No. 30407

FINLAND
and
DENMARK
(ALSO ON BEHALF OF THE FAROE ISLANDS)

Agreement on free trade between Finland and the Faroe Islands (with annexes and exchange of letters). Signed at Copenhagen on 19 November 1992

Authentic texts: Finnish, Danish and Faroese.

Authentic text of the exchange of letters: English.

Registered by Finland on 26 October 1993.

FINLANDE
et
DANEMARK
ÉGALEMENT AU NOM
(DES ÎLES FÉROÉ)

Accord relatif au libre-échange entre la Finlande et les îles Féroé (avec annexes et échange de lettres). Signé à Copenhague le 19 novembre 1992

Textes authentiques : finnois, danois et féroïen.

Texte authentique de l'échange de lettres : anglais.

Enregistré par la Finlande le 26 octobre 1993.

EXCHANGE OF LETTERS

I

Sir,

I have the honour to refer to the discussions concerning an Arrangement for trade in agricultural products between Finland and the Faroe Islands.

The discussions have taken place in the framework of the negotiations between the Government of Finland of the one part and the Government of Denmark and the Home Government of the Faroe Islands of the other part, hereinafter referred to as "the Parties", on an Agreement on free trade between Finland and the Faroe Islands, hereinafter referred to as "the Free Trade Agreement", in particular Article 7 of that Agreement.

With reference to those discussions, I have the honour to propose that an Arrangement for trade in agricultural products between Finland and the Faroe Islands be concluded on the following terms:

Finland shall abolish customs duties on imports and any charges having equivalent effect for products originating in the Faroe Islands and included in Annexes I and II to this Letter, unless otherwise provided for in this Arrangement.

The Faroe Islands shall abolish customs duties on imports and any charges having equivalent effect for products originating in Finland and included in Annex III to this Letter.

The rules of origin for the application of exchange of letters are those contained in Annex 3 of the Free Trade Agreement, with the exception of paragraphs 1 b ii) and iii) of article 2 as well as of articles 10, 13, 14 and 37 insofar as they concern the application of the paragraphes referred to above.

The Arrangement shall not preclude that Finland or the Faroe Islands apply to their imports or exports of processed agricultural goods, variable amounts, or internal price compensation measures, in order to take account of differences in the cost of the agricultural products incorporated therein. The Parties shall inform each other of such measures affecting goods traded between Finland and the Faroe Islands.

The Parties declare their readiness to foster the harmonious development of trade in agricultural products between Finland and the Faroe Islands. If either Party expresses an interest to develop further the trade in agricultural products covered by this Arrangement, it shall submit a reasoned request for the consideration of the other Party.

The Parties agree to review the contents of the Arrangement at regular intervals.

Finland and The Faroe Islands shall apply their rules in veterinary, health and plant health matters in a non-discriminatory fashion.

If this proposal is acceptable to your government, I propose that this letter including the Annexes thereto and your reply confirming the acceptance there of on the part of the Government of Denmark and the Home Government of the Faroe Islands, shall constitute an Arrangement between Finland and the Faroe Islands which shall enter into force on the same day as the Free Trade Agreement. The Arrangement may be denounced by either Party, in which case, the Arrangement shall cease to have effect 90 days after receipt of a written notification of denounciation. A withdrawal by either Party from the Free Trade Agreement shall terminate this Arrangement on the same date as that withdrawal takes effect.

I should be obliged if you could confirm that the Government of Denmark and the Home Government of the Faroe Islands are in agreement with the contents of this letter.

Please accept, Sir, the assurances of my highest consideration.

LAURI KORPINEN
Director
Ministry for Foreign Affairs of Finland
Head of the Finnish Delegation

Mr. Preben Seiersen
Head of Division
Danish Ministry of Foreign Affairs
Head of Danish/Faroe Delegation

II

Sir,

I have the honour of acknowledging the receipt of your letter of today which reads as follows:

[*See letter I*]

I have the honour to confirm you that the Government of Denmark and the Home Government of the Faroe Islands are in agreement with the contents of your letter.

Please accept, Sir, the assurances of my highest consideration.

PREBEN SEIERSEN
Head of Division
Danish Ministry of Foreign Affairs
Head of the Danish/Faroe Delegation

Mr. Lauri Korpinen
Director
Ministry for Foreign Affairs of Finland
Head of the Finnish Delegation

ANNEX I[1]

AGRICULTURAL PRODUCTS OF FAROESE ORIGIN ENTERING FINLAND FREE OF DUTY

ANNEX II[1]

PROCESSED AGRICULTURAL PRODUCTS OF FAROESE ORIGIN ENTERING FINLAND FREE OF DUTY

ANNEX III[1]

AGRICULTURAL PRODUCTS OF FINNISH ORIGIN ENTERING THE FAROE ISLANDS FREE OF DUTY

[1] Annexes I, II and III are not published herein *in extenso*, in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

[TRANSLATION — TRADUCTION]

AGREEMENT[1] BETWEEN THE GOVERNMENT OF FINLAND AND THE GOVERNMENTS OF DENMARK AND THE FAROE ISLANDS ON FREE TRADE BETWEEN FINLAND AND THE FAROE ISLANDS

The Government of Finland and the Governments of Denmark and the Faroe Islands (hereinafter "the Contracting Parties"),

Referring to the status of the Faroe Islands as an autonomous part of Denmark,

Having regard to the fact that the Faroe Islands previously belonged to the European Free Trade Association (EFTA) through the membership of Denmark in this organization, but are not covered by the membership of Denmark in the European Communities,

Having regard to the vital role for the Faroe Islands of fishing, which constitutes their primary economic activity, with fish and fish products being the main export commodities of the Islands,

Wishing to consolidate and expand economic relations between Finland and the Faroe Islands and, giving due consideration to circumstances permitting fair competition, to secure the stable development of reciprocal trade between these countries within the framework of European cooperation,

Agreeing, with this objective in mind, to remove gradually the obstacles to almost all trade between the two countries in accordance with the provisions of the General Agreement on Tariffs and Trade[2] regarding the establishment of free trade areas,

Declaring their willingness to study, in the light of all relevant factors and especially of the forms of European cooperation, the possibilities to develop and deepen their mutual relations, with the objective of extending them to cover the areas outside the scope of this Agreement,

Having decided to reach these objectives and having regard to the fact that no provision contained in this Agreement shall be interpreted in a manner that would free the Contracting Parties from their obligations under other international treaties and agreements,

Have agreed as follows:

[1] Came into force on 1 August 1993, i.e., the first day of the month following the date on which the Contracting Parties had notified each other (on 2 July 1993) of the completion of their respective requirements, in accordance with article 28 (3).

[2] United Nations, *Treaty Series*, vol. 55, p. 187.

Article 1

PURPOSES

The purposes of this Agreement are:

(*a*) To facilitate stable development of the economic relations between Finland and the Faroe Islands by establishing a free trade area in accordance with the provisions of this Agreement, and thereby to promote increased economic activity, improved living and working conditions, growth in production and a stable monetary economy;

(*b*) To create fair conditions of competition for the trade between Finland and the Faroe Islands; and

(*c*) To facilitate the stable development and expansion of world trade by removing impediments to trade in accordance with the above.

Article 2

SCOPE OF THE AGREEMENT

This Agreement shall be applied to the following products originating from Finland or the Faroe Islands:

(*a*) Those products belonging to chapters 25 through 97 of the Harmonized Commodity Description and Coding System, with the exception of the products listed in annex 1; and

(*b*) Fish and other marine products as stipulated in annex 2.

Article 3

RULES OF ORIGIN AND ADMINISTRATIVE COOPERATION

1. The rules of origin are defined in annex 3. Where applicable, the annex shall also be applied to the products covered by the arrangements concerning agricultural trade between Finland and the Faroe Islands, referred to in article 7, paragraph 2, of this Agreement.

2. Annex 4 to the Agreement deals with the rules and forms of administrative cooperation in customs matters.

Article 4

PROHIBITION AND ELIMINATION OF CUSTOMS DUTIES AND OTHER LEVIES OF COMPARABLE EFFECT

1. No new import and export duties or levies with a comparable effect shall be introduced in the trade between Finland and the Faroe Islands.

2. Import and export duties as well as other levies of comparable effect shall be eliminated as this Agreement comes into force.

Article 5

PROHIBITION AND ELIMINATION OF QUANTITATIVE RESTRICTIONS AND OTHER MEASURES OF COMPARABLE EFFECT

1. No new quantitative restrictions concerning import and export trade or other measures of comparable effect shall be introduced in the trade between Finland and the Faroe Islands.

2. Quantitative restrictions concerning import and export trade and measures of comparable effect shall be eliminated as this Agreement comes into force, with the exception of what follows from annex 5.

Article 6

TRADE IN PETROLEUM PRODUCTS

The Contracting Parties reserve for themselves the right to take special measures as far as trade in petroleum products is concerned.

Article 7

TRADE IN AGRICULTURAL PRODUCTS

1. The Contracting Parties declare their willingness to promote stable development of trade in agricultural products within the scope allowed by their national agricultural policies.

2. In order to realize this objective, the Contracting Parties shall at the same time enter into an agreement on arrangements to facilitate trade in agricultural products between Finland and the Faroe Islands.

3. The Contracting Parties shall apply their veterinary, plant protection and sanitary regulations in a manner free of discrimination, and they shall not introduce any new measures that will cause undue impediments to their reciprocal trade.

Article 8

CUSTOMS UNIONS, FREE TRADE AREAS AND FRONTIER TRADE

Nothing in this Agreement shall prevent the maintenance of existing arrangements concerning customs unions, free trade areas and frontier trade, or for the creation of new such arrangements, insofar as they do not have an adverse effect on the spheres of trade covered by this Agreement, in particular on the provisions regarding the rules of origin.

Article 9

INTERNAL TAXATION

1. The Contracting Parties shall refrain from all measures and courses of action related to internal taxation that may either directly or indirectly cause discrimination between products of Finnish origin and products of Faroese origin.

2. Products of Finnish origin exported to the Faroe Islands or products of Faroese origin exported to Finland may not benefit from refunds of internal taxes above the amount of direct or indirect internal taxes on the product.

Article 10

PAYMENTS

Payments in connection with trading and the transfer of these payments to Finland or the Faroe Islands may not be restricted in any way.

Article 11

GENERAL EXCEPTIONS

Nothing in this Agreement shall prevent the use of such import, export or transit prohibitions or restrictions that are necessary to protect public morality, public order or public security; necessary to protect human, animal, or plant life or health and the environment; necessary to protect national treasures of artistic, historical, or archaeological value; necessary to protect intellectual and spiritual property; relating to the regulation of gold or silver; or necessary to preserve non-renewable natural resource, insofar as such measures are taken in the context of restriction of domestic production or consumption. Such prohibitions and restrictions, however, may not give rise to arbitrary discrimination or covert restrictions on trade between the Contracting Parties.

