

**FREE TRADE AGREEMENT BETWEEN ESTONIA AND THE  
FAROE ISLANDS (GOVERNMENT OF DENMARK)**

Communication from the Parties

The following communication has been received from the Permanent Mission of Denmark, on behalf of the Faroe Islands, with the request that it be distributed to WTO Members.

**I. BACKGROUND INFORMATION ON THE AGREEMENT**

The overall foreign trade policy objective of the Faroe Islands is to create favourable conditions for the development and diversification of trade and to be a part of the harmonious development of free trade within Europe. As an impetus to this, the Faroese Government has decided to conclude Free Trade Agreements with the Central and Eastern European Countries. The Free Trade Agreements are at the same time a contribution to the integration in Europe and to the strengthening of the multilateral trading system, as they are elaborated with the principles of the Agreement Establishing the World Trade Organization.

Annex 1 contains a summary of the structure of the Agreement.

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

The Parties to the Agreement are the Government of Denmark and the Home Government of the Faroe Islands, of the one part, and the Government of the Republic of Estonia, of the other part. As prescribed by Article 1 of the Agreement, the Agreement applies, on the one hand, to the Faroe Islands, and, on the other hand, to the Republic of Estonia.

The Agreement was signed on 27 November 1997 in Tórshavn. It was subsequently ratified by Estonia and Denmark (also on behalf of the Home Government of the Faroe Islands) by exchange of Notes dated 17 November 1998. It entered into force on 1 December 1998.

**2. Type of Agreement**

The Agreement created a free-trade area in conformity with the definition set in Article XXIV:8(b) of the GATT 1994.

**3. Scope**

As prescribed by Article 2, the Agreement applies to products falling within Chapters 1 to 97 of the Harmonized Commodity Description and Coding System. Protocol 1 to the Agreement provides for the conditions on custom duties in trade in certain agricultural products. The products

covered by the Agreement are products originating in the Faroe Islands or in the Republic of Estonia. As prescribed by Article 9 the rules of origin and methods of administrative co-operation are laid down in Protocol 2 to the Agreement.

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

There are some statistical limitations in the export figures from the Faroe Islands as the custom authorities on the Faroe Islands only register exports in the fisheries sector. The fisheries sector accounts for about 99 per cent of the total export. Total export value in 1998 was 2.904 billion DDK, while total import value in 1998 was 2.591 billion DDK.

Data on intra-trade are presented in Annex 2 to this note.

## **II. TRADE PROVISIONS**

### **1. Import Restrictions &**

### **2. Export Restrictions**

1.1 & Duties and charges

2.1

As prescribed by Article 3, customs duties on imports and exports and charges having equivalent effect were abolished upon the entry into force of the Agreement. No new customs duties on imports and exports or charges having equivalent effect may be introduced. All import duties of a fiscal nature have been abolished, in keeping with the provisions of Article 3. In line with Article 10 of the Agreement, there are no measures or practices of an internal fiscal nature establishing, whether directly or indirectly, discrimination between products originating in the Faroe Islands and like products originating in Estonia.

1.2 & Quantitative restrictions

2.2

As prescribed by Article 5 of the Agreement, quantitative restrictions on imports and exports and measures having equivalent effect were abolished upon the entry into force of the Agreement. No new quantitative restrictions on imports and exports or measures having equivalent effect may be introduced.

### **3. Rules of Origin**

Protocol 2 of the Agreement lays down the rules of origin applicable between the Parties to the Agreement.

The origin rules are in line with the Common Declaration with Regard to Preferential Rules of Origin contained in Annex II to the Agreement on Rules of Origin as set out in the Final Act of the Uruguay Round. The relevant provisions on the definition of the concept "originating products" are contained in Title II of Protocol 2. The origin provisions allow for bilateral cumulation between the parties to the Agreement.

#### **4. Standards**

The Agreement does not contain any specific provisions concerning “Technical barriers to trade” and/or “Sanitary and phytosanitary measures”. Article 8 stipulates, however, that the Contracting Parties shall apply their regulations in veterinary, health and plant health matters in a non-discriminatory fashion and shall not introduce any new measures that have the effect of unduly obstructing trade.

#### **5. Safeguards**

The Agreement contains provisions relating to special safeguards on imports of particular products (Article 7), general safeguards (Article 19), re-export and serious shortage (Article 20) and balance-of-payments difficulties (Article 21). The procedures for the application of safeguard measures are laid down in Article 24.

Article 21 of the Agreement stipulates that where one of the Contracting Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Contracting Party concerned may, in accordance with the relevant provisions of the General Agreement on Tariffs and Trade 1994 adopt restrictive measures, including measures related to imports which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation.

