

# WORLD TRADE ORGANIZATION

RESTRICTED

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**Committee on Regional Trade Agreements**

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## **CUSTOMS UNION BETWEEN THE EUROPEAN COMMUNITY AND THE PRINCIPALITY OF ANDORRA**

### Communication from the European Community

The following communication has been received with the request that it be distributed to WTO Members.

#### **I. BACKGROUND INFORMATION ON THE AGREEMENT**

##### **1. Membership and Dates of Signature, Ratification and Entry into Force**

The Agreement between the European Economic Community and the Principality of Andorra in the form of an exchange of letters was signed on 28 June 1990 and entered into force on 1 July 1991 (OJ N° L 374 of 31.12.1990, p.16).

The Agreement replaces the provisions applied by the Community and in particular France and Spain, prior to the Agreement's entry into force, under the 1867 Exchange of Letters with Andorra.

The Agreement is concluded for an unlimited duration. Within five years of its entry into force, the two Parties shall begin consultations to examine the results of its application and, if necessary, to open negotiations on its amendment in the light of that examination. Until today, no consultation has been put forward by the two Parties.

##### **2. Type of Agreement**

The Agreement establishes a customs union applying to products falling within Chapters 25 to 97 of the Harmonised System (HS). The Agreement also includes provisions applicable to products falling within Chapters 1 to 24 of the HS (which are not covered by the customs union).

##### **3. Scope**

The Agreement contains provisions for all sectors. However, only products falling within HS Chapters 25-97 are subject to a customs union. For products within HS Chapters 1-24 the agreement contains special arrangements under Title II.

##### **4. Trade Data**

EU imports from Andorra reached 10.2 Mio ECU in 1997, whereas exports from the EU to Andorra amounted to 19.5 Mio ECU. The biggest share of the 15 EU member states trade with

Andorra is held by France and Spain. Tables on EU trade with Andorra in for the years 1993-97 are to be found in the Annex to this document.

## **II. TRADE PROVISIONS**

### **1. Import Restrictions**

#### **1.1 Duties and charges**

##### **For products covered by the customs union (HS chapters 25-97):**

The EC and Andorra refrain from introducing any new customs duties on imports or charges having equivalent effect, and from increasing those already applied to their trade with each other on 1 January 1989.

- EC: all duties and charges were abolished on 1/1/91 (with the exception of those still applied by Spain and Portugal at the same level as applied in respect of the Community).

The maximum transition period for Spain and Portugal following accession is 10 years (ending 31/12/95). From that date, all imports from Andorra should have been duty-free and without restriction.

- Andorra: all duties and charges were abolished on 1/1/91.

##### **For products not covered by the customs union (HS chapters 1-24):**

- Products covered by HS Chapter 1-24 which originate in Andorra are exempt from import duties when imported into the Community.
- Products covered by HS Chapter 1-24 which originate in the Community pay the MFN rate when imported to Andorra, except products covered by headings 24.02 and 24.03 which pay 60% of the MFN duty upon entry into Andorra.

##### **Common provisions:**

Exemptions from import duties, turnover tax and excise duties levied on imports by travellers between the contracting parties and contained in the personal luggage of travellers (for strictly non-commercial use) are foreseen (cf. Article 13 of the Agreement).

#### **1.2 Quantitative Restrictions**

Quantitative restrictions and all measures having equivalent effect between the Community and Andorra are prohibited from 1 January 1991.

#### **1.3 Common External Tariff**

The Agreement provides for the application by Andorra of the common external tariff.

2. Export Restrictions

2.1 Duties and charges

The Agreement requires the EC and Andorra to refrain from introducing any new customs duties on exports or charges having equivalent effect, and from increasing those already applied to their trade with each other on 1 January 1989.

2.2 Quantitative Restrictions

Quantitative restrictions and all measures having equivalent effect between the Community and Andorra are prohibited from 1 January 1991.

3. Rules of Origin

The Customs Union applies to all products which are in free circulation in either Andorra or the Community, whether or not they are produced in Andorra, the Community or in third countries.

Rules of origin applicable in trade between the EC and Andorra and methods of administrative co-operation are set out in the Appendix to the Agreement (currently only HS Chapters 1 to 24 are applicable). Provisions are contained in the relevant articles of the Agreement as well as in the Annexes and the Appendix concerning the definition of "originating products" and methods of administrative co-operation.

The general criterion is that of wholly obtained products either in Andorra or in the Community (Article 1 of the Appendix). There are no cumulation rules in the current appendix.

4. Standards

The Agreement does not provide for any provisions on standards to be applied in trade between the Parties nor for co-operation to reduce differences in the fields of conformity assessment.

4.1 Technical barriers to trade

The Agreement does not include any provisions in this regard.

4.2 Sanitary and phytosanitary measures

The Agreement does not include any provisions in this regard.