Article 12

EXCEPTIONS RELATED TO REASONS OF SECURITY

The provisions of this Agreement shall not prevent the use of the Contracting Parties' authority to take any measures it deems necessary:

(*a*) To prevent disclosure of information that could damage the Contracting Parties' fundamental security interests;

(*b*) To protect such fundamental security interests or to implement international commitments or national action programmes that:

(i) Relate to trade in arms, ammunition and military equipment, provided that these measures do not distort competition as far as products not especially intended for military purposes are concerned; or to trade in other goods, materials, and services carried out, directly or indirectly, with the purpose of providing equipment for armed forces; or

(ii) Relate to the efforts to limit the spread of biological and chemical weapons, nuclear weapons or other nuclear explosives; or

(iii) Are undertaken or adopted during a state of war or other serious international state of tension.

Article 13

FULFILMENT OF CONTRACTUAL OBLIGATIONS

1. The Contracting Parties shall refrain from all such measures that would likely jeopardize the attainment of the purposes of this Agreement.

2. The Contracting Parties shall take all general or specific measures necessary to secure the fulfilment of the obligations incumbent on them under this Agreement.

If either of the Contracting Parties considers the other as having ignored its obligations arising from this Agreement, it may take appropriate measures in accordance with the conditions and procedures specified in article 23.

Article 14

RULES OF COMPETITION

1. The following circumstances are inconsistent with the proper functioning of this Agreement insofar as they may have a bearing on trade between Finland and the Faroe Islands:

(*a*) All agreements between corporations, all decision by consortiums and cartels and all harmonized policies and procedures of corporations whose aim or consequence is to impede, restrict or distort competition as far as production and trade are concerned; and

(*b*) Abuse of the dominant market position held by one or more companies in the entire area of Finland or the Faroe Islands or in a considerable part of it.

2. Should one Contracting Party consider certain practices as inconsistent with the provisions of paragraph 1, it may take appropriate action after it has discussed the matter with the other Contracting Party, or after thirty days from the date when such consultations were requested on the matter.

Article 15

PUBLICLY HELD MONOPOLIES

The Contracting Parties shall guarantee that the publicly held monopolies engaged in commercial activities in Finland and the Faroe Islands are adapted so that no citizen of Finland or the Faroe Islands will suffer from discrimination where acquisition and marketing of goods is concerned.

Article 16

PUBLIC SUPPORT

1. Support in any form granted by a Contracting Party or appropriated from public funds that distorts or threatens to distort competition by favouring certain corporations or the production of certain goods and has the potential to affect trade between Finland and the Faroe Islands is inconsistent with the proper functioning of this Agreement.

2. Whether certain practices have the kind of consequences referred to in paragraph 1, or consequences in contravention of it, must be determined based on the principles set forth in annex 6.

3. The Contracting Parties shall guarantee the openness of public support measures by exchanging information as described in annex 6, paragraph 4.

4. Should a Contracting Party consider certain practices as inconsistent with this Agreement in a manner referred to in paragraph 1, it may take appropriate measures in accordance with the conditions and procedures specified in article 23 in order to counter such practices, which measures may not cause greater damage than that caused by said practices.

Article 17

PROTECTION OF INTELLECTUAL PROPERTY

1. The Contracting Parties shall cooperate with the aim of gradually improving nondiscriminatory protection of intellectual property rights such as those based on industrial patents and copyrights, including the procedures relating to the granting and actualization of such rights. Regulations aiming at patent and copyright protection shall be enacted between the Contracting Parties. These regulations are to guarantee protection similar to that found in the States members of the European Communities and the States members of the European Free Trade Area.

2. With regard to paragraph 1 of this article, the right of ownership with regard to intellectual property, covering patent rights and copyrights, specifically includes copyright protection. This includes computer programs, databases and other comparable and related rights; trade marks; geographical indications; copyright of design; patents; topographies of integrated circuits; as well as unpublished information on know-how.

Article 18

PUBLIC PROCUREMENT

1. The Contracting Parties shall consider effective liberalization of their respective markets for public procurement as one desirable and important objective of this Agreement.

2. From the date when this Agreement comes into force, the Contracting Parties shall grant each others' corporations the right of access to the contracting procedures in their own public procurement markets, in accordance with the Agreement on Government Procurement of 12 April 1979,[1] amended through the Protocol of 2 February 1987[2] negotiated under the General Agreement on Tariffs and Trade.

3. The Contracting Parties shall develop and gradually adapt the rules, conditions and practices concerning participation in the public procurement agreements concluded by public authorities and publicly held corporations and by private corporations holding special or exclusive rights, so that they will guarantee free access to markets and openness and that no discrimination will exist between the Contracting Parties' potential suppliers.

[1] United Nations, *Treaty Series*, vol. 1235, p. 258.
[2] *Ibid.*, vol. 1511, p. 287.

4. The Contracting Parties shall make recommendations on, or approve case-by-case, the practical details related to these developments, including scope of application, schedule and applicable rules and regulations.

Article 19

DUMPING

Should one of the Contracting Parties observe that dumping, as it is defined in article VI of the General Agreement on Tariffs and Trade, is practised in the trade between it and the other Contracting Party, it may take appropriate countermeasures in accordance with the agreement on implementation included in article VI of the General Agreement on Tariffs and Trade, and the actions and procedures set forth in article 23 of this Agreement.

Article 20

MEASURES AGAINST IMPORTATION OF CERTAIN PRODUCTS

Insofar as the importation of products of Finnish or Faroese origin increases to the extent or under such conditions that it causes or threatens to cause:

(*a*) Serious damage to the producers producing similar or directly competing products in Finland or the Faroese Islands, or

(*b*) Serious disturbances in one of the sectors of the national economy, or difficulties that may seriously weaken the economic situation in a region,

the Contracting Party that is affected may take appropriate countermeasures in accordance with the conditions and actions set forth in article 23 of this Agreement.

Article 21

RE-EXPORTATION AND SERIOUS SHORTAGE

When adherence to the provisions of articles 4 and 5 has as its consequence:

(*a*) Re-exportation to a third country, to which the Contracting Party acting as an exporter applies quantitative restrictions on exports, export duties or other measures or duties of comparable effect on any part of the product in question; or

(*b*) Serious shortage, or a threat thereof, as regards a product that is of vital importance to the Contracting Party acting as an exporter;

and when the above-mentioned circumstances cause, or may cause, great economic difficulties to the Contracting Party acting as an exporter, this Contracting Party may take appropriate countermeasures in accordance with the conditions and actions set forth in article 23 of this Agreement.

Article 22

BALANCE-OF-PAYMENT DIFFICULTIES

In the event of serious balance-of-payment difficulties, or a serious threat thereof, on the part of either Finland or the Faroe Islands, the Contracting Party that

is affected may take appropriate countermeasures in accordance with the conditions and actions set forth in article 23 of this Agreement.

Article 23

PROCEDURES FOR THE APPLICATION OF PROTECTIVE MEASURES

1. Before initiating any procedures aimed at the application of the kind of protective measures described in this article, the Contracting Parties shall endeavour to settle any disagreements between them through direct consultations.

2. Unless otherwise stipulated in paragraph 6 of this article, the Contracting Party considering introduction of protective measures shall, without delay, notify the other Contracting Party of the matter and submit to it all relevant information. Consultations between the Contracting Parties shall take place without delay with the aim of finding a solution that is acceptable to both Contracting Parties.

3. As regards paragraph 2 of this article, the following provisions shall be adhered to:

(*a*) As regards article 16 (Government support) and article 18 (Public procurement) of this Agreement, the Contracting Party in question shall provide the other Contracting Party with all necessary assistance to investigate the case, and, to the extent possible, discontinues the disputed practices. Should the Contracting Party in question fail to discontinue the disputed practices within a time period agreed upon by the Contracting Parties, or if no time period can be agreed upon within three months from the date when it received the notification of the matter, the Contracting Party in question may take appropriate action to manage the difficulties caused by the said practices;

(*b*) As regards article 19 (Dumping), article 20 (Measures against importation of certain products) and article 21 (Re-exportation and serious shortage), the Contracting Parties shall examine the situation and may take the necessary decisions to put an end to the difficulties of which the Contracting Party in question has given notification. If no decision is reached within 30 days of the date when the matter was referred to the other Party, the Contracting Party in question may take appropriate action to correct the situation;

(*c*) As regards article 13 (Fulfilment of contractual obligations), the Contracting Party in question may take appropriate action once the consultations have been brought to an end or after three months from the date when the notification was given.

4. The other Contracting Party must be immediately notified of the protective measures. The scope and duration of such measures must be limited so that only those measures are adopted that are absolutely necessary to correct the situation that gave rise to them, and whose effect will not cause harm greater than the one deriving from the practices or difficulties in question.

In this, priority must be assigned to those measures that least disturb the functioning of this Agreement.

5. The protective measures that are adopted shall be discussed on a regular basis between the Contracting Parties, with the aim of thereby alleviating their effect or replacing or eliminating them as soon as possible.

6. When extraordinary circumstances requiring immediate action prevent preliminary examination, the Contracting Party in question may, in the cases referred to in article 19 (Dumping), article 20 (Measures against importation of certain products), and article 21 (Re-exportation and serious shortage), immediately resort to any precautionary measures that are absolutely necessary to correct the situation. The other Contracting Party shall be notified of such measures without delay, and consultations between the Contracting Parties shall be held as soon as possible.

Article 24

CONSULTATION MECHANISM

1. In order to implement this Agreement properly, the Contracting Parties shall exchange information when the need arises and hold consultations at the request of either of the Contracting Parties.

2. The Contracting Parties may decide to entrust the supervision and administration of the implementation of this Agreement to a Joint Commission composed of the representatives of the Contracting Parties. In this case, the following shall hold:

(*a*) The exchange of information and the consultations referred to in paragraph 1 of this article, and in particular the consultations and decisions referred to in article 23, shall take place in the Joint Commission;

(*b*) The Joint Commission is a competent decision-making body in the cases specified in this Agreement. In other matters the Joint Commission may make recommendations;

(*c*) The Joint Commission shall meet when the need arises in order to implement this Agreement properly. A meeting can be called by either of the Contracting Parties;

(*d*) The Joint Commission shall form its opinion consensually;

(*e*) The Joint Commission shall decide on its own procedural rules;

(*f*) The Joint Commission shall have the power to set up such adjunct committees and working groups that it deems necessary for the proper performance of its tasks;

(*g*) The Joint Commission shall have the power to amend appendices.