#### **6. Anti-Dumping and Countervailing Measures**

According to the provisions of Article 18, the Contracting Parties may only take anti-dumping measures in accordance with the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade and with the procedures laid down in Article 24.

#### **7. Subsidies and State-Aid**

Any public aid granted which threatens to distort competition in trade between the Parties is considered incompatible with the proper functioning of the Agreement (Article 22). Appropriate measures against practices contrary to Article 22 may be taken in accordance with the procedures for implementation of appropriate measures against such practices laid down in Article 24. Such appropriate measures may only be taken in conformity with the procedures and under the conditions of the World Trade Organization and any other relevant instrument negotiated under its auspices which are applicable between the Contracting Parties.

#### **8. Sector-Specific Provisions**

In Article 6 of the Agreement, the Contracting Parties declare their readiness to foster, in so far as their agricultural policies allow, harmonious development of trade in agricultural products.

In this connection Protocol 1 of the Agreement takes into account that the Faroe Islands have maintained tariffs and duties on imports of certain agricultural products. It also takes into account the Estonian customs structure on the date of entry into force of the Agreement and Estonia may, according to the provisions laid down in Protocol 1, pursuant to the implementation of its agricultural policy introduce customs duties on a limited number of agricultural products originating in the Faroe Islands.

The Arrangement forms part of the instruments creating the free trade area and contributes to the development of closer integration between the economies of the Contracting Parties. According to Protocol 1, the Contracting Parties shall continue in their efforts with a view to achieve further

liberalization of trade in agricultural products within the framework of their respective agricultural policies and their international commitments.

## **9. Other**

According to Article 14, the Contracting Parties shall ensure that any public monopoly of a commercial character in the Faroe Islands and in Estonia be adjusted so that no discrimination regarding the conditions under which goods are procured and marketed will exist between residents of the Faroe Islands and of Estonia. The Agreement does not contain any list of public monopolies. The Parties to the Agreement are bound by their commitments under Article XVII and the Understanding on the Interpretation of Article XVII of the GATT 1994.

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

### **1. Exceptions and Reservations**

Article 12 (General Exceptions) prescribes that the Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants and the environment; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual property; or rules relating to gold or silver; or conservation of exhaustible natural resources, if such measures are made effective in conjunction with restrictions on domestic production or consumption. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Contracting Parties.

Article 13 (Security Exceptions) stipulates that nothing in the Agreement shall prevent a Contracting Party from taking any measures which it considers necessary to prevent the disclosure of information contrary to its essential security interests, or to the protection of its essential security interests or for the implementation of international obligations or national policies as specified therein.

### **2. Accession/Withdrawal**

There are no specific provisions in the Agreement relating to accession. According to Article 31, either Contracting Party may denounce the Agreement by notification to the other Contracting Party. The Agreement shall cease to be in force twelve months after the date of which such notification was received.

### **3. Dispute Settlement Procedures**

There are no dispute settlement provisions contained in the Agreement. However, Article 26 (The Joint Committee) and Article 27 (Procedures of the Joint Committee) stipulate that a Joint Committee is established for the purpose to supervise and administer the proper implementation of the Agreement. The Contracting Parties shall, whenever necessary, exchange information and, at the request of either Contracting Party, hold consultations.

### **4. Relation with Other Trade Agreements**

As explicitly mentioned in the Preamble of the Agreement, the Contracting Parties have decided to conclude the Agreement considering that none of its provisions may be interpreted as exempting the Contracting Parties from the obligations under other international agreements.

Furthermore, the Preamble of the Agreement refers explicitly to the General Agreement of Tariffs and Trade. In concluding the Agreement, the Parties were resolved to eliminate the obstacles to substantially all their trade, in accordance with the provisions of the GATT concerning the establishment of free trade areas.

By concluding the Agreement, the Contracting Parties were desiring to consolidate and to extend the economic relations existing between them and to ensure, with due regard for fair conditions of competition, the harmonious development of their mutual trade in the context of European cooperation. They also declared their readiness to examine, in the light of any relevant factor, and in particular of developments in European cooperation, the possibility of developing and deepening their relations in order to extend them to fields not covered by the Agreement.

## **5. Institutional Framework**

The implementation of the Agreement shall be supervised and administered by a Joint Committee consisting of representatives of the Contracting Parties. The Joint Committee can set up sub-committees and working parties and may decide to amend the Protocols and Annexes to this Agreement. The Joint Committee acts by common Agreement and meets whenever necessary (Article 27).

