

productivity and the rational use of resources, financial stability and continuous improvement in living standards,

(b) to secure that trade between Member States takes place in conditions of fair competition,

(c) to avoid significant disparity between Member States in the conditions of supply of raw materials produced within the Area of the Association, and

(d) to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it.

ARTICLE 3

Import duties

1. Member States shall reduce and ultimately eliminate, in accordance with this Article, customs duties and any other charges with equivalent effect, except duties notified in accordance with Article 6 and other charges which fall within that Article, imposed on or in connection with the importation of goods which are eligible for Area tariff treatment in accordance with Article 4. Any such duty or other charge is hereinafter referred to as an "import duty".

2. (a) On and after each of the following dates, Member States shall not apply an import duty on any product at a level exceeding the percentage of the basic duty specified against that date 1:

1 Concerning the timetable applying to Iceland see paragraph 1 of Council Decision No. 17 of 1969 (page Ic/1).

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1st July, 1960 80 per cent,

1st July, 1961 1 70 per cent,

1st March, 1962 2 60 per cent,

31st October, 1962 3 50 per cent,

31st December, 1963 4 40 per cent,

31st December, 1964 4 30 per cent,

31st December, 1965 4 20 per cent.

(b) On and after 31st December, 1966 4, 5, Member States shall not apply any import duties 6.

3. Subject to Annex A, the basic duty referred to in paragraph 2 of this Article is, in respect of each Member State and in respect of any product, the import duty applied by that Member State to the imports of that product from other Member States on 1st January, 1960 7.

4. Each Member State declares its willingness to apply import duties at a level below that indicated in paragraph 2 of this Article if it considers that its economic and financial position and the position of the sector concerned so permit.

5. The Council may at any time decide that any import duties shall be reduced more rapidly or eliminated earlier than is provided in paragraph 2 of this Article. Between 1st July, 1960 and 31st December, 1961, the Council shall examine whether it is possible so to decide in respect of import duties applied on some or all goods by some or all of the Member States.

ARTICLE 4

Area tariff treatment

1. For the purposes of this Convention goods shall be accepted as eligible for Area

tariff treatment if they are originating products in accordance with the provisions of Annex B 8.

- 1 As amended by Council Decision No. 4 of 1961 (16th February, 1961).
- 2 As amended by Council Decision No. 22 of 1961 (21st November, 1961).
- 3 As amended by Council Decision No. 11 of 1962 (22nd June, 1962).
- 4 As amended by Council Decision No. 6 of 1963 (10th May, 1963).
- 5 In the case of Iceland: 1st January, 1980; see paragraph 2 of Council Decision No. 17 of 1969 (page 1c/2).
- 6 Concerning Iceland see paragraph 3 of Council Decision No. 17 of 1969 (page 1c/2).
- 7 In the case of Iceland: 1st January, 1970; see paragraph 4 of Council Decision No. 17 of 1969 (page 1c/3).
- 8 As amended by Council Decision No. 1 of 1973 (2nd March, 1973).

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2. Provisions necessary for the administration and effective application of this Article are contained in Annex B and Council Decisions 1.
3. Nothing in this Convention shall prevent a Member State from accepting as eligible for Area tariff treatment any goods imported from the territory of another Member State, provided that the like goods imported from the territory of any Member State are accorded the same treatment.
4. The Council shall from time to time examine in what respect this Convention can be amended in order to ensure the smooth operation of the origin rules and especially to make them simpler and more liberal 1.
5. The Council may decide to amend the provisions of this Article and of Annex B.

ARTICLE 5

Deflection of trade

1. For the purposes of this Article, trade is said to be deflected when
 - (a) imports of a particular product into the territory of a Member State from the territory of another Member State are increasing,
 - (i) as a result of the reduction or elimination in the importing Member State of duties and charges on that product in accordance with Article 3 or 6, and
 - (ii) because the duties or charges levied by the exporting Member State on imports of raw materials or intermediate products, used in the production of the product in question, are significantly lower than the corresponding duties or charges levied by the importing Member State, and
 - (b) this increase in imports causes or would cause serious injury to production which is carried on in the territory of the importing Member State.
2. The Council shall keep under review the question of deflections of trade and their causes. It shall take such decisions as are necessary in order to deal with the causes of deflection of trade by amending the rules of origin in accordance with paragraph 5 of Article 4 or by such other means as it may consider appropriate.
3. If a deflection of trade of a particularly urgent nature occurs, any Member State may refer the matter to the Council. The Council shall take its decision as quickly as possible, and, in general, within one month. The Council may, by majority decision,
 - 1 As amended by Council Decision No. 1 of 1973 (2nd March, 1973).