Article 25

EVOLUTIONARY CLAUSE

1. If either one of the Contracting Parties considers it to be in the interest of the Contracting Parties to develop further the relations established based on this Agreement by extending them to cover areas outside the scope of this Agreement, it shall submit to the other Contracting Party a substantiated request to that effect.

2. The agreements concluded as a result of the procedure referred to in paragraph 1 of this article shall be ratified or approved by the Contracting Parties in accordance with their own respective procedures.

Article 26

ANNEXES

The annexes to this Agreement form an integral part thereof.

Article 27

TERRITORIAL IMPLEMENTATION

This Agreement shall be applicable to the Republic of Finland on the one hand and to the Faroe Islands on the other.

Article 28

EFFECTIVE DATE

1. This Agreement shall replace the Agreement between Finland and Denmark concerning free trade between Finland and the Faroe Islands, signed on 6 March 1989.

2. This Agreement is prepared in triplicate, in the Finnish, Danish, and Faroese languages, all texts being equally authentic.

3. The Contracting Parties shall approve this Agreement in accordance with their own procedures. It shall enter into force on the first day of the month following the date when the Contracting Parties have notified each other, through the diplomatic channel, that the conditions required for the entry into force of the Agreement have been met by both Contracting Parties.

Article 29

DENUNCIATION

Either Contracting Party may terminate this Agreement by notifying the other Contracting Party of its intention. The Agreement shall expire 12 months from the date when the other Contracting Party receives the notification.

DONE at Copenhagen on 19 March 1992.

For the Government of Finland:

JOHANNES BÄCKSTRÖM

For the Government of Denmark:

JORGEN OSTROM MOLLER

For the Government of the Faroe Islands:

TRYGGVI JOHANSEN

ANNEX 1[1] REFERRED TO IN ARTICLE 2 (*a*)

[1] Annex 1 is not published herein *in extenso*, in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

ANNEX 2

PROTOCOL RELATING TO FISH AND OTHER MARINE PRODUCTS REFERRED TO IN ARTICLE 2 (*b*) OF THE AGREEMENT

Article 1

As soon as the Agreement enters into force, each Contracting Party shall remove all import duties and all other duties of comparable effect imposed on fish and other marine products originating inside the area of the other Contracting Party.

Neither Contracting Party shall apply quantitative restrictions on imports or any other measures of comparable effect to fish and other marine products originating inside the area of the other Contracting Party. The expression "fish and other marine products" refers to the products listed in appendix 1 to this Annex.

Article 2

Each Contracting Party shall apply its national regulations concerning transit conveyance and exportation of fish, including its regulations concerning direct land import abroad, in a manner that will not place such exports to the area of the other Contracting Party in a position of disadvantage with respect to the exports to other EFTA countries or to the European Economic Community.

Article 3

Finland shall be allowed to maintain its current system with respect to the products of Faroese origin listed in appendix 2 to this Annex.

Finland shall gradually dismantle its system regarding Faroese products in accordance with the schedule applied to the products of the EFTA countries.

APPENDIX 1 TO ANNEX 2[1]

APPENDIX 2 TO ANNEX 2[1]

PRODUCTS OF FAROESE ORIGIN WITH RESPECT TO WHICH FINLAND SHALL BE ENTITLED TO MAINTAIN ITS CURRENT SYSTEM

[1] Appendices 1 and 2 of Annex 2 are not published herein *in extenso*, in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

ANNEX 3 CONCERNING RULES OF ORIGIN

CONTENTS

LIST OF APPENDICES

SECTION I. GENERAL PROVISIONS

Article 1. DEFINITIONS

For the purposes of this annex:

(*a*) "Production" refers to all kinds of processing or treatment, including assembly and special work processes;

(*b*) "Materials" refer to all ingredients, raw materials, components, parts and other inputs that are used in the production of the product;

(*c*) "Product" refers to the finished product, even when it is intended for subsequent use in another production process;

(*d*) "Goods" refers to both materials and products;

(*e*) "Customs value" refers to the value pursuant to the agreement concluded in Geneva on 12 April 1979 on the application of article VII of the General Agreement on Tariffs and Trade;

(*f*) "Ex works price" refers to the price for a product that was paid ex works to the producer in the Faroe Islands or Finland in whose corporation the final processing or treatment took place, which price includes the value of all materials used in the production and from which all internal taxes that will or can be returned upon the exportation of the finished product have been deducted;

(*g*) "Value of materials" refers to the customs value of the materials with originating status at customs clearance, or, if that is not known and cannot be verified, to the first verifiable price that is paid for the materials in the Faroe Islands or Finland;

(*h*) "Value of materials with originating status" refers to the value of these materials, where applicable defined in accordance with paragraph (*g*);

(*i*) "Chapters" and "headings" refer to the chapters and headings of the Harmonized Commodity Description and Coding System (four-number codes), hereinafter "Harmonized System", or "HS";

(*j*) "Rating" refers to the classification in which products or materials are rated under a certain heading;

(*k*) "Shipment" refers to the products that are shipped simultaneously from one exporter to one receiver or covered by a single shipping document or, if no such document exists, a single invoice from the exporter to the receiver.

SECTION II. DEFINITION OF THE TERM "PRODUCTS WITH ORIGINATING STATUS"

Article 2. CRITERIA FOR PRODUCTS WITH ORIGINATING STATUS

1. In the implementation of this Agreement, the following products shall be regarded as originating in the Faroe Islands or Finland, notwithstanding the provisions of paragraphs 3 and 4:

(*a*) The products wholly produced in the Faroe Islands or Finland referred to article 3 below;

(*b*) The products produced in the Faroe Islands or Finland using materials not wholly produced in these countries, provided that:

(i) These materials have to a sufficient degree been processed or treated in the Faroe Islands or Finland as prescribed in article 4, or that

(ii) These materials can be regarded as products with originating status in the country acting as the other Contracting Party, in the sense described in this annex, or that

(iii) These materials can be regarded as products with originating status in Iceland, Norway or Sweden in the application of the rules of origin included in the agreements between the Faroe Islands on the one hand and Iceland, Norway or Sweden on the other hand concerning the establishment of free trade areas, insofar as such rules are similar to those set forth in this Agreement.

2. The provisions of paragraph 1 (*b*) (iii) shall be applied to products produced in Finland only if the administrative cooperation between Finland, Iceland, Norway and Sweden that is necessary for the application of these provisions has been implemented in accordance with the provisions of this annex.

3. Regardless of what is prescribed in paragraphs 1 (*b*) (ii) and (iii), the products which under the rules of origin set forth in paragraph 1 (*b*) (iii) are products of Faroese, Finnish, Icelandic, Norwegian or Swedish origin in the sense referred to in this annex and are exported from the area of one Contracting Party to the area of the other Contracting Party in an unaltered state or as having been processed or treated in the exporting country or territory in a manner that does not go beyond what is described in article 5, paragraph 1, shall preserve their originating status.

4. When, in the application of paragraph 3, products of origin in both Contracting Parties, or one or both Contracting Parties and Iceland and/or Norway and/or Sweden, are used without the production of these products having taken place in the exporting country or territory beyond what is prescribed in article 5, paragraph 1, the country of origin shall be determined based on the product with the highest customs value or, if that is not known and cannot be verified, the product for which the first verifiable price paid in the country or territory in question is highest.

Article 3. WHOLLY PRODUCED PRODUCTS

1. The following products shall be regarded as wholly produced in the Faroe Islands or Finland:

(*a*) Mineral products obtained from the Faroese or Finnish soil or sea bottom;

(*b*) Plant products harvested in these countries;

(*c*) Living animals born and raised in these countries;

(*d*) Products obtained from the living animals raised in these countries;

(*e*) Products obtained by fishing or hunting in these countries;

(*f*) Sea fishing products caught by Faroese or Finnish vessels outside of their respective territorial waters and other products caught from the sea;

(*g*) Products produced in Faroese or Finnish factory ships using products referred to in paragraph (*f*) only;

(*h*) Used products that are collected in these countries and can be used solely as raw materials, including used tires that can be utilized exclusively in retreading, or waste products;

(*i*) Waste and scrap by-products of production activities in these countries;

(*j*) Goods produced from products referred to in paragraphs (*a*) to (*i*).

2. The expressions "Faroese or Finnish vessels" and "Faroese and Finnish factory ships" in paragraphs 1 (*f*) and (*g*) above refer exclusively to vessels and factory ships:

(*a*) That have been registered in the Faroe Islands or Finland;

(*b*) That sail under the Faroese or Finnish flag;

(*c*) That are at least half-owned by Finnish citizens, inhabitants of the Faroe Islands or a corporation whose main office is located in the Faroe Islands or Finland and of which the manager or managers, the chairperson of the board of directors or supervisory board and the majority of the members of these organs are citizens of Finland or inhabitants of the Faroe Islands; and in addition, in the case of general partnerships and limited liability companies, of whose capital stock at least half belongs to Finland, the Faroe Islands, their public institutions, citizens or inhabitants;

(*d*) Whose captain and officers are citizens of Finland or inhabitants of the Faroe Islands;

(*e*) At least seventy-five per cent of whose crew are inhabitants of the Faroe Islands or citizens of Finland.

Article 4. PRODUCTS PROCESSED OR TREATED TO A SUFFICIENT DEGREE

1. In the application of article 2 above, products that are not wholly produced in the Faroe Islands or Finland shall be regarded as processed or treated there to a sufficient degree if the finished product is rated under a heading different from all the materials without originating status that were used in its production, having regard nonetheless to the provisions of paragraph 2 and the provisions of article 5.

2. The products included in columns 1 and 2 of the list included in appendix III to this annex must meet the conditions stipulated in column 3 instead of the rule given in paragraph 1.

3. For products in chapters 84 through 91, the exporter can choose to meet the conditions stipulated in column 4 instead of those stipulated in column 3.

4. The conditions set forth in paragraphs 1, 2, and 3 above define for all products covered by this Agreement the processing or treatment which must be carried out for all

materials without originating status that are used in the production of these products, and they concern such materials alone. Consequently, if a product qualifying for originating status through its conformity to the conditions stipulated for this product is used in the production of another product, the conditions stipulated for the product in whose production it is used shall not be applicable to it, and the materials without originating status that may be used in its production shall not be taken into consideration.

