March 1973, adopted a resolution, drawn up on behalf of the Committee on External Economic Relations, on the subject of the agreements with the EFTA non-candidate countries, which included a reference to the negotiations with Norway and expressed the hope that a similar agreement would be reached in time for the first tariff reduction of 20 % on 1 July 1973 under the agreements with the other EFTA countries.
3. After intensive negotiations the Agreement was concluded on 14 May 1973 and entered into force on 1 July 1973.
4. As far as the substance of the agreement is concerned, it follows closely the agreement made with the other EFTA countries and particularly that with Sweden, which was used as a model during the negotiations. The abolition of customs duties will take place in five stages of 20 % each, beginning on 1 July 1973 and concluding on 1 July 1977. The main differences from the other agreements concern the two items which gave rise to the greatest difficulties during the negotiations, namely aluminium and fish products.
5. Norway is a very important producer of raw aluminium and its exports of it to the Community are far greater than those of the other EFTA countries. Moreover the low cost of hydro-electric power in Norway enables her to produce aluminium at very competitive prices. The Community was therefore unable to offer Norway the same terms as the other EFTA countries, that is to say, a seven year dismantling period with a ceiling calculated on the basis of a five-year average. Instead, a system was finally elaborated which,



whilst allowing a seven year dismantling period differs from that contained in the other agreements in three main respects. First, an overall ceiling is established and this is fixed at a lower level than would have been the case if it had been based on a five-year average, like the others. Second, the ceiling system will not disappear at the end of the seven year dismantling period, but will continue for two further years until the end of 1981. Third, the tariff demobilisation will take place at a rather slower rhythm than that for the other sensitive products which come under a seven year system.

6. In view of its importance for her economy, Norway insisted on important concessions in the fisheries sector from the beginning of the negotiations. The Community was reluctant to grant such concessions since agriculture had been excluded from the agreements reached with the other EFTA countries, except in the case of Portugal and Iceland, whose economic structure and dependence on agricultural and fish exports are not really comparable with those of Norway. However, the Community finally agreed to make concessions for certain fish products especially frozen fish fillets (in which there was already free trade within the framework of EFTA). For these products the Common Customs Tariff will be reduced from 15 % to 3 %. Altogether these concessions affect about 41 % of Norwegian exports to the Community in the fisheries sector.

7. The agreement with Norway, like most of the other agreements, lays down a procedure for extending its provisions to fields not already covered by it, provided that the autonomy of decision of the two contracting parties is not impaired (Article 32 of the agreement). The Preamble also expressly declares their readiness to examine the possibility of developing and deepening their relations where it would appear to be useful in the interests of their economies to extend them to fields not covered by the agreement.

8. Your Rapporteur while examining this agreement and related documents found some facts - as did Mr. Baas the Rapporteur of the Committee on Agriculture (see document PE 33.825) - of which practically no information had ever been received within the Community. At the opening of the negotiations the Norwegian Government in its memorandum dated 4th December 1972 pointed to the extensive common interests the Community and Norway had in the matter of shipping policy and stated that the Norwegian mercantile fleet amounted to approximately 9 % of the world tonnage. The Norwegian Government therefore stressed the fact that it attached importance to making an arrangement which would make consultations between the Community and Norway possible as regards questions of international shipping policy, and therefore establish a special sub-committee under the joint Committee. On this point the Commission among others stated that until now no resolutions had been made according to the



Rome Treaty Article 84, paragraph 2, and that as long as no shipping policy of the Community existed, the EEC institutions had no competence to co-operate with other countries in this field. The question was, therefore, brought to a close when the Norwegian Government spokesman made the following unilateral declaration :

"At the end of the negotiations between Norway and the Community it seems to be proper to return to the question concerning shipping policy. During the negotiations the Norwegian delegation has underlined the importance to Norwegian economy of this sector. I have remarked that although the Community has not yet established a policy in this field, there are existing very extended common interests with Norway in matters concerning shipping policy.

It is the Norwegian government's understanding that the co-operation already existing in this case can be strengthened to mutual advantage to all involved parts, therefore by appointing special representatives with the purpose of exchanging information and points of view on this matter. The Norwegian Government is foreseeing that such exchanges may take place in an informal way and in connection with meetings of international organs which all sides would be interested in."