5. Safeguards

For products falling under HS Chapters 25 to 97 and which are thus covered by the customs union, the Parties can take the following measures (Article 10):

- (a) in case that one Party considers that disparities arising from the other Party's application, in respect of imports from third countries, of customs duties, quantitative restrictions or any measures having equivalent effect, or of any other measure of commercial policy, threaten to deflect trade or to cause economic difficulties on its territory, it can bring the matter before the Joint Committee. The Joint Committee can take recommendations for appropriate measures for avoiding any harm liable to result therefrom.

- (b) In emergency cases, where deflections occur or economic difficulties arise and the Party concerned considers that they call for immediate action, that party may itself take the necessary surveillance or protection measures. It has to notify this to the Joint Committee without delay. The Joint Committee may recommend that these measures be amended or abolished.
- (c) By choosing such measures preference shall be given to choose those measures which least disturb the operation of the Customs Union.

6. Anti-Dumping and Countervailing Measures

Article 7 of the Agreement requires Andorra to adopt, for products covered by the Customs Union, the laws, regulations and administrative provisions applicable to customs matters in the Community and necessary for the proper functioning of the customs union. Consequently, the EC and Andorra apply a common anti-dumping and countervailing regime vis-à-vis third countries.

7. Subsidies and State-Aid

There are no provisions on subsidies and state aids foreseen in the Agreement.

8. Sector-Specific Provisions

Except for the distinction between products covered by the Customs Union and those not covered by the Customs Union, there are no sector specific provisions the Agreement. Title I applies to products of HS Chapters 25 to 97 (within the customs union), whereas Title II provides arrangements for products not covered by the customs union (HS Chapters 1 to 24). Title III covers common provisions applicable to all products.

Quantitative limits for certain duty-free products for travellers are referred to in Article 13.

9. Other

Co-operation in customs administration

The Appendix to the Agreement contains specific provisions concerning the definition of "originating products" and methods of administrative co-operation (Title II of the Appendix).

### **III. GENERAL PROVISIONS OF THE AGREEMENT**

1. Exceptions and Reservations

Article 16 contains a standard exceptions clause applicable to all products (HS Chapters 1-97). The Agreement does not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, the protection of health and life of humans, animals or plants, the protection of national treasures possessing artistic, historic or archaeological value, the protection of industrial or commercial property or controls relating to gold and silver. Such prohibitions or restrictions should not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Contracting Parties.

2. Accession

There is no provision for other countries to accede to the Agreement.

Each Party may denounce this Agreement by notifying the other Contracting Party in writing. In that case, the Agreement shall cease to have effect six months after the date of such notification.

3. Dispute Settlements Procedures

Any disputes arising between the Parties over the interpretation of the Agreement shall be put before the Joint Committee (Article 18). If the Joint Committee does not succeed in settling the dispute at its next meeting, each Party may notify the other of the designation of an arbitrator. The other Party is then required to designate a second arbitrator within two months. The Joint Committee should then designate a third arbitrator. Decisions by the arbitrators shall be taken by majority vote and each Party involved in any dispute is required to take the measures needed to ensure the application of the arbitrators' decision.

4. Relations with Other Trade Agreements

The provisions of the Agreement shall replace those applied by the Community, and in particular France and Spain, prior to the Agreement's entry into force, under the 1867 Exchange of Letters with Andorra (Article 25).

5. Institutional Framework

According to Article 17 of the Agreement, a Joint Committee shall be set up with the responsibility for administering the Agreement and ensuring that it is properly implemented. To that end it has the power to formulate recommendations. It shall take decisions in the cases provided for in the Agreement.

**ANNEX**

**EC/Andorra: Customs Union**

**Trade Data**

Note: The following tables show the development of trade between the EC and Andorra over the period 1993-97. For ease of comparison, figures are also given for the development of EC trade with all third countries

**Table 1**

**SHARE OF ANDORRA IN TOTAL EU TRADE 1993-97 (Billion ECU)**

Year	Extra-EU			Andorra		
	Exports	Imports	Total	Exports	Imports	Total
1993	409.1	445.8	854.9	0.708	0.027	0.736
1994	453.5	489.6	943.1	0.665	0.034	0.699
1995	476.8	491.8	968.6	0.697	0.031	0.728
1996	523.5	522.8	1046.3	0.675	0.027	0.702
1997	608.2	604.3	1212.5	0.830	0.039	0.869

**Table 2**

**SHARE OF ANDORRA IN TOTAL EU TRADE 1993-97 (%)**

Year	Extra-EU			Andorra		
	Exports	Imports	Total	Exports	Imports	Total
1993	47.85%	52.15%	100.00%	0.08%	0.00%	0.09%
1994	48.09%	51.91%	100.00%	0.07%	0.00%	0.07%
1995	49.23%	50.77%	100.00%	0.07%	0.00%	0.08%
1996	50.03%	49.97%	100.00%	0.06%	0.00%	0.07%
1997	50.16%	49.84%	100.00%	0.07%	0.00%	0.07%