5. This article shall apply unless otherwise stated in article 5, paragraph 1.

Article 5. INSUFFICIENT PROCESSING OR TREATMENT

1. The following processing or treatment shall be regarded as insufficient for the product to obtain originating status, regardless of whether or not the conditions in article 4 are met:

(*a*) Measures intended to secure that the state of the products remains unchanged during transportation and storage (ventilation, suspension, drying, cooling, placement in salt water, sulphurous acid or other liquid, removal of damaged parts, and other similar measures);

(*b*) Simple types of treatment such as removal of dust, sifting, sorting, classification, combining (including arrangement in sets or series), washing, painting, cutting up;

(*c*) (i) Repacking as well as dividing and combining packages and parcels;

(ii) Mere bottling, placement in bags and sacks, packing in boxes and containers, placement on cardboard, board or comparable materials, and all other simple packing operations;

(*d*) Attachment of labels, name tags or other comparable markings on the products or their packages;

(*e*) Mere mixing of products regardless of whether they are of the same kind or not, to the extent that one or more of the ingredients of the results of the mixing process do not meet the conditions set forth in this annex for a product to qualify for originating status;

(*f*) Mere combination of parts into a whole product;

(*g*) Combination of two or more of the work processes referred to in paragraphs (*a*) to (*f*);

(*h*) Slaughtering of animals.

2. All work processes performed on a certain product in the Faroe Islands or Finland must be considered as a whole when determining whether the processing or treatment performed on this product are insufficient pursuant to paragraph 1.

Article 6. UNIT OF QUALIFICATION

1. In the application of the regulations in this annex, the unit of qualification shall be the product that is regarded as the basic unit in the determination of the heading according to the Harmonized System.

It therefore follows that:

(*a*) If a product consisting of a group or a combination of articles is rated according to the Harmonized System under one single heading, this totality shall constitute the unit of qualification;

(*b*) If the shipment consists of several similar products rated under the same heading of the Harmonized System, every one of these products must be considered separately when applying the provisions of this annex.

2. If, according to general rule 5 regarding the interpretation of the Harmonized System, the package is regarded as part of the product in connection with rating, it shall be regarded as forming a part of the product also when determining its origin.

Article 7. ACCESSORIES, SPARE PARTS AND TOOLS

Accessories, spare parts and tools that are provided with the materials, machines, devices, apparatuses or vehicles, if they are included in the price of these materials, machines, devices, apparatuses or vehicles as part of the standard equipment or are not invoiced separately, shall be regarded as forming one whole together with these.

Article 8. SETS AND SERIES

According to general rule 3 regarding the interpretation of the Harmonized System, sets and series shall be regarded as products with originating status if all of the products of the set or series are products with originating status. If a set or series consists of both products with originating status and products without originating status, it, however, must on the whole be regarded as a product with originating status if the value of the products without originating status does not exceed 15 per cent of the ex works price of the set or series.

Article 9. NEUTRAL FACTORS

When determining whether the product is of Faroese or Finnish origin, it shall not be necessary to ascertain whether the energy, installations, equipment, machinery and tools that were used in its production, or the products used during the production process that are not included and were not intended to be included in the final composition of the product, are products with originating status.

SECTION III. TERRITORIAL REQUIREMENTS

Article 10. TERRITORIAL PRINCIPLE

The conditions set forth above in section II concerning qualification for originating status must be continuously present within the territory of the Faroe Islands or Finland. Consequently, products that have been undergoing processing or treatment in the Faroe Islands or Finland and have left the territory of the Contracting Parties or Iceland, Norway or Sweden must be regarded as products without originating status, unless otherwise stipulated in article 12.

Article 11

(This annex does not contain an article 11.)

Article 12. RE-IMPORTATION OF GOODS

Products that are exported from the Faroe Islands or Finland to a third country and subsequently returned back to these two countries shall not be considered as having left Faroese or Finnish territory if the customs authorities can be shown acceptable proof of the fact that:

(*a*) The returned goods are the same as the ones that were exported; and

(*b*) They have not undergone treatment during the exportation or in the country in question any other than that necessary to secure their unaltered state.

Article 13. DIRECT TRANSPORT

1. Preferential treatment pursuant to the Agreement shall only be applicable to those products conforming to the requirements set forth in this annex whose transportation takes place within the territory of the Faroe Islands, Finland, Iceland, Norway or Sweden. A shipment consisting of a single consignment of products may nonetheless be routed via territories other than those belonging to the Faroe Islands, Finland, Iceland, Norway and Sweden,

where necessary involving transshipment or temporary storage in such areas, if the products remain under the control of customs authorities of the transit or storage country and they are not subjected to measures any other than those related to discharge and reloading or necessary for the maintenance of their good condition.

2. The following documentation must be submitted to the customs authorities of the exporting country or territory as proof of compliance with the conditions set forth in paragraph 1 above:

(*a*) A waybill for the transit conveyance, issued in the exporting country or territory for the part of the transportation that took place within the territory of the transit country, or

(*b*) A certificate issued by the customs officials of the transit country which:

(i) Contains a detailed description of the products;

(ii) Indicates the dates of discharge and reloading involving the products and, where necessary, the names of the vessels used; and

(iii) Documents the circumstances of the products' stay in in the transit country, or

(*c*) In the absence of the above, other relevant documentation.

Article 14. SHOWS AND EXHIBITIONS

1. Products that are sent from the Faroe Islands or Finland to a show or an exhibition held in another country or territory than that of the Faroe Islands or Finland, or Iceland, Norway or Sweden, and are sold after the show or exhibition for import to Finland or the Faroe Islands, shall enjoy at importation the benefits pursuant to the prohibitions of the Agreement to the extent that they meet the conditions set forth in this annex so that they can be regarded as products of Faroese or Finnish origin, and if acceptable proof can be submitted to the customs authorities of the fact that:

(*a*) The exporter sent these products from the Faroe Islands or Finland to the country where the show or exhibition is held, and showed or exhibited these products there;

(*b*) The exporter in question has sold or otherwise handed over these products to a receiver in Finland or the Faroe Islands;

(*c*) The products were sent to Finland or the Faroe Islands during the show or exhibition or immediately after it in the same state in which they were when sent for the show or exhibition; and

(*d*) After they were sent for the show or exhibition, the products were not used for any other purpose than showing or exhibiting in the show or exhibition in question.

2. The certificate of origin must be prepared or given in accordance with the provisions of section V and presented to the customs authorities of the importing country or territory using normal procedures. Where necessary, additional documentation may be requested concerning the nature of the products and the circumstances under which they were shown or exhibited.

3. Paragraph 1 above shall be applied to all such trade, industry, agricultural, and crafts shows, exhibitions, fairs and other presentations of a public nature in which the products remain under the control of customs authorities during the show or exhibition, excluding the events that are organized for private purposes in stores or business premises to promote sales involving foreign products.

SECTION IV. REFUND OF DUTIES OR TARIFF REDUCTION

Article 15. PROHIBITION AGAINST REFUND OF DUTIES OR TARIFF REDUCTION

1. No refund of duties or tariff reduction can be granted in any form for materials without originating status which were used in the production of products of Faroese or Finnish

origin as defined in this annex and for which a certificate of origin was prepared or given in accordance with the provisions of section V.

2. The prohibition referred to in paragraph 1 above shall be applicable to all arrangements concerning partial or full refund of customs duties or other payments of comparable effect, and to non-collection of levies or exemption therefrom, applied by one Contracting Party to the materials used in the production process, as concerns nominal or de facto refund of such payments, non-collection of levies, or exemption therefrom, insofar as the products produced from these materials are exported from the country or territory, but not if they are intended for domestic use in this country or territory.

3. The exporter of the products indicated in the certificate of origin must at all times be prepared to present, at the request of the customs authorities, all documentation necessary to prove that no refund of duties has taken place with respect to the materials without originating status that were used in the production of the products, and that all customs duties or other payments of comparable effect applicable to these materials have been factually paid.

4. As far as products without originating status are concerned, the provisions of paragraphs 1 to 3 above shall be applicable to packages as defined in article 6, paragraph 2, spare parts and tools as defined in article 7 and products belonging to a set or series as defined in article 8.

5. The provisions of paragraphs 1 to 4 above shall apply only to such materials as are governed by this Agreement. Nothing in these provisions, moreover, shall affect the authority of the Faroe Islands or Finland to apply to agricultural exports compensatory measures relating to difference in prices, pursuant to the Agreement.

SECTION V. PROOF OF ORIGIN

Article 16 GENERAL RULES

1. The products with originating status as defined in this annex shall, at importation to the Faroe Islands or Finland, enjoy the benefits pursuant to the Agreement upon the presentation of either:

(*a*) A EUR.1 product certificate, shown in appendix IV, or

(*b*) In the particular cases referred to in article 21, paragraph 1, below, a declaration of the type shown in appendix V, submitted by the exporter with an invoice, freight list, or other similar business document that describes the products in detail sufficiently enough to allow for their identification (hereinafter "invoice declaration").

2. Notwithstanding the provisions of paragraph 1, the products with originating status as defined in this annex shall in the cases specified in article 26 enjoy the benefits pursuant to the Agreement without the need to present any of the documents referred to above.

Article 17. PROCEDURE FOR PRESENTATION OF A EUR.1 PRODUCT CERTIFICATE

1. A EUR.1 product certificate shall be issued by the customs authorities of the exporting country or territory in response to a written application submitted by the exporter or the exporter's authorized representative acting on the responsibility of the exporter.

2. For this purpose, the exporter or the exporter's authorized representative shall complete a EUR.1 product certificate as shown in appendix IV, along with an application form.

These forms shall be completed in accordance with the provisions of the law in force in the exporting country or territory, in one of the official languages of the Faroe Islands or Finland or in English. If the forms are completed by hand, a pen must be used to record the information in block letters. The product description must be given using the space reserved for it, with no spaces left between the lines. If the space is not used in its entirety, a horizontal

line must be drawn under the last line used and the space that is left unused must be marked off by striking it out.

3. The exporter applying for the EUR.1 product certificate must at all times be prepared to present, at the request of the customs authorities of the exporting country or territory in which the EUR.1 product certificate is issued, all documentation necessary to prove the place of origin of the products and the fulfilment of all other conditions set forth in this annex.

4. The EUR.1 product certificate shall be issued by the customs authorities of the Contracting Parties if the products in question can be regarded as products with originating status in the country or territory concerned according to the provisions of article 2, paragraph 1, and meet all other conditions set forth in this annex.

5. The EUR.1 product certificate may be issued by the customs authorities of the Contracting Parties pursuant to the provisions of this annex if the products in question are within the Contracting Party's territory and the products exported from the country or territory can be regarded as products with originating status in the countries or territories acting as Contracting Parties or in Iceland, Norway or Sweden, according to the definition set forth in article 2, paragraph 3.

