

Note from the European Commission on the outcome of the accession negotiations with Norway (June 1994)

Caption: In a note dated June 1994, the European Commission outlines the main results of the negotiations for Norway's accession to the European Union.

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EUROPEAN COMMISSION

Norway: Negotiations for accession to the European Union (June 1994)

An Overview of the Results

1. Introduction

The negotiations of Norway's terms of accession to the European Union were completed in just over a year (5 April 1993 to 12 April 1994) in line with the political commitment of the European Council to have Norway, along with the other three candidates (Austria, Sweden and Finland) as a full member of the Union by the January 1995. Such a speedy outcome to the negotiations, in spite of a number of complex and politically sensitive issues, was facilitated by the close and long-standing links that the Community had built up with Norway from almost its beginning.

Norway was a candidate country in the first enlargement of the Community in 1973, but a close-run negative referendum in 1972 and a subsequent political decision not to ratify the accession treaty kept Norway out. Thereafter, Norway sought and succeeded in establishing close cooperation with the Community in other ways. In 1973, free trade in industrial goods between the Community and Norway, as well as other links, were secured through the bilateral Agreement with the Community and as a full member of the European Free Trade Area (EFTA). The goal of greater partnership with the Community was given a significant boost on the 1 January 1994 as a result of the entry into force of the Agreement establishing the European Economic Area (EEA), to which Norway is a signatory, whereby most of the legislation related to the Community's Single Market was made applicable and procedures were established to take account of EFTA members' positions in the Community's "decision shaping".

2. New Policies of the Union introduced by Maastricht

Twenty years after its last attempt at membership, the political and strategic case for accession still remains a key element for Norway; the new responsibilities, particularly those of a political and security nature, given to the Union by the Treaty on European Union, which entered into force on 1.11.93, are, therefore, for Norway an important and attractive new dimension of the Union. These new elements would enable Norway to promote and defend the values which it shares with the Union in a more effective way. As a result Norway has little difficulty in accepting the principles and objectives as well as the relevant acquis, underlying **Economic and Monetary Policy** and the two new pillars introduced by the Maastricht Treaty, **Foreign and Security Policy and Justice and Home Affairs**. Indeed, Norway's level of economic development, the relative strength of its economy and its long standing security and foreign policy links with many of the Member States will ensure that it brings a positive contribution to the development of these policies.

3. Regional and Structural Policies

A Norwegian concern that touched many negotiating chapters was the emphasis on **regional policy and the regional dimension of sectoral policies**. Norway is a sparsely populated country where many small population settlements are remote from the centre and dependent to a significant extent on public subsidies for their survival. It is imperative for Norway, therefore, that a viable regional policy is maintained within the Community framework. The Union recognised the specific problems facing Norway and other candidates in the Arctic and sub-Arctic regions and agreed to establish a new Objective 6 for regions with a population density of less than 8 inhabitants per km² and meeting certain criteria on GDP.

In Norway the four most northern counties – Finnmark, Troms, Nordland and Nord-Trøndelag – covering around 600,000 people (corresponding to 13% of Norway population) will be eligible for a new Objective 6, which takes into account the structural problems facing regions with a very low population density. Norway will also benefit from other structural instruments, notably Objectives 2 (industrial decline) and 5b (rural development). Regions eligible for these objectives will be defined in time to ensure that support policies

may be implemented as from the first day of membership. Equally important for Norway is the possibility, in conformity with the provisions of the Treaty, to continue providing national regional aids to these outlying regions. Decisions will also be taken before accession to permit the effective application of Objectives 3 (long-term unemployment) and 4 (occupational integration of young people) by the European Social Fund.

