



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.11.2001
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2001/0263 (ACC)

Proposal for a

COUNCIL DECISION

**on a Community position within the Joint Committee on the introduction of Article 20a
“Accounting segregation” in Protocol 3, concerning the definition of the concept ‘of
originating products’ and methods of administrative cooperation, set out in the
Agreement between the European Community, of the one part, and the Government of
Denmark and the Home Government of the Faroe Islands, of the other part.**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Rules of origin are essential to the correct functioning of the agreements between the Community and its trading partners. The European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, have signed a new Agreement on 6 December 1996. The said Agreement has entered into force on 1 January 1997.

Protocol 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation has been adopted together with the Agreement and has also entered into force on 1 January 1997.

2. Although the provisions currently applicable do not clearly state so, it is a generally accepted principle that identical originating and non originating materials, to be incorporated in a product, should be segregated physically. However, considerable cost or material difficulties in keeping separate stocks may arise, and it is therefore proposed that under certain conditions customs authorities may authorise the use of the so-called 'accounting segregation' method. The said authorisation may be issued in response to a written request of the operator concerned and, in addition, the competent customs authorities may require for the fulfilment of any condition they deem appropriate. Such authorities are also empowered to monitor the use made of the authorisation, as well as to proceed to its possible withdrawal resulting from any improper use.
3. Article 20a on "Accounting segregation" has been introduced on 1 January 2001 in the 'origin Protocols' annexed to the Agreements in force between the Community and its Member States and the partner countries in central and eastern Europe, as well as Slovenia, the Baltic states, the countries members of the EFTA and Turkey (only for industrial products in the framework of the customs union).

Customs authorities in the Member States of the Community and in the Faroe Islands have established and developed satisfactory administrative cooperation relations. The experience acquired in the application of the new provisions with the above-mentioned partner countries should therefore be extended in the context of the existing trade relations set out in the Agreement between the Community and Denmark-Faroe Islands.

4. The Council is therefore asked to adopt the annexed proposal for a decision concerning the Community position within the EC/Denmark – Faroe Islands Joint Committee on the insertion of Article 20a on "Accounting Segregation" in Protocol 3 to the Agreement.

Proposal for a

COUNCIL DECISION

on a Community position within the Joint Committee on the introduction of Article 20a “Accounting segregation” in Protocol 3, concerning the definition of the concept ‘of originating products’ and methods of administrative cooperation, set out in the Agreement between the European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part.

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 in conjunction with Article 300(2), second subparagraph, thereof,

Having regard to the proposal from the Commission,

- (1) Whereas Article 34, paragraph 1 of the Agreement between the European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, provides that the Joint Committee may amend the provisions of the Protocols to the Agreement;

HAS DECIDED AS FOLLOWS:

Article 1

The position to be adopted by the Community within the Joint Committee established by virtue of the Agreement signed on 6 December 1996¹, on the introduction of Article 20a “Accounting segregation” in Protocol 3 on the definition of the concept of ‘originating products’ and methods of administrative cooperation, set out in the Agreement, is that defined in the attached draft decision of the Joint Committee.

Done at Brussels,

*For the Council
The President*

¹ OJ L 53 of 22.2.1997, p. 2

AGREEMENT

between the European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part

DECISION No .../... of the JOINT COMMITTEE

of [...]

on the introduction of Article 20a ‘Accounting segregation’ in Protocol 3, concerning the definition of the concept ‘of originating products’ and methods of administrative cooperation

THE JOINT COMMITTEE,

Having regard to the Agreement between the European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part², hereinafter referred to as ‘the Agreement’;

Having regard in particular to Article 34, paragraph 1 of the Agreement,

Whereas:

- (1) The European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, have signed an Agreement on 6 December 1996 and whereas Protocol 3 concerning the definition of the concept of ‘originating products’ and methods of administrative cooperation set out in the Agreement has entered into force on 1 January 1997.
- (2) In the context of trade relations established on the basis of the Agreement, the need to provide for a system of accounting segregation has arisen.
- (3) The ‘accounting segregation’ method may be authorised under certain conditions, where considerable cost or material difficulties arise in keeping separate stocks of identical and interchangeable originating and non-originating materials to be incorporated into a product for exportation under preferential treatment.
- (4) The competent customs authorities may authorise the use of the ‘accounting segregation’ method, subject to the fulfilment of certain conditions and whereas authorisations are subject to monitoring and they may be withdrawn in the case of improper use by the competent customs authorities.

² OJ L 53, 22.2.1997, p. 2

HAS DECIDED AS FOLLOWS:

Article 1

Protocol 3 on the definition of the concept of 'originating products' and methods of administrative cooperation set out in the Agreement, is hereby amended as follows:

1. The following article shall be inserted after Article 20:

“Article 20a

Accounting segregation

1. Where considerable cost or material difficulties arise in keeping separate stocks of originating and non-originating materials which are identical and interchangeable, the customs authorities may, at the written request of those concerned, authorise the so-called "accounting segregation" method to be used for managing such stocks.
2. This method must be able to ensure that the number of products obtained which could be considered as "originating" is the same as that which would have been obtained if there had been physical segregation of the stocks.
3. The customs authorities may grant such authorisation, subject to any conditions deemed appropriate.
4. This method is recorded and applied on the basis of the general accounting principles applicable in the country where the product was manufactured.
5. The beneficiary of this facilitation may issue or apply for proofs of origin, as the case may be, for the quantity of products which may be considered as originating. At the request of the customs authorities, the beneficiary shall provide a statement of how the quantities have been managed.
6. The customs authorities shall monitor the use made of the authorisation and may withdraw it at any time whenever the beneficiary makes improper use of the authorisation in any manner whatsoever or fails to fulfil any of the other conditions laid down in this Protocol.’

Article 2

This Decision shall enter into force on the day of its adoption and it is applicable on 1 January 2002.

Done at Brussels,

*For the Joint Committee
The President*

FINANCIAL STATEMENT

The proposed Joint Committee decision shall have no financial impact on the Community's budget, as it only provides for the introduction of an 'accounting segregation method', which may be authorised when certain conditions are fulfilled, while the use of the authorisation is subject to monitoring, and where appropriate withdrawals, by the competent customs authorities.