6. In the cases specified in paragraph 5 above, the EUR.1 product certificate shall be issued upon presentation of the previously issued or prepared certificates of origin.

A certified copy of the previously issued or prepared proof of origin for the product in question must be availed to the customs authorities of the destination country or territory on grounds of administrative cooperation.

7. All necessary measures must be taken by the customs authorities issuing the certificate to verify the place of origin of the products and the fulfilment of all other conditions set forth in this annex. For this purpose, these authorities may request show of evidence or access the exporter's accounts and may carry out other forms of control measures considered necessary.

The authorities issuing the certificate must also make sure that the forms referred to in paragraph 2 are completed properly. In particular, they shall ascertain that the space reserved for the description of the product is completed so that no room for possible fraudulent additions is left therein.

8. The date of issuance of the EUR.1 product certificate shall be indicated in the space reserved for the use of customs authorities on the certificate form.

9. The EUR.1 product certificate shall be issued by the customs authorities of the exporting country or territory at the exportation of the products mentioned in it out of the country or territory. It shall be made available to the exporter as soon as the factual exportation has taken place or is certain.

Article 18. RETROSPECTIVELY ISSUED EUR.1 PRODUCT CERTIFICATES

1. Notwithstanding the provisions of article 17, paragraph 9, the EUR.1 product certificate can exceptionally be issued for the products described therein if:

(*a*) It was not issued at the time of exportation owing to an error, oversight, unintended omission or special circumstances, or

(*b*) Acceptable proof is submitted to the customs authorities of the fact that the EUR.1 product certificate was issued but for technical reasons was not accepted at importation.

2. In the application of paragraph 1 above, the exporter must, in the application form, indicate the date and place of exportation of the products described in the EUR.1 product certificate, along with the grounds for the application.

3. The EUR.1 product certificate can be retrospectively issued by the customs authorities only after it has been verified that the information submitted by the exporter in the application form conforms to the corresponding documentation.

4. The EUR.1 product certificates issued retrospectively must contain one of the following markings:

"GIVIN EFTIRFYLGJANDI",

"UDSTEDT EFTERFØLGENDE",

"UTSTEDT SENERE",

"ANNETTU JÄLKIKÄTEEN",

"ÚTGEFID EFTIR Á",

"UTFÄRDAT I EFTERHAND",

"ISSUED RETROSPECTIVELY".

5. The marking referred to in paragraph 4 above shall be entered on the EUR.1 product certificate under the heading "Notes".

Article 19. ISSUANCE OF A DUPLICATE OF THE EUR.1 PRODUCT CERTIFICATE

1. In case the EUR.1 product certificate is stolen, lost or damaged, the exporter can request issuance of a duplicate from the customs authorities that issued the original. The duplicate shall be prepared based on the export documentation in possession of these customs authorities.

2. The duplicate thus issued must contain one of the following markings:

"TVÍTAK",

"KAKSOISKAPPALE",

"DUPLIKAT",

"EFTIRRIT",

"DUPLICATE".

3. The marking referred to in paragraph 2 above shall be entered on the duplicate of the EUR.1 product certificate under the heading "Notes".

4. The duplicate, which must contain an indication of the date of issuance of the original EUR.1 product certificate, shall be valid as of the said date.

Article 20. ISSUANCE OF THE EUR.1 PRODUCT CERTIFICATE BASED ON PREVIOUSLY SUBMITTED OR PREPARED PROOF OF ORIGIN

When products covered by the EUR.1 product certificate or invoice declaration that form a single shipment are placed under the control of a customs agency in the Faroe Islands or Finland, the original declaration of origin may be replaced with one or several EUR.1 product certificates issued by the said customs agency in order to send all or some of these products to other customs agencies, regardless of whether or not they are located in the same country or territory.

Article 21. STIPULATIONS REGARDING THE PREPARATION OF INVOICE DECLARATIONS

1. The invoice declaration referred to in article 16, paragraph 1 (*b*), can be prepared by:

(*a*) The authorized exporter referred to in article 22 below;

(*b*) Any exporter for a shipment consisting of one or more packages of products with originating status and a total worth not exceeding 5,110 calculational units.

2. An invoice declaration may be prepared if the products can be regarded as products of Faroese or Finnish origin pursuant to article 2, paragraph 1, and meet the other conditions set forth in this annex.

3. An invoice declaration may be prepared in accordance with the provisions set forth in this annex if the products are in the exporting country or territory, and the products exported from the country or territory can be regarded as products with originating status in one of the Contracting Parties or in Iceland, Norway or Sweden, as defined in article 2, paragraph 3. The provisions of article 17, paragraph 6, shall be applicable *mutatis mutandis*.

4. The exporter preparing the invoice declaration must at all times be prepared to present, upon the request of the customs authorities of his/her own country or territory, all documentation necessary to prove the place of origin of the products and the fulfilment of all other conditions set forth in this annex.

5. The invoice declaration shall be prepared by the exporter using a typewriter, and the exporter must stamp or impress on the invoice declaration, freight list or other business document a declaration conforming to the text given in appendix V and pursuant to the law in force in the exporting country or territory, using one of the versions in different languages listed in the said appendix. The declaration may also be prepared by hand, in which case a pen must be used to record the information in block letters.

6. The invoice declaration must bear the exporter's original signature, entered by hand, unless otherwise stipulated in article 22, paragraph 8.

7. The invoice declaration may be prepared by the exporter at the time of the exportation of the products covered by it, or later. If the invoice declaration is prepared after the products covered by it have already been declared to the customs authorities of the importing country or territory, the invoice declaration in question must contain a reference to the documents already presented to these authorities.

Article 22. AUTHORIZED EXPORTER

1. Notwithstanding the provisions of articles 17, 18, 19, 21 and 31, a simplified procedure as stipulated below shall be applied to the issuance of documents proving the place of origin.

2. The customs authorities of the exporting country or territory may grant to an exporter (hereinafter "authorized exporter") that often exports products qualifying for the EUR.1 certificate and submits all guarantees considered necessary by the customs authorities for the verification of the place of origin of these products and the fulfilment of all other conditions set forth in this annex, a permit not to present, at the moment of exportation at the customs agency of the exporting country or territory, the products or the application for the EUR.1 certificate regarding these products required in order to obtain the EUR.1 certificate on the conditions set forth in article 17, paragraphs 1 to 5.

3. When the simplified procedure is used, the customs authorities of the exporting country or territory may require the use of EUR.1 certificates which contain a specific marking to identify them.

4. The permission referred to above in paragraph 2 must stipulate, at the option of the customs authorities, that item 11 of the EUR.1 certificate, "Customs Authorities' Certification" either:

(*a*) Be stamped beforehand by the appropriate customs agency in the exporting country or territory and signed by the customs officials at that agency either by hand or otherwise, or:

(*b*) Be confirmed by the authorized exporter's specific stamp, which has been approved by the customs authorities of the exporting country or territory and conforms to what is stipulated regarding it in appendix VII to this annex. This stamp may be printed on the form in advance.

When necessary, item 11 of the EUR.1 certificate, "Customs Authorities' Certification", shall be completed by the authorized exporter.

5. In the cases referred to above in paragraph 4 (*a*), one of the following markings must be entered in item 7, "Notes", of the EUR.1 certificate:

"EINFØLD MANNAGONGD",

"YKSINKERTAISTETTU MENETTELY",

"FORENKLET PROSEDYRE",

"EINFØLDYD AFGREIDSLA",

"FÖRENKLAD PRECEDUR",

"SIMPLIFIED PROCEDURE".

Where necessary, the authorized exporter shall enter the name and address of the customs authority in charge of the follow-up control in item 13, "Application for Examination".

6. Should the customs authorities of the exporting country or territory observe that the certificate issued under the provisions of this article is no longer valid in respect of some of the shipped products, they shall immediately notify the customs authorities of the importing country or territory of the fact.

7. Customs authorities may grant the authorized exporter a permit to prepare invoices containing the exporter's declaration as described in appendix V to this annex, instead of the EUR.1 certificate.

The declaration prepared by the authorized exporter on the invoice must be prepared using one of the versions of the marking in the different languages given in appendix V. It must be signed by hand and it must either:

(*a*) Contain a reference to the number of the authorized exporter's certificate, or:

(*b*) Be confirmed by the authorized exporter's specific stamp, referred to in paragraph 4 (*b*), which has been by the customs authorities of the exporting country or territory. This stamp may be printed on the invoice certificate in advance.

8. The customs authorities of the exporting country or territory may, however, grant to the authorized exporter a permit not to sign the declaration on the invoice, referred to in paragraph 7, if such invoices are prepared and/or sent utilizing telecommunications or electronic data processing.

The aforesaid customs authorities shall specify the conditions for the application of this paragraph, including, if so requested by them, a written commitment by the authorized exporter to the effect that the said exporter assumes the full responsibility ensuing from such a marking and declaration comparable to an actual signature by hand.

9. In the permit referred to in paragraphs 2 and 7, the customs authorities shall specify in particular:

(*a*) The conditions relating to the application for the EUR.1 certificates, or the conditions relating to the declaration entered in the invoices concerning the place of origin of the products;

(*b*) The terms under which these applications, as well as the copies of the invoices containing the declaration by the exporter, are stored at least two years. These stipulations also govern the EUR.1 certificates and the invoices containing the exporter's declaration, which have served as the basis for other declarations of origin issued pursuant to article 17, paragraph 5.

10. The customs authorities of the exporting country or territory may declare certain product groups exempt from the relief referred to in paragraphs 2, 7 and 8.

11. Those exporters who fail to submit all guarantees considered necessary by the customs authorities shall be denied the permit referred to in paragraphs 2, 7 and 8 by these customs authorities.

The customs authorities may cancel the permits at any time. This must be done when the conditions for the approval are no longer present or when the authorized exporter fails to submit the above-mentioned guarantees.

12. The authorized exporter may be requested to declare to the customs authorities, in accordance with the requirements issued by them, the products that the exporter intends to ship, so that the appropriate customs agency is given the possibility of performing the customs check it considers necessary prior to the shipment of the products.

13. The provisions of this article shall not affect the implementation of the Contracting Parties' regulations governing customs formalities and the use of customs documents.

Article 23. VALIDITY OF THE DECLARATION OF ORIGIN

1. A EUR.1 product certificate shall be valid for four months from the date when it was issued in the exporting country or territory, and it must be presented to the customs authorities of the importing country or territory within this time period.

An invoice declaration shall be valid for four months from the date when it was issued in the exporting country or territory, and it must be presented to the customs authorities of the importing country or territory within this time period.