This statement was acknowledged by the Community delegation and formed a part of the official negotiation documents that have been forwarded to the Member States. The Community made no comments. Nevertheless in our opinion this document will form a reference point to any further work in connection with shipping policy questions between the EEC and Norway. It seems to us that realistic interests must have priority over formal obligations and that initiatives in the field of shipping policy should take place at the latest when resolutions might be made according to the Rome Treaty, Article 84, paragraph 2. Closer co-operation in this field and in others, such as gas and oil, might prove most worthwhile in the years to come.

9. In their report on the agreement with the other EFTA countries the Committee on External Economic Relations emphasised the fact that agreements of great importance were negotiated exclusively by the executive organs of the Community, without any obligatory Parliamentary control or democratic ratification procedure at the Community level. Absence of such control is particularly regrettable when such agreements can affect the Community's own communal resources, for example from receipts from the Common Customs Tariff. Parliament adopted the resolution contained in the report, which called on the Commission of the Communities, for its part, to study the problem of Parliamentary ratification and to make proposals before 31 December 1973. The present agreement reinforces the argument for such Parliamentary control.

10. This agreement puts the Community's commercial relations with Norway on the same footing as those of the other EFTA non-candidate countries. Whilst taking account of the need to proceed cautiously in certain sensitive areas, it provides for rapid progress in the liberalization of trade, together with the opportunity for extending its scope in the future. At the same time it preserves the political autonomy of Norway. Although the European Parliament must in future play a greater part in the making of such agreements, the contents of this particular agreement are satisfactory to both parties and should receive the approval of Parliament.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman of the opinion: Mr J. BAAS

On 14 June 1973 the Committee on Agriculture appointed Mr J. Baas draftsman of the opinion.

The committee examined the draft opinion at its meeting of 26 and 27 September 1973 and approved it unanimously.

The following were present: Mr Houdet, chairman; Mr Vetrone, vice-chairman; Mr Baas, draftsman for the opinion; Mr Brewis, Mr Brugger, Mr McDonald, Mr Héger, Mr De Koning, Mr Laban, Mr Martens and Mr Walkhoff.



1. Following the decision of 16 May 1973 by the Committee on External Economic Relations to draw up a report on the EEC - Norway Agreement, signed two days before by the Council, the Committee on Agriculture was authorized to deliver an opinion to the above committee.
2. The purpose of this agreement, which entered into force on 1 July pursuant to the Council Regulation of 25 June 1973<sup>1</sup>, is to eliminate the obstacles to substantially all trade between the two countries, in accordance with the GATT provisions concerning the establishment of free trade areas. Both parties declared their readiness to extend the scope of the Agreement at a future date to fields not so far covered. With a few exceptions, the Agreement applies to the products falling within headings 25 to 99 (industrial products) of the Brussels Nomenclature, which means that agricultural products are in principle excluded.
3. Certain arrangements in respect of processed agricultural products have, however, been included in the Agreement. In order to take account of differences in the cost of agricultural products incorporated in certain specified goods, it has been stipulated that the Agreement shall not preclude the levying, upon import, of a variable component or fixed amount, or the application of internal price compensation measures, or the application of measures adopted upon export. This was done in order to avoid disrupting the common agricultural policy as far as processed goods are concerned.
4. In addition to the agreement concluded in respect of industrial products, the Council of the EEC and the Norwegian Government notified each other in an exchange of letters of a number of autonomous concessions for trade in certain agricultural and fishery products.

#### General problems

5. With regard to the procedure followed by the Council, the Committee on Agriculture cannot understand why the exchange of letters was not made public. The European Parliament is rather sensitive on this point since it was not officially consulted, pursuant to the provisions of Articles 113 and 114 of the EEC Treaty, and since the parliaments of Member States were not consulted either on the ratification of the Agreement. If the Council now fails to make public the details of a trade agreement, it rules out any possibility of democratic control. The Committee on Agriculture would like the Council to reconsider its attitude towards the publication of exchanges of letters made on the occasion of trade agreements, so that such exchanges of letters ~~may be~~ made public save where special circumstances militate against this.