4. Agriculture

The integration of Norway's **agricultural** sector into the Common Agricultural Policy (CAP) represented an important challenge in the negotiations, given that the level of support to this sector in Norway was considerably higher than in the present Community. A transitional period of gradual price approximation with equalising levies on traded goods, based on solutions reached in previous accessions, was not possible in view of the need to preserve an integrated Community internal market without border controls. It was agreed, therefore, that Norway's agricultural prices would be brought to the common level on accession and that consequently, for a five year transitional period, degressive national aids could be authorised to compensate for the ensuing income loss of farmers. Over a four year period the Union agreed to contribute 515 MECU to this compensation.

Furthermore, in order to facilitate the integration of Norwegian agriculture into the CAP, it will be possible for the whole of the North of Norway (North of 62° N) and in adjacent areas South of 62° N to receive long-term national aids. These aids, which are described as "aids for Nordic agriculture", cannot exceed current levels and should not be linked to the future level of production. For the remaining areas facing serious difficulties, recourse to national aids will also be considered. In addition, it has been agreed that 85% of Norway's agricultural area will be covered by the Community scheme for Mountain and Less Favoured Areas (providing direct income support to farmers). As a consequence agriculture in the whole of Norway will be eligible for Nordic, national and/or Community support.

As regards measures concerning the various product markets Norway was successful in obtaining adequate quotas (1,842,000 T of milk quotas; 50,000 sucker cows; 175,000 heads eligible for the male bovine premium; 1,040,000 heads eligible for the ewe premium). For its food processing industry Norway was authorised to grant national aids for restructuring for a period of three years and was offered a strong safeguard clause relative to other candidates, which would enable the Commission, at Norway's request, to take special protective measures in the event that the opening of the market to imports from the rest of the Community led to serious market disturbances and thereby jeopardized the restructuring of this sector.

5. Fisheries

The **fisheries issue** for Norway was one of the more difficult and complex subjects of the negotiation. This was the result of the need, on the one hand to incorporate into the Common Fisheries Policy (CFP) the first fishing nation of Europe in tonnage that had developed its own comprehensive approach to fisheries policy. In this connection, it was recognised that Norway has developed a sophisticated and efficient fisheries policy and that it was in the common interest to maintain certain aspects of it in order to safeguard the sustainable management of resources. On the other hand, it was also necessary to take into account a number of internal concerns of the Union in this sector, in particular the fact that since the second enlargement in 1985 the Iberian countries have a more restrictive regime as regards access to waters compared to the other ten Member States and the impact on the Community market of free access for Norway's fish products.

On the assumption that new entrants cannot be better treated than existing Member States on the issue of access to waters it was necessary to agree that Norway should be subject, where relevant, to a regime equivalent to that currently applied to Spain and Portugal for a transitional period. In practice, this transitional regime will, overall, enable Norway and the present Union to maintain the status quo (existing access to these waters will be maintained) in the Skagerrak and in the North Sea in their fishing relations until the Community establishes a CFP that is uniform for all Member States and until the adoption of a Community fishing permit system. In the Atlantic West of 40° W, Norway, which is the only acceding country to have fishing activities there, will be subject to limitations of its fishing efforts (limitation on the

number of boats allowed to fish at the same time) for the same transitional period. In practice subsequent internal decisions of the Union have made it possible to reduce the length of the transitional period to one year only, so that by the 1.1.96 one regime on access to waters will apply to all vessels of the enlarged Union.

As regards access to resources, traditional fishing activities over a representative period (in this case a 5 year reference period for practically all fisheries from 1989-1993) were used to establish the relative stability key on the basis of which TACs as fixed by Council will be shared out in the form of quotas for Member States' vessels. However in this framework, and for a limited number of species (mackerel, arctic cod), some flexibility was necessary for determining quota shares. An important element in the result of this issue was the agreement of Norway to consolidate the fishing possibilities for the present Member States of the Union which it had allocated in conjunction with the EEA Agreement as well as to grant certain additional fishing possibilities. For Norway the fishing of herring in the North Sea for purposes other than human consumption is of major importance; consequently, the Union agreed to allow this fishery to continue for a transitional period of three years, subject to certain economic and environmental conditions and then to review the situation before the end of the transitional period.