2. EUR.1 product certificates and invoice declarations that are presented to the customs authorities of the importing country or territory after the time period stipulated in paragraph 1 has expired may be accepted as grounds for the application of preferential treatment if the failure to present these documents within the stipulated time period is due to *force majeure* or extraordinary circumstances.

3. In other cases of belated presentation, the customs authorities of the importing country or territory may accept the EUR.1 product certificates or invoice declarations if the products were presented to them before the expiration of the above-mentioned time period.

Article 24. PRESENTATION OF THE CERTIFICATE OF ORIGIN

1. The EUR.1 product certificates and the invoice declarations shall be presented to the customs authorities of the importing country or territory in accordance with the procedures in place in that country or territory. The said authorities may also request a translation of the EUR.1 product certificate or of the invoice declaration. They may additionally request that the declaration of imported goods be supplemented by the importer's declaration to the effect that the products are in conformity with the conditions set for the implementation of this Agreement.

2. If the declaration of imported goods is transmitted electronically to the customs authorities of the importing country or territory, the authorities shall decide, within the framework of and according to the national laws of the country or territory in question, when and to what extent the documents forming the certificate of origin are to be presented.

Article 25. IMPORTATION IN PARTIAL SHIPMENTS

If, upon the exporter's request and on conditions set by the customs authorities of the importing country or territory, products belonging to chapters 84 and 85 of the Harmonized System are imported in partial shipments, disassembled in parts or unassembled as defined in general rule 2 (*a*) concerning the interpretation of the System, one single proof of origin shall be presented to the customs authorities at the importation of the first partial shipment.

Article 26. EXCEPTIONS TO THE STANDARD PRESENTATION OF PROOF OF ORIGIN

1. Products in small shipments from private persons to private persons and products included in the personal luggage of passengers may be imported to the country or territory as products with originating status without the need for a standard presentation of a proof of

origin, to the extent that the products in question are not for commercial importation and the products have been declared to meet the requirements set forth in this annex, and when there is no reason to doubt the truthfulness of the given declaration. If the products are sent by mail, this declaration may be made using customs declaration C2/CP3 or on a separate sheet attached to this document.

2. Importation which is occasional and consists of products intended exclusively for the personal use of the receivers or the passengers and their families shall not be considered to be commercial if the nature and quantity of these products does not indicate any commercial purpose.

3. The total combined value of these products may nonetheless not exceed 365 calculational units where small shipments are concerned, and 1,025 calculational units where products are included in the personal luggage of passengers.

Article 27. ADDITIONAL DOCUMENTATION

The documents referred to above in article 17, paragraph 3, and article 21, paragraph 3, which are used as proof that the products referred to in the EUR.1 product certificate or the invoice declaration may be regarded as products of Faroese or Finnish origin, and that they meet the other conditions set forth in this annex, may include the following, among others:

(*a*) Concrete proof of the actions that the exporter has carried out in order to produce the products in question, derived, for example, from the exporter's accounts or internal bookkeeping;

(*b*) Documents serving as proof of the place of origin of the materials used in the production of the products in question, which were issued or prepared in the Faroe Islands or Finland where these documents are used in accordance with the national laws of the country or territory in question;

(*c*) Documents proving that the materials used in the production of the products in question were processed or treated in the Faroe Islands or Finland, and which were issued or prepared in a territory belonging to a Contracting Party where these documents are used in accordance with the national laws of the country or territory in question;

(*d*) EUR.1 product certificates or invoice declarations serving as proof of the place of origin of the materials used in the production of the products in question, and which were issued or prepared in a territory belonging to a Contracting Party or Iceland, Norway or Sweden in accordance with the stipulations of this Annex.

Article 28. STORAGE OF THE PROOFS OF ORIGIN AND OTHER DOCUMENTATION

1. The exporter applying for the EUR.1 product certificate must keep the documents referred to in article 17, paragraph 3, for at least two years.

2. The exporter preparing the invoice declaration must keep a copy of this invoice declaration along with the documents referred to in article 1, paragraph 4, for at least two years.

3. The customs authorities of the exporting country or territory issuing the EUR.1 product certificate must keep the application form referred to in article 17, paragraph 23, for at least two years.

4. Notwithstanding the provisions of article 24, paragraph 2, the customs authorities of the importing country or territory must keep the EUR.1 product certificates and invoice declarations presented to them for at least two years.

5. In the cases referred to above in article 24, paragraph 2, the authorities of the importing country or territory shall decide in accordance with the national laws of the country or territory in question on the way in which the EUR.1 product certificates or invoice declarations will be stored for at least two years.

Article 29. DISCREPANCIES AND DEFECTS OF FORM

1. Minor discrepancies between the markings on the EUR.1 product certificate or the invoice declaration on the one hand, and the information in the documents presented at the customs agency on the other, shall in themselves not necessarily render the EUR.1 product certificate invalid, to the extent that it can be properly shown that this document corresponds to the products presented for customs clearance.

2. Clear defects of form contained in the EUR.1 product certificate or the invoice declaration, such as typing errors, should not cause the rejection of the document, unless these errors are of such kind as to give reason to doubt the correctness of the information given in the document in question.

Article 30. QUANTITIES EXPRESSED IN CALCULATIONAL UNITS

1. The amounts in the national currency of the exporting country or territory that correspond to the amounts expressed in calculational units shall be confirmed by the exporting country or territory and communicated to the other Contracting Party by it.

If the amounts exceed the corresponding amounts confirmed by the importing country or territory, the importing country or territory shall approve them if the products are invoiced in the currency of the exporting country or territory.

2. If the products are invoiced in Icelandic, Norwegian or Swedish currency, the importing country or territory shall approve the amount declared by the country or territory in question.

3. Regarding the amounts expressed in a national currency, the equivalent amount for the amounts expressed in calculational units shall be determined in the national currency in question using the exchange rates on 1 October 1990.

The equivalent value of one calculational unit in the Contracting Parties', Icelandic, Norwegian and Swedish currency shall be the amount shown in appendix VI to this Annex.

4. The amounts expressed in calculational units shall be revised as the need arises, at least once every two years.

When carrying out this revision, the Joint Commission shall ensure that there are no reductions in the amounts that are used in a national currency, and in addition shall determine whether it should be considered desirable to keep the real effect of these value limits intact. For this purpose, it may decide to change the amounts expressed in calculational units.

Article 31. IMPORTATION FROM AND RE-EXPORTATION TO ICELAND, NORWAY AND SWEDEN

1. When imported to Finland, the products with originating status referred to in this Annex shall also enjoy the benefits pursuant to the Agreement if a proof of origin is presented which has been issued or prepared for them in Iceland, Norway or Sweden, in which the marking "Faroe Islands Trade" is contained. When an EUR.1 product certificate is used, this marking shall be entered under the item "Notes", and it shall be confirmed by the stamp of the customs agency of the country in question.

2. When products that earlier were imported to Finland, accompanied by the proof of origin referred to in article 16, paragraph 1, and issued or prepared in the Faroe Islands, are re-exported to Iceland, Norway or Sweden, Finland shall undertake to issue or prepare proofs of origin that contain the marking "Faroe Islands Trade", provided that the products are re-exported in an unaltered state and they were not processed or treated in Finland beyond what is specified in article 5, paragraph 1.

SECTION VI. ARRANGEMENTS FOR ADMINISTRATIVE COOPERATION

Article 32. MUTUAL ASSISTANCE

1. In order to ensure the proper implementation of this Annex, the Faroe Islands and Finland shall assist each other, through the mediation of competent customs authorities, in the verification of the authenticity of EUR.1 product certificates and invoice declarations and the correctness of the information contained in these documents.

2. The customs authorities of the Contracting Parties shall provide each other with sample impressions of the stamps used by their respective customs agencies in the issuance of EUR.1 certificates.

Article 33. VERIFICATION OF THE PROOFS OF ORIGIN

1. The follow-up control of the EUR.1 product certificates and the invoice declarations shall be exercised using spot-checks, or every time the customs authorities or the importing country or territory has reason to suspect the authenticity of such documents or doubt the place of origin of the products or fulfilment of the other conditions set forth in this Annex.

2. In the application of the provisions of paragraph 1 above, the customs authorities of the importing country or territory shall return the EUR.1 product certificate or the invoice to the customs authorities of the exporting country or territory, if such a document was presented, or the invoice declaration or copies of these documents, and present the possible grounds for an inquiry regarding the content or form of these documents.

In support of their request for a follow-up check, they shall provide all the available document material and communicate all the obtained information based on which the information entered in the EUR.1 product certificate or the invoice declaration can be suspected of being incorrect.

3. The check shall be performed by the customs authorities of the exporting country or territory. For this purpose they shall have the right to demand presentation of proof and to access the accounts of the exporter or perform any other checks considered necessary.

4. If the customs authorities of the exporting country or territory decide to disallow preferential treatment on the part of the products in question until the results of the check have been obtained, they may hand over these products to the importer, provided the precautionary measures considered necessary are taken.

5. The results of the check shall be communicated to those customs authorities that requested the check as soon as possible. These results must clearly indicate whether the documents are authentic and whether the products in question can be regarded as products of Faroese or Finnish origin, and whether they meet the other conditions set forth in this Annex.

Article 34. SETTLEMENT OF DISPUTES

When the control procedures described in article 33 give rise to disputes that cannot be mutually settled between the customs authorities requesting the check and those in charge of its performance, or when there is a disagreement as to the correct interpretation of this Annex, a Joint Commission and the subcommittee referred to in article 36 may be set up to settle the disputes in accordance with article 24. In such a case the decisions shall be made by the Joint Commission.

Article 35. SANCTIONS

Sanctions shall be imposed on anyone who prepares, or proceeds to have prepared for him- or herself, a document containing incorrect information with the intent of securing preferential treatment for products.

Article 36. SUBCOMMITTEE

In accordance with article 24, paragraph 2, of the Agreement, a subcommittee on customs and authenticity matters may be set up under the Joint Commission to assist the latter in managing its tasks and to secure a continuous flow of information and the continuity of contacts between experts.

In such a case it shall be composed of Faroese and Finnish experts responsible for issues related to customs and authenticity matters.

Article 37. TREATMENT AS A PRODUCT WITHOUT ORIGINATING STATUS

In the application of article 2, paragraph 1 (*b*) (ii) or (iii), all products with originating status in the Faroe Islands of Finland shall be treated as products without originating status at importation to the territory of the other Contracting Party during the time period or time periods when the latter Contracting Party applies third-country duties or other comparable protective measures to these products pursuant to this Agreement.

Article 38. APPENDICES

The appendices to this Annex form an integral part of it.