<sup>1</sup> OJ L 171, 27 June 1973

6. The Treaty of Accession includes a Joint Declaration and a Protocol on the fisheries sector in Norway and a Protocol on Norwegian agriculture. The measures laid down in respect of the Norwegian agriculture and fisheries sector provided for alignment with the common agricultural policy, but with temporary derogations. It is obvious that since Norway has now decided not to join the EEC it cannot lay claim to the advantages and concessions which it would have benefited from under the terms of the Treaty of Accession.

7. The common agricultural policy does not leave much room for substantial concessions in a trade agreement, but compensation could be made for the reduced access to the British, Irish and Danish markets, which no longer form part of the European free trade area. It is, however, questionable whether concessions should be made to Norway over and above the norm generally accepted in trade agreements.

The fisheries situation presents certain problems. The new members, Great Britain and Denmark, both have considerable fishing interests. The same applies to West Germany and the Netherlands. One Member State has in fact found that it has to subsidize its shrimp-fishing industry. All this means that any concessions made to Norway in this field will have to be on a fairly modest scale.

The Committee on Agriculture should also like to point out that Norway's agriculture and fisheries sector would have benefited from accession to the EEC. The committee hopes that Norway will decide in the near future to join the Community.

#### Mutual concessions

8. According to information from the Commission of the European Communities, the concessions made by Norway to the Community involve the following:

##### vegetable products

Norway grants the Community a reduction of 50% of the specific duty and confirms exemption from customs duties on a number of other products. The reduction of import duties will take place over a period of four years, in five stages of 10% each. The products to which this gradual reduction applies are vegetables, fruit, flower bulbs, ornamental plants, cut flowers and sowing seed. For a few of these products, Norway is also to abolish immediately all quantitative import restrictions; for other products, import restrictions are to be eased during certain periods.

Fixed quotas are given in the Agreement for imports into Norway of flowers grown from bulbs, other cut flowers, root vegetables and mushrooms.



wine

Norway continues to apply unilaterally a system of exemption from import duty to products falling under heading 22.05 (wine of fresh grapes and grape must) of the customs tariff.

The Norwegian Government has moreover undertaken to ease import arrangements in future for these wines and of Vermouths and ethyl alcohol (customs tariff headings 22.06, 22.08 and 22.09).

9. The concessions granted by the Community to Norway involve only trade in fisheries products. As from 1 January 1974, the EEC will grant autonomous tariff reductions in respect of certain fisheries products. These reductions, which will be made in five stages over a period of four years, apply to: frozen fish fillets, breadcrumbed herring fillets and other breadcrumbed fish fillets, tinned sprats, tinned crab and chilled shelled shrimps of the *Pandalidae* sp.p species. The autonomous reduction of these import duties was agreed to on condition that the general rules of competition in the fisheries sector and the reference price on the common market are respected.

In addition, tinned sprats may only be put up for sale on the common market under that name and not under that of tinned sardines, anchovies or Norwegian herring.

10. A study of the limited results obtained in regard to agricultural products shows clearly that the EEC concessions to Norway are in no way inconsistent with the principle of Community preference. There is moreover a shortage of various fishery products such as herring and fish fillets, which caused the Council at its sitting of 18/19 June 1973 to suspend wholly or partly the Common Customs Tariff during certain periods of the 1973-1974 marketing season.