**Table 3: EU Exports to Extra-EU and Andorra 1993-97 by HS Section**

EU TRADE BY HS SECTION	EU EXPORTS TO EXTRA-EU										EU EXPORTS TO ANDORRA									
	MECU					1993 = 100				97 % share	MECU					1993 = 100				97 % share
	1993	1994	1995	1996	1997	1994	1995	1996	1997		1993	1994	1995	1996	1997	1994	1995	1996	1997	
I animals & animal products	8,401	8,933	9,652	9,768	10,564	106	115	116	126	2%	62.5	59.9	57.2	51.5	56.9	96	91	82	91	7%
II vegetable products	8,406	8,386	7,917	8,311	9,341	100	94	99	111	2%	15.4	14.5	13.5	6.1	12.7	94	88	40	82	2%
III animal or vegetable fats	1,375	1,628	2,098	1,906	2,250	118	153	139	164	0%	5.7	5.8	11.9	8.5	6.5	102	209	150	114	1%
IV prepared foodstuffs	17,212	18,663	18,157	19,371	22,174	108	105	113	129	4%	92.0	81.7	84.7	88.8	133.9	89	92	96	145	16%
V - mineral products	16,503	17,565	14,534	16,393	18,550	106	88	99	112	3%	43.7	39.2	44.5	40.5	56.7	90	102	93	130	7%
VI chemical products	47,774	53,168	53,654	60,026	71,897	111	112	126	150	12%	70.3	66.7	72.6	71.4	76.7	95	103	102	109	9%
VII plastics & rubber	17,426	19,898	19,775	21,327	25,658	114	113	122	147	4%	18.4	16.8	18.2	16.9	19.2	91	99	92	104	2%
VIII hides & skins	4,361	5,361	5,709	6,721	6,911	123	131	154	158	1%	10.7	10.9	11.6	12.1	14.3	101	109	113	133	2%
IX wood & wood products	2,117	2,535	3,681	3,990	4,862	120	174	188	230	1%	6.9	7.3	8.0	7.4	9.7	105	116	107	141	1%
X wood pulp products	10,751	12,156	17,517	17,625	19,484	113	163	164	181	3%	17.0	16.5	16.4	15.7	20.0	97	96	92	118	2%
XI textiles & textile articles	22,271	25,109	23,544	25,549	28,724	113	106	115	129	5%	58.6	52.9	54.6	56.8	64.7	90	93	97	110	8%
XII footwear, headgear	4,522	5,309	5,003	5,611	5,938	117	111	124	131	1%	20.8	21.0	21.1	21.0	23.6	101	101	101	113	3%
XIII articles of stone, plaster, cement, asbestos	8,541	9,673	9,932	10,725	12,293	113	116	126	144	2%	16.5	17.0	17.5	15.5	19.1	103	106	94	116	2%
XIV pearls, precious or semiprecious stones, metals	13,856	15,044	14,893	16,308	18,643	109	107	118	135	3%	11.4	10.6	11.4	13.8	19.9	92	100	121	174	2%
XV base metals & articles thereof	32,610	35,323	35,522	38,191	42,755	108	109	117	131	7%	29.0	25.8	24.8	23.7	27.7	89	85	82	95	3%
XVI machinery & mechanical appliances	117,424	131,391	146,566	165,167	191,376	112	125	141	163	31%	108.1	100.1	103.5	99.9	121.9	93	96	92	113	15%
XVII transportation equipment	40,752	44,936	48,471	53,548	66,229	110	119	131	163	11%	48.2	51.5	57.7	60.4	69.7	107	120	125	144	8%
XVIII instruments - measuring, musical	16,481	17,861	18,696	20,414	23,977	108	113	124	145	4%	33.6	31.4	30.9	29.7	31.1	94	92	88	93	4%
XIX arms & ammunition	756	741	774	1,018	1,249	98	102	135	165	0%	1.0	0.9	1.0	0.9	1.4	83	100	89	134	0%
XX miscellaneous	9,999	11,368	11,968	12,838	14,576	114	120	128	146	2%	37.4	34.1	34.6	32.8	42.9	91	93	88	115	5%
XXI works of art	2,159	2,360	2,380	2,204	2,816	109	110	102	130	0%	0.2	0.4	0.1	0.6	0.2	207	57	297	111	0%
Others (outside HS 01-97)	5,452	6,058	6,315	6,481	7,908	111	116	119	145	1%	0.5	0.5	0.5	1.3	1.0	109	109	258	206	0%
TOTAL	409,149	453,466	476,758	523,492	608,175	111	117	128	149	100%	708.1	665.5	696.6	675.3	829.7	94	98	95	117	100%