It was recognised in the negotiations that, given the comprehensive nature of Norwegian management of its fisheries, particularly in its waters North of 62°N, some time would be necessary to achieve the full integration of this system into the Union's one. It was agreed, therefore, that Norway could establish TACs for all species except mackerel and to manage its fishing agreement with Russia in close collaboration with the Union up to 1 July 1998. After this date the rules of the CFP would apply in full and due account would be taken of Norway's management principles and record. Transitional periods were also given which would allow Norway to maintain certain control and technical measures in its waters, provided that they are applied on a non-discriminatory basis.

In accepting the Community acquis, a major advantage for Norway is that she obtains free access to the Community market for her fish products. This is of particular relevance for a significant exporter as Norway and in view of the difficult situation now prevailing in the Community market, it was agreed that as a precautionary measure a trade monitoring system should be established for a four year transitional period for eight sensitive species in order to prevent serious market disturbances.

Outside these four main policy areas other significant negotiating results were also achieved, notably a derogation that would allow Norway to maintain current restrictions as regards the ownership of Norwegian fishing vessels by non-nationals for a transitional period of 3 years. There were also a number of legal and political commitments made as regards the importance of relative stability as a central concept of the CFP; on the recognition of producers organisations; the supply needs of the Norwegian fish processing industry and the maintenance of the exclusive 12 mile limit for coastal communities.

6. Energy

At the outset of the negotiations **energy** was regarded as an important chapter by the Norwegian side in view of the importance of off-shore gas and oil resources to its economy and the national budget. This was reflected in the negotiating result whereby Norway obtained a specific Protocol in the Accession Treaty confirming national sovereignty over such resources and in line with the Hydro-Carbons Licensing directive the right of the Member States to participate in the development and exploitation of such resources as long as it is in conformity with Community law.

7. Free Movement of Goods

As regards the single market a major area of negotiation concerned **free movement of goods** in relation to environmental, health and safety standards and labelling in the manufacture and marketing of certain products. In the negotiations, Norway underlined the importance that it attached to maintaining these standards which are in some cases higher than the requirements of the Union. For a number of exceptional, well justified cases, it was agreed that Norway could maintain its national rules for a transitional period of

four years. The derogations agreed relate to the classification, packaging and labelling of pesticides and certain other dangerous substances, the marketing and use of certain chemical products and the composition of fertilisers and batteries. The enforcement of the national rules during the transitional period must not be achieved by means of border control. During the transitional period the EC requirements will be revised according to normal procedures and at the end of the period the *acquis* will apply to Norway in the same way as to the present Member States.

8. Veterinary and phytosanitary

In the area of **veterinary and phytosanitary** provisions, a number of short transitional periods were agreed to allow extra examinations and scientific reviews to be carried out. For example, in the veterinary field, there are such provisions in relation to salmonella, bovine spongiform encephalopathy (BSE) and classical swine fever.

9. Environment

In the **environmental chapter** Norway accepted the Community *acquis* concerning the general prohibition on the hunting of whales and trade in whale products. Only under certain conditions are limited exceptions to the general prohibition on hunting of such protected species allowed. In addition certain modifications and additions to existing Community legislation concerning various animal species were agreed to take account of Norwegian conditions.

10. External Trade and Customs Union

In the field of **external trade and customs union**, Norway agreed to apply the common customs tariff (CCT) immediately on accession. However, for a number of higher tariffs Norway has three years to align its duties on the CCT and will also benefit from a duty free quota on styrene for five years. A particularly sensitive issue for Norway is her free trade arrangements with the Baltic States. The Union promised to do its best to conclude free trade agreements with these countries before accession.