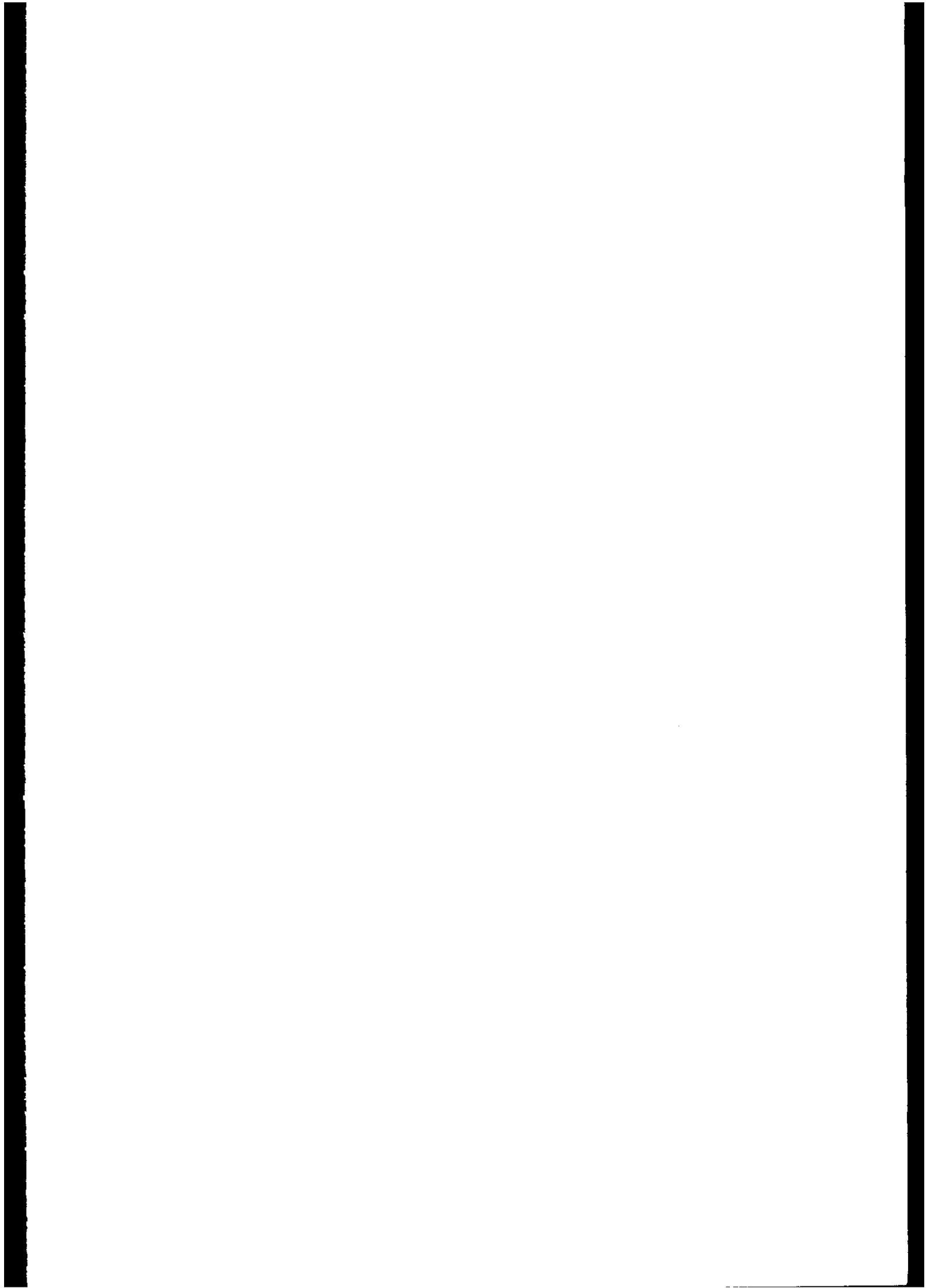
11. Moreover, the Agreement provides for the withdrawal of the mutual concessions and stipulates that as far as imports of Norwegian fishery products into the Community are concerned, the Community reference price is to be respected. These concessions are in fact limited in scope and are not included in the actual EEC - Norway Agreement which relates only to industrial products.

12. The Norwegian Government announced its intention of easing import arrangements for certain products originating in the Community and coming under the heading of vegetables, fruit, flower bulbs, ornamental plants, cut flowers and sowing seed, notably by abolishing discriminatory import regulations designed to safeguard public health.



As Norway is moreover prepared to continue to exempt wine from import duties, the Committee on Agriculture has no objections to EEC concessions in respect of imports of fishery products from Norway, which it considers negligible in any case. In 1971, the Community of Six produced 77% of its own requirements in fishery products, as opposed to 86% in 1960. With the accession of Great Britain, Denmark and Ireland, the degree of self-sufficiency of the entire Community has dropped further, amounting in 1973 to approximately 72%.

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