Note: 1993-95 EU12, 1996-97 EU15

Source: Eurostat COMTEXT

**Table 4: EU Imports from Extra-EU and Andorra 1993-97 by HS Section**

EU TRADE BY HS SECTION	EU IMPORTS FROM EXTRA-EU										EU IMPORTS FROM ANDORRA									
	MECU					1993 = 100				97 % share	MECU					1993 = 100				97 % share
	1993	1994	1995	1996	1997	1994	1995	1996	1997		1993	1994	1995	1996	1997	1994	1995	1996	1997	
I animals & animal products	9,443	10,176	10,223	10,751	11,994	108	108	114	127	2%	0.6	0.7	0.6	0.4	0.4	111	99	74	68	1%
II vegetable products	16,669	20,027	22,918	22,870	24,981	120	137	137	150	4%	0.0	0.0	0.0	0.0	0.0	59	84	38	85	0%
III animal or vegetable fats	1,575	2,033	2,296	1,888	1,861	129	146	120	118	0%	0.0	0.0	0.0	0.0	0.0					0%
IV prepared foodstuffs	14,815	16,122	15,672	17,841	18,106	109	106	120	122	3%	3.2	2.4	1.5	1.7	2.3	76	46	55	71	6%
V mineral products	69,968	71,926	73,138	84,566	93,793	103	105	121	134	16%	0.4	3.4	0.4	0.5	0.4	832	98	132	94	1%
VI chemical products	27,386	31,717	34,159	36,141	41,988	116	125	132	153	7%	0.9	1.4	1.1	1.2	1.7	151	128	132	188	4%
VII plastics & rubber	13,195	15,074	16,294	16,326	18,347	114	123	124	139	3%	0.5	0.6	0.7	1.0	1.1	115	151	213	230	3%
VIII hides & skins	5,741	7,012	7,065	7,358	8,204	122	123	128	143	1%	0.3	0.4	0.3	0.3	1.1	131	99	85	363	3%
IX wood & wood products	10,953	13,226	9,880	9,092	10,934	121	90	83	100	2%	0.1	0.1	0.2	0.3	0.3	169	428	542	516	1%
X wood pulp products	17,417	20,306	12,489	10,921	11,733	117	72	63	67	2%	2.7	4.1	4.9	4.9	6.1	149	178	179	222	16%
XI textiles & textile articles	35,943	38,683	38,522	40,250	47,850	108	107	112	133	8%	7.8	6.8	5.2	5.4	6.2	88	67	69	80	16%
XII footwear, headgear	5,466	5,912	5,878	6,528	7,688	108	108	119	141	1%	0.2	0.1	0.2	0.1	0.2	54	72	41	98	1%
XIII articles of stone, plaster, cement, asbestos	3,845	4,240	4,105	4,205	4,842	110	107	109	126	1%	0.2	0.3	0.1	0.2	0.2	118	47	78	99	1%
XIV pearls, precious or semiprecious stones, metals	20,145	19,390	19,885	20,892	23,135	96	99	104	115	4%	0.8	1.1	0.7	0.3	0.3	136	85	40	32	1%
XV base metals & articles thereof	25,781	32,741	35,636	31,707	37,506	127	138	123	145	6%	0.8	1.5	0.7	0.6	0.7	192	85	81	95	2%
XVI machinery & mechanical appliances	93,892	106,930	111,807	119,672	142,440	114	119	127	152	24%	3.1	4.3	4.2	5.4	10.1	137	135	173	325	26%
XVI transportation equipment	34,610	33,961	30,985	34,342	46,029	98	90	99	133	8%	3.3	4.3	9.1	2.8	4.3	130	273	84	129	11%
XVIII instruments - measuring, musical	17,383	18,527	19,649	21,200	24,234	107	113	122	139	4%	0.3	0.2	0.2	0.1	0.7	72	63	45	206	2%
XIX arms & ammunition	344	354	381	396	534	103	111	115	155	0%	0.0	0.0	0.0	0.0	0.0	1,065	54	51	173	0%
XX miscellaneous	12,359	12,509	12,642	13,912	17,076	101	102	113	138	3%	1.1	1.4	0.6	0.9	1.8	123	55	83	160	5%
XXI works of art	2,103	2,061	1,537	1,235	1,682	98	73	59	80	0%	0.0	0.3	0.0	0.0	0.0	1,296	25	67	179	0%
Others (outside HS 01-97)	6,749	6,679	6,591	10,737	9,374	99	98	159	139	2%	1.0	0.4	0.7	0.7	1.0	40	69	65	100	3%
TOTAL	445,782	489,606	491,752	522,830	604,331	110	110	117	136	100%	27.5	33.7	31.4	27.0	38.9	123	115	98	142	100%

Note: 1993-95 EU12, 196-97 EU15

Source: Eurostat COMEXT