APPENDIX I

RECORD OF UNDERSTANDING — JOINT DECLARATIONS

Record of understanding

Regarding the administrative cooperation referred to in article 2, paragraph 2, of this Annex, it is understood that the administrative cooperation as defined in Protocol B to the EFTA Convention may be applied.

Joint declaration

Regarding article 20 of this Annex, the Contracting Parties and the Government of Denmark agree that the EUR.1 product certificates may be issued by customs authorities in Denmark when products sent from the Faroe Islands are placed under the control of Danish customs authorities with the intent of sending all or some of these products to Finland.

Joint declaration

Goods that are in accordance with the provisions of this Annex and are, on the effective date of the Agreement, either in transit or temporary storage in bond or in free zones in a territory belonging to a Contracting Party, may be approved as products with originating status, provided that a retrospectively issued proof of origin and documentation of the circumstances of the transportation are presented to the customs authorities of the importing country or territory within four months of this date.

Declaration regarding the review of this Appendix

The Contracting Parties agree that, considering the economic developments in Europe and the entering into force of the rules of origin contained in the agreement concerning the European Economic Area, they shall negotiate with each other, as well as with the parties to the above-mentioned agreement, in order to consider on a case-by-case basis to what extent and on what grounds these new regulations can be applied to this Agreement.

APPENDIX II

INTRODUCTORY REMARKS ON THE LIST CONTAINED IN APPENDIX III

General

Note 1

1.1. The first two columns of the list describe the finished product. The first column includes the number of the heading or chapter used in the Harmonized System, and the second column includes the description of goods as used in the Harmonized System for this heading or chapter. For each entry in the first two columns there is a rule specified in columns 3 and 4. The "ex" preceding some of the entries in the first column means that the rule in columns 3 and 4 shall only be applicable to the part of the heading or chapter that is recorded in column 2.

1.2. When several headings are grouped together in column 1, or a chapter number is given, and the description of goods given in column 2 is therefore given generally, the corresponding rule in column 3 or 4 shall be applicable to all products which, under the Harmonized System, are rated under the headings of a chapter entered in column 1, or under one of the headings grouped together in this column.

1.3. When the list contains different rules that are applicable to different products included in the same heading, the subparagraph includes a description of the part of the heading that is covered by the corresponding rule in columns 3 or 4.

1.4. With regard to the products belonging to chapters 84 through 91, the rules of origin in column 3 must be applied in the absence of a rule in column 4.

Note 2

2.1. The expression "production" refers to all kinds of production or treatment, including "assembly" and specific work processes; however, cf. note 3, paragraph 5 below.

2.2. The expression "materials" refers to all "ingredients", "raw materials", "components", "parts", etc., that are used in the production of the product.

2.3. The expression "product" refers to the product that is produced even if it is intended for later use in another manufacturing process.

Note 3

3.1. If a heading or a part of a heading is not recorded in the list, the "change-of-heading" rule in article 4, paragraph 1, shall be applied. Where a provision concerning a heading change applies to a position or a part of a position recorded in the list, it is mentioned in the rule given in column 3.

3.2. The production or treatment required by the rule in column 3 or 4 of the list must be carried out only on the part of the materials without originating status that are used in the production. The limitations of the rule in columns 3 or 4 shall likewise apply to the used materials without originating status.

3.3. Where the rules indicate that "production on the basis of all materials" is allowed, also materials that belong to the same heading as the product may be used, considering however the possible special limitations included in the rule. However, the expression "production on the basis of all materials, including other materials belonging to heading . . ." means that only those materials that are rated under the same heading as the product but have been assigned a description of goods different from the description given for the product in column 2 can be used.

3.4. If a product which is produced from materials without originating status and has subsequently obtained originating status during the production process through the application of the heading-change rule or the rule specified for this product in the list, is used as an

ingredient in the production of another product, the rule regarding the product in whose production it was used shall not be applicable to it.

— Example:

An engine classified under the heading 84.07, concerning which there is a stipulation that the value of the materials without originating status that are used in its production may not exceed 40 per cent of the product's ex works price, is made of "other alloy steel pretreated by forging".

If this pretreated steel was forged in the country or territory in question from an ingot without originating status, it has nonetheless already obtained originating status based on the rule regarding heading 72.24 in the list. When calculating the value of the engine, pretreated steel may be regarded as a product with originating status, regardless of whether the steel was produced in the same factory or not. The value of the ingot without originating status shall therefore not be taken into account in the calculation of the value of the materials without originating status that are used.

3.5. Even when the heading-change rule or the rule recorded in the list holds, the finished product shall not have obtained originating status if the performed production or treatment as a whole is insufficient as described in article 5, paragraph 1.

Note 4

4.1. The rule in the list gives the required minimum degree of production or treatment, with production or treatment going above this specification qualifying the product for originating status; any production or treatment remaining below it shall accordingly not qualify the product for originating status. Thus, if the rule allows the use of materials without originating status that have reached a certain degree of production, the use of similar materials at an earlier grade of production shall also be allowed, but not the use of those at a later grade.

4.2. If a rule in the list specifies that a product may be produced from more different materials, this means that one or more of those materials may be used. The rules, of course, do not mean that all those materials shall be used at the same time.

— Example:

It is stated in a rule concerning textile fabrics that natural fibres may be used, and that, among other things, chemical materials may be used. This does not mean that chemical or other synthetic materials must be used as well; rather, the rule stipulates that either one can be used or both may be used simultaneously.

If, however, the same rule contains specific restrictions on certain materials and different restrictions on other materials, only those restrictions applying to the materials actually used shall be observed.

— Example:

It is stated in a rule concerning sewing machines that the thread brake mechanisms that are used must be products with originating status, and that the zigzag mechanism that is used must also be a product with originating status. These two restrictions shall be applicable only to the extent that the sewing machine is actually equipped with these mechanisms.

4.3. If the rule in the list stipulates that the product must be made of a certain material, this provision naturally shall not preclude the use of other materials that fall outside the rule, owing to their kind.

— Example:

The rule in heading 19.04 which specifically precludes the use of grain and grain products shall not preclude the use of mineral salts or chemical and other additives that are not produced from grain.

— Example:

If, in a case involving a product made of non-woven fabric, only the use of yarn without originating status is allowed, then it shall not be possible to begin the production from non-woven fabric, even if non-woven fabrics cannot ordinarily be produced using yarn. In such cases, the principal material should normally be at a grade preceding yarn products, i.e., fibre grade.

For textile products, see also note 7, paragraph 3.

4.4. If the rule in the list gives two or more percentage amounts as the maximum value for the materials without originating status that can be used, these percentage amounts must not be added up. The maximum value of all the materials without originating status must never exceed the highest of the given percentage amounts. In addition, specific percentage amounts must not be exceeded in the case of products to which they relate.

Textiles

Note 5

5.1. The expression "natural fibres" used in the list refers to fibres other than regenerated or synthetic fibres. It shall be restricted to the grades preceding spinning and includes also waste. Unless otherwise noted, the expression "natural fibres" shall include fibres that are carded, combed or produced in any other way, but not spun.

5.2. The expression "natural fibres" shall include the horsehair in heading 05.03, the silk in headings 50.02 and 50.03, the wool fibre and the fine and coarse animal hair in headings 51.01 through 51.05, the cotton fibres in headings 52.01 through 52.03, and the other vegetable fibres in the headings 53.01 through 53.05.

5.3. The expressions "spinning solution", "chemicals", and "materials for paper manufacture" are used in the list to describe the materials not included in chapters 50 through 63 that can be used in the production of regenerated or synthetic fibres or paper fibre, or yarn produced using these fibres.

5.4. The expression "cut synthetic fibres" in the list refers to the synthetic or regenerated tow and the cut synthetic or regenerated fibres in headings 55.01 through 55.07, or related waste.

Note 6

6.1. Regarding products that are rated under those headings of the list that contain a reference to these Introductory Remarks, the provisions in column 3 of the list shall not be applicable to any of those basic textile materials used in the production of these products that have a total weight of 10 per cent or less of the total combined weight of all basic textile materials used (cf., however, note 6, paragraphs 3 and 4 below).

6.2. This exception can, nonetheless, only be applied to mixed products composed of two or more basic textile materials, regardless of their relative share in the product.

The following materials shall be regarded as basic textile materials:

— Silk,

— Wool,

— Coarse animal hair,

— Fine animal hair,

— Horsehair,

— Cotton,

— Materials for paper manufacture and paper,

— Flax,

— Hemp,

— Jute and other textile bast fibres,

— Sisal and other textile fibres obtained from the Agave genus,

— Coconut fibre, manilla, ramie, and other vegetable textile fibres,

— Synthetic filaments,

— Regenerated filaments,

— Cut synthetic fibres,

— Cut regenerated fibres.

— Example:

Yarn in heading 52.05 that was produced using cotton fibre and cut synthetic fibre is treated as a mix yarn. Therefore materials without originating status which do not conform to the stipulations of the rules of origin can only be used up to 10 per cent of the weight of the yarn.

— Example:

Woollen fabric in heading 51.12 that was produced using woollen yarn and synthetic yarn made of cut fibre is treated as a mixed fabric. Consequently, yarn made of synthetic fibre or woollen yarn without originating status, or a combination thereof, which do not conform to the stipulations of the rules of origin, can only be used up to 10 per cent of the weight of the fabric.

— Example:

Tufted textile fabric in heading 58.02 that was produced using cotton yarn and cotton fabric shall be treated as a mixed product only to the extent that the textile fabric is in itself a mixed fabric produced using two or more different basic textile materials, or to the extent that the cotton yarns that were used are in themselves mixed products.

— Example:

Had the tufted textile fabric in question been produced using cotton yarn and fabric made of synthetic fibres, there would obviously be two different basic textile materials involved in the production.

— Example:

A carpet whose pile is produced using both regenerated fibre yarn and cotton yarn, and ground fabric using jute, is a mixed product because three basic textile materials were used. This being the case, any materials without originating status can be used that are used as products of a later grade than what is allowed by the rule, provided that their combined total weight does not exceed 10 per cent of the total weight of the textile materials included in the carpet. Thus the jute ground fabric, the regenerated fibre yarn, and/or the cotton yarn could be imported as products of this grade of production, to the extent that the condition regarding the weight is met.

6.3. With regard to products that include "yarn of segmented polyurethane, including yarn with twist coating, containing flexible polyether segments", the exception shall be 20 per cent for this kind of yarn.

6.4. With regard to products that include strips consisting of a core made of aluminium folio or plastic film, possibly covered with aluminium powder, fastened with an adhesive between two strips of plastic film no more than 5 mm long, this exception shall be 30 per cent for this kind of strips.