**ANNEX 1**Structure of the Agreement

Preamble	
Objectives	Article 1
Scope	Article 2 and Protocol 1
Customs duties on imports and exports and charges having equivalent effect	Article 3 and Protocol 1
Fiscal duties	Article 4
Quantitative Restrictions on imports and exports and measures having equivalent effect	Article 5
Concessions and agricultural policies	Article 6
Special safeguards	Article 7
Veterinary, Health and Phytosanitary measures	Article 8
Rules of Origin and Administrative Co-operation	Article 9 and Protocol 2
Internal Taxation	Article 10
Payments	Article 11
General Exceptions	Article 12
Security Exceptions	Article 13
Public Monopolies	Article 14
Rules of competition concerning undertakings	Article 15
Protection of Intellectual Property	Article 16
Public Procurement	Article 17
Dumping	Article 18
General Safeguards	Article 19
Re-export and Serious Shortage	Article 20
Balance-of-Payments Difficulties	Article 21
State aid	Article 22
Fulfilment of obligations	Article 23
Procedures for the Application of Safeguard Measures	Article 24
Customs Unions, Free-Trade Areas and Frontiers Trade	Article 25
The Joint Committee	Article 26
Procedures of the Joint Committee	Article 27
Evolutionary clause	Article 28
Annexes and Protocols	Article 29
Entry into Force	Article 30
Validity and termination	Article 31

## ANNEX 2

### Faroe Imports from Estonia, 1998<sup>1</sup>

HS Code	Quantity (Kg)	Value	
		(DKK)	(US\$)
0306.13.19	127,626.0	1,830,803.20	254,278.22
2009.30.00	3.0	42.24	5.87
3005.90.00	4.0	2,097.00	291.25
3926.10.00	44.0	6,883.00	955.97
4016.10.00	0.2	594.66	82.59
4016.99.00	3.0	329.30	45.74
4407.10.00	1,334,709.2	2,604,916.96	361,794.02
4409.10.00	10,897.0	22,124.59	3,072.86
4410.19.00	2,893.0	5,307.90	737.21
4411.11.00	8,046.0	18,497.49	2,569.10
5209.59.00	125.0	7,559.32	1,049.91
5705.00.90	10.0	1,692.64	235.09
5806.20.00	1.0	66.00	9.17
5806.31.00	2.0	191.92	26.66
6107.19.00	4.0	1,584.00	220.00
6117.80.00	2.2	951.40	132.14
6117.90.00	2.0	1,947.00	270.42
6202.92.00	0.0	0.00	0.00
6307.90.00	9.1	4,347.80	603.86
7318.15.00	3.0	499.40	69.36
7321.83.00	3,087.0	35,555.93	4,938.32
7321.83.00	70.0	916.55	127.30
7412.20.00	1.0	53.17	7.38
7615.10.00	6.0	226.59	31.47
8407.21.91	53.0	12,862.00	1,786.39
8525.20.00	8.5	8,378.00	1,163.61
9401.61.00	378.0	9,844.08	1,367.23
9401.61.00	210.0	3,850.85	534.84
9401.69.00	1,338.0	27,334.00	3,796.39
9401.71.00	1,076.0	21,211.00	2,945.97
9401.80.00	180.0	1,078.95	149.85
9403.60.00	457.0	9,703.00	1,347.64
9403.60.00	128.0	2,611.48	362.71
9403.90.00	112.0	5,104.00	708.89
9506.99.00	4.6	1,535.60	213.28
9615.90.00	3.0	536.66	74.54
9911.00.00	68.6	28,367.55	3,939.94
9914.00.00	0.1	54.00	7.50
9915.00.00	2.2	641.70	89.13
9917.00.00	7.3	723.18	100.44
9918.00.00	3.6	955.60	132.72
<b>Total</b>	<b>1,491,582.5</b>	<b>4,661,979.71</b>	<b>650,274.96</b>

Source: Faroese authorities.

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<sup>1</sup> The figures include the goods that have Estonian origin, but have been re-exported to the Faroe Islands via Denmark (by Danish middlemen).

Estonian Imports from the Faroe Islands, 1998

HS Code	Quantity (kg)	Value		Unit cost (EEK)
		(EEK)	(USD)	
220 600 390	144.0	5563.00	386.32	38.63
392 610 000	200.0	3,316.00	230.28	16.58
590 320 900	86.0	11,933.00	828.68	138.76
851 750 900	2.0	15,340.00	1,065.28	7.67
871 690 900	230.0	77496.00	5,381.67	336.94
940 421 900	30.0	4,920.00	341.67	164
<b>Total</b>	692.0	118,568.00	8,233.89	702.58

Source: Estonian authorities.