

Second Annual Report
of the
European Free Trade Association
for the Period 1st July, 1961-30th June, 1962

EUROPEAN FREE TRADE ASSOCIATION

Geneva - April 1963
2nd Edition

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PART I

GENERAL SURVEY

The rapid and successful building up of the European Free Trade Association during the first year of its existence provided a firm basis from which the Member States could work further towards achieving the dual aim which they had set themselves when signing the Stockholm Convention: to create a free trade area among themselves and to contribute to the establishment of a single European market. Good progress has been made in both directions during EFTA's second year.

The freeing of trade between Member States has been carried forward at an accelerated pace, and has found its concrete expression in a considerable increase in the exchange of goods between them; the process of implementing the Stockholm Convention has continued, and it can now be seen that integration has not led to any appreciable difficulties in national economies; cooperation with Finland within the framework of the Association Agreement which came into force on 26th June, 1961 has been successfully initiated.

The dominant feature of EFTA's second year, however, was the decision taken by the Member States to try to achieve their common objective—a single European market—by way of negotiations for membership of, or association with, the European Economic Community. The will to remain united throughout eventual negotiations was already expressed at the Ministerial Meeting in London in June 1961. The Communiqué issued on 28th June reads as follows:

“ Experience gained in recent years had provided a basis for a re-examination of the problems of European integration. This re-examination has shown that while some EFTA countries could not accept obligations of a political nature, all members of EFTA are willing to undertake, in order to achieve an integrated European market, obligations which go beyond those which they have accepted among themselves in the Stockholm Convention.

Ministers agreed that the aim of any solution must be to promote unity and solidarity in Europe; to strengthen the European economy and to build an integrated market upon solid and permanent foundations. To this end, Ministers agreed that there must be effective

institutions to supervise the implementation of undertakings necessary to achieve a solution acceptable to all parties.

Ministers agreed that if such a course (negotiations by the EFTA countries for membership of or association with the European Economic Community) should then appear possible, the Members of EFTA should co-ordinate their actions and remain united throughout the negotiations. Ministers resolved that the European Free Trade Association, the obligations created by the Convention between the Members, and the momentum towards integration within the Association, would be maintained at least until satisfactory arrangements have been worked out in negotiations to meet the various legitimate interests of all Members of EFTA, and thus enable them all to participate from the same date in an integrated European market."

The decision to enter into negotiations was made public in the Declaration published on 31st July, 1961 after the Ministerial Meeting in Geneva. Recalling the repeated statements by the Members of the European Economic Community of their willingness to accept other countries as members or in an associated status, the Geneva Declaration states:

"EFTA Governments consider that the decision of the United Kingdom Government to take the initiative announced by the Prime Minister in the House of Commons this afternoon, which was followed by a similar statement of the Danish Government, provides an opportunity to find an appropriate solution for all EFTA countries and thus to promote the solidarity and cohesion of Europe. In reaching this conclusion, the Members of EFTA reaffirmed the decisions recorded in the London Communiqué.

The Members of EFTA consider that it is the duty of all concerned not to miss this new opportunity. EFTA, for its part, will, on the lines set out in the London Communiqué, do everything in its power to seize it. All Member States of EFTA declare their intention to examine with the European Economic Community, the ways and means by which all Members of EFTA could take part together in a single market embracing some 300 million people."

All EFTA countries have implemented the Geneva Declaration—they have all applied for negotiations with the European Economic Community. The differences in the type of arrangements which they envisage reflect in the main the differences in their international status or stage of economic development. Thus the United Kingdom, Denmark and Norway have applied for negotiations with a view to membership, while Portugal in its application expressed the intention of adhering to the Community after a period of association on conditions to be determined during the negotiations. The three neutral countries—Austria, Sweden and Switzerland—have asked for negotiations under Article 238 of the Treaty of Rome—the Article which provides for association.

Negotiations between the Community and the United Kingdom and Denmark have been going on since October 1961. The Norwegian negotiations began early in July 1962. Ministers from the Community will meet Ministers from Austria and Sweden at the end of July, and from Switzerland in September 1962, in order to give the neutral countries an opportunity to explain to the Community their views of the nature of the arrangements they envisage. The United Kingdom application for negotiations with the Community was the starting point for the implementation of the EFTA decisions of June and July 1961 and the outcome of these negotiations are of particular significance for the other EFTA countries. The United Kingdom on her side made it clear from the beginning that her accession to the Community presupposes satisfactory arrangements to meet the special interests, *inter alia*, of her EFTA partners.

In the examination of their common problems the neutrals have found themselves confirmed in their view that neutrality does not constitute an obstacle to their participation, through association in an appropriate form, in the economic integration of Europe. Their objective is to achieve a position in the integrated market which corresponds to their standing as neutral European countries traditionally enjoying close links with the present and prospective members of the EEC. They envisage arrangements embodying reciprocal rights and obligations which provide not only for the free movement of goods within the market but also for other measures of economic integration which are covered by the Treaty of Rome.

The solidarity of the EFTA countries found fresh expression in the close contact which they have maintained with one another throughout the period of negotiations. The machinery established from the outset for this purpose is proving increasingly valuable as more countries become engaged in negotiations.

In December, 1961 President Kennedy announced the