11. Competition

An important issue in the **competition** area is the future existence of the Nordic alcohol monopolies. Norway has long standing alcohol policies which entail strict controls on the sales of alcoholic beverages. Her monopoly forms an integral part of these policies. The monopoly extends over every stage of the commercialisation of alcoholic beverages: import, wholesale and retail. The case law of the European Court of Justice establishes, however, that import and wholesale monopolies run counter to the EC Treaty. Norway undertook to respect the present rules of the Union concerning free and open competition which means that, at some stage before accession, Norway will need to reconsider her present legislation on the State alcohol monopoly.

As regards retail monopolies, no jurisprudence of the European Court of Justice exists. After a careful examination the Commission informed Norway that, at the present stage of Community law, she can maintain her retail monopolies as long as it does not discriminate against products from other Member States.

12. Taxation

The main negotiating issue in the field of **taxation** concerned limitation on the volumes of alcoholic beverages and tobacco products that travellers between Member States can freely take across their border. Within the present Community travellers can purchase alcoholic beverages and tobacco products in another Member State without incurring extra taxes or duties when taking them home for consumption (e.g. up to 90 litres of wine, 110 litres of beer, 10 litres of spirits and 800 cigarettes): these quantitative levels are set not as absolute limits, but as an indication of normal quantities for personal consumption. The Union has agreed, however, that Norway can maintain until 31 December 1996 lower quantitative levels as absolute

ceilings, namely 1 litre of spirits or 3 litres of medium strong drinks, 5 litres of wine, 15 litres of beer and 300 cigarettes or the equivalent in other tobacco products. This derogation will be reviewed by the end of 1996.

In the field of **VAT** Norway received, on her request, the same derogations (zero rate for books and books, exemption for authors, performers and artists as well as for services provided by undertakers) from the 6th VAT Directive as present Member States. In addition, Norway was granted a five year transitional period during which it may maintain its Investment Tax. In the field of **excise duties** Norway was granted, where necessary, the same derogations from the Union's rules on excise duties as present Member States. By way of derogation from Council Directive 92/81/EEC, Norway may continue, for a period of four years, to subject mineral oils supplied for use as fuel for passenger transport within Norwegian waters to excise duty.

13. Budget

As regards the **Community budget** there was full acceptance of the Community acquis apart from some provisions concerning transitional arrangements in agriculture for a four year period and the take over by the Union of certain commitments from the EEA as regards the 'cohesion' countries of the Union. As a result of the negotiations Norway will obtain a budgetary compensation of 515 MECU over the period 1995-1998.

14. Institutions

On **institutional matters** the negotiations adapted the existing institutional system on the basis of present rules. This means that Norway will have 15 seats in the European Parliament, 3 votes in the Council, one judge in the European Court of Justice and will be able to propose 1 member of the European Commission. Other Community Institutions and bodies such as the Court of Auditors, the Economic and Social Committee, the Committee of the Regions and the European Investment Bank will also have their composition adjusted to take account of the relative position of Norway.

15. Other Issues

Norway also succeeded in negotiating specific entry terms on a number of other issues. Firstly, Norway has specific rules regarding the purchase of holiday houses (**secondary residences**) by foreigners. In the negotiations it was agreed that she can maintain those rules for a transitional period of five years.

Second, a Protocol on the **Sami people** (for all Nordic countries) was concluded with the purpose of recognising Samis' exclusive rights over reindeer herding in traditional settlement areas. The Protocol also provides for its possible extension to cover additional exclusive rights of the Sami people.

Third, a **Protocol on Svalbard** was agreed to the effect that this archipelago, under Norwegian jurisdiction, will not be included in the territory of the Union. There are specific provisions on competition, customs and fiscal arrangements as well as provisions on the responsibilities of Norway and the Union concerning fisheries in the waters up to 200 miles around Svalbard. The Protocol does not prejudice the positions of the Contracting Parties in respect of the application of the 1920 Paris Treaty on Svalbard.

Finally, the sale of "**snus**" (moist snuff) is prohibited in the Union. However, Norway (and Sweden) received a derogation allowing sales of this tobacco product to continue in their countries.