Note 7

7.1. With regard to those textile products that appear in the list with a footnote referring to these Introductory Remarks, textile materials that do not meet the condition in column 3

of the list concerning the regenerated product in question can be used, with the exception of linings and interlinings, provided that they are rated under a different heading than the product and that their value does not exceed 8 per cent of the product's ex works price.

7.2. Ornaments, other accessories and fittings, and other materials that are not of textile material shall not need to meet the condition in column 3, even when note 4, paragraph 3, is not applicable to them.

7.3. According to note 4, paragraph 3 above, ornaments, accessories, and fittings other than those produced of textile, and other materials that do not contain textile material, can in any case be used freely insofar as they cannot be produced using the materials listed in column 3.

— Example:

If the rule in the list requires that yarn must be used in the production of a certain textile product, for example a sweater, this does not preclude the use of metal products such as buttons, since they cannot be produced using textile materials.

7.4. In the application of the percentage rule, the value of the ornaments, accessories and fittings must be taken into account when calculating the value of the materials without originating status that were used.

Note 8

8.1. When necessary, the notes 1 to 7 making up the Introductory Remarks above shall apply to all products in whose production process materials without originating status are used, even when the special provision given in appendix III is not applicable to them but instead the heading-change rule given in article 4, paragraph 1.

APPENDIX III[1]

APPENDIX IV

EUR.1 PRODUCT CERTIFICATE AND APPLICATION FOR EUR.1 PRODUCT CERTIFICATE

Printing instructions:

1. Both forms must be 210 x 197 mm in size; the length of the form may vary by no more than 5 mm below and no more than 8 mm above these specifications. The paper that is used must be white, sized writing paper free of mechanical pulp, weighing at least 25 g/m_2. It must have a green, printed wavelike background pattern which makes all cases of mechanical and chemical forgery clearly visible.

2. The authorities of the Contracting Parties may reserve the right to print the forms, or authorize a printing house to do it. In the latter case, every form must contain a marking indicating such authorization. In every form the name of the printing house and its address, or a mark which makes the identification of the printing house possible, must appear. The forms must also contain a serial number, whether printed or otherwise impressed, allowing its identification.

[1] Appendix 3 of Annex 3 is not published herein *in extenso*, in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

PRODUCT CERTIFICATE[1]

APPLICATION FOR PRODUCT CERTIFICATE[1]

EXPORTER'S DECLARATION[1]

APPENDIX V[1]

INVOICE DECLARATION

APPENDIX VI[1]

APPENDIX VII[1]

[1] The certificates, declaration and Appendices V, VI and VII of Annex 3 are not published herein *in extenso*, in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

ANNEX 4

ADMINISTRATIVE COOPERATION IN CUSTOMS MATTERS

The Contracting Parties agree that the rules and forms of administrative cooperation in customs matters shall be based on the agreement concluded among the Nordic countries concerning mutual assistance in customs matters.

ANNEX 5

Products to which the prohibition and elimination of export restrictions referred to in article 5, paragraph 2, do not apply.

ANNEX 6

1. *On the interpretation of article 16 of the Agreement*

1. The Contracting Parties agree that in the application of article 16 of the Agreement, the following principles shall be followed:

(*a*) Only such measures can be considered to constitute public support that result in net-amount transfer of public funds to the recipient of support through direct subsidies, or that, through tax concessions, result in forfeiture of tax income; support that is granted through support arrangements that are fully financed by the recipients of the support is not public support referred to in article 16; when evaluating the effects of public support, the cumulative effect of all types of support granted for the support recipients must be taken into account.

(*b*) The following measures shall not ordinarily constitute the public support referred to in article 16:

(i) Credits and loans granted from public funds or by institutions of the public sector, insofar as the interest and the payment of principal are at each time determined by the market conditions;

(ii) Guarantees issued by Governments or government institutions, insofar as the payments cover the long-term costs of the support arrangements;

(iii) Capital investments by Governments or government institutions, insofar as the profit from these investments can reasonably be expected to be at least equivalent to the costs of government borrowing;

(iv) Tax measures that are uniformly applied in the country and available to all corporations, including social security payments that are included in the general national rules for income taxation.

(*c*) The following measures are examples of the kind of support that ordinarily shall not be in contradiction with the Agreement pursuant to article 16:

(i) Support granted for research, development and innovation, insofar as the support is clearly intended to stimulate such activities, and these activities are not yet at a competitive stage; by this is meant that they comprise applied research and development up until and including the first prototype; such support can cover up to 50 per cent of the project expenses, or it can be granted in the form of differentiated tax rates with a similar effect; more support can be granted for basic research; the closer to the market the project is situated, the less it should be supported;

(ii) Support that is granted to the sectors suffering from problems related to overcapacity so as to promote rationalization of the structure of industry by properly organized cuts in production and jobs, must be clearly limited in its duration and associated with an adjustment programme; in evaluating the problems related to overcapacity, the international context as a whole must be taken into consideration and not only the situation in the country in question;

(iii) General support for export promotion, such as national promotion campaigns, storage subsidies, industrial fairs and exhibitions, insofar as this support does not relate to individual enterprises;

(iv) Support aimed at regional development, insofar as it is not inconsistent with the preconditions for healthy competition; the purpose of the support shall be to promote industry in development areas so as to bring it financially on an equal footing with the industry in the other parts of the country, and not to increase the capacity of sectors already suffering from overcapacity-related problems; the right to designate the developing areas, including the areas of industrial decline, shall fall within the exclusive

jurisdiction of the Contracting Parties, and they can be requested to present relevant statistical data to clarify the grounds on which such decisions were made;

(v) Support granted to trade and industry in the form of public services on terms that do not favour any particular sectors or enterprises;

(vi) General support granted to the creation of new employment opportunities, insofar as these employment opportunities are created in sectors other than those already suffering from problems related to overcapacity;

(vii) Environmental support granted based on the "polluter pays" principle; investments specifically aimed at reducing pollution can be supported up to 25 per cent or in the form of differentiated tax rates with a similar effect; considering that different laws and standards govern practices in other countries, and that these possibly affect trade and competition, the extent of support to individual sectors of industry must be continuously revised;

(viii) Support granted to small and medium-size enterprises, insofar as it is aimed at compensating for the disadvantages directly related to the size of the enterprise, and these enterprises employ no more than 100 workers, and their annual sales amount to less than 10 million ECU.

(*d*) The following measures are examples of the kind of support that ordinarily shall be in contradiction with the Agreement pursuant to article 16:

(i) Support to cover operative losses of an enterprise either directly or by exempting them from payments due to public authorities;

(ii) Investment of capital stock in enterprises, insofar as this has an effect similar to the support to cover operative losses of an enterprise;

(iii) Support granted to production in sectors suffering from problems related to structural overcapacity or economically troubled enterprises, insofar as it is not associated with an adjustment programme and it is not clearly limited in its duration;

(iv) Support granted to the reorganization of individual enterprises, insofar as its aim is not merely to allow time for development of long-term solutions and avoid acute social problems;

(v) Support measures, including indirect taxation, through which domestically produced goods are favoured and similar goods produced in the other Contracting Party's territory are discriminated against;

(vi) Forms of support granted for exports to the other Contracting Party's territory as described in the appendix to this Annex.

2. *Interpretation of article 16 of the Agreement as concerns the fishing sector*

Unless otherwise indicated, the provisions of article 16 of this Agreement and the interpretation of it given in this Annex shall apply to support measures directed at the fishing sector after 31 December 1993.

(i) The following support measures directed at the fishing sector shall be ordinarily considered to be in contradiction with the provisions of the Agreement:

— General support measures that relate to the sector as a whole and are not in their entirety directed at structural measures pursuant to paragraph 1 (*c*) (ii);

— Forms of tax concession other than those directly compensating for the cost disadvantages clearly related to the special circumstances prevailing in the fishing sector;

— Social measures, insofar as the support element in such measures goes beyond the support element generally applied in other sectors, considering the special circumstances prevailing in the fishing sector.

(ii) The following support measures shall ordinarily not be considered to be in contradiction with the provisions of article 16 of the Agreement:

— Support measures in the form of lowest allowable first-hand selling price of domestic fish and purchase of surplus fish, applied as countermeasures in severe market disturbances;

— Regional support measures, insofar as they are necessary to keep fishing activities alive in areas which, more than the average, will become dependent on these measures, and in which the income from fishing is clearly below the average in the fishing sector in the country. Such regional measures shall only compensate for cost disadvantages in relation to other fishing areas. The Contracting Party that takes such measures or continues using them shall, in accordance with the provisions of this Annex, present sufficient information on the regional situation giving rise to these measures or serving as a basis for their continuous application.

(iii) The following support measures shall be considered to be in contradiction with the Agreement:

— Support pursuant to paragraph 1 (*c*) (vi) regarding the fishing sector;

— Support pursuant to paragraph 1 (*c*) (viii) regarding fishing activities.

3. *Temporary arrangement concerning the Faroe Islands*

Notwithstanding the provisions of section 2, subsections (i) and (ii), the Faroe Islands shall be entitled to keep its system of public support to the fishing industry unchanged through 31 December 1994.

4. *Openness of public support measures*

The measures intended to foster openness in article 16, paragraph 3, of the Agreement include, among others, the following:

— Annual reporting on the total amount of the support and its distribution;

— Reporting on new support arrangements prior to their realization if possible, and within 60 days from the date of their realization at the latest; and

— Obligation to submit information upon request on the existing support arrangements and individual cases of special status.

APPENDIX TO ANNEX 6

LIST OF EXAMPLES OF THE FORMS OF EXPORT SUBSIDY REFERRED TO IN APPENDIX 6

(*a*) Arrangements involving currency withholding systems or other similar systems including bonuses on export or re-export;

(*b*) Direct government subsidies to exporters;

(*c*) Exemption of industrial or commercial enterprises from direct taxes or social security payments in proportion to their exports;

(*d*) Exporter of goods is exempted from all other payments or taxes except those related to imports or indirect taxes, collected as a one-time performance or in several stages for the same goods if they are sold for domestic consumption, or payments are imposed on exports in excess of the actual payments collected for these goods as a one-time performance or in several stages as indirect taxes or payments related to imports, or both;

(*e*) Governments or government institutions provide imported raw materials for exports applying different terms than those provided for domestic activities, with the prices charged for these remaining below the world market prices;

(*f*) Payments collected in relation to government export credit guarantees are clearly below the amount sufficient to cover the long-term operative costs and the losses of the credit guarantee institutions;

(*g*) Interest charged for the export credits granted by Governments (or by special institutions controlled by the State) is below the interest they must pay to obtain these funds;

(*h*) Government assumes full or partial liability for the expenses related to the credits provided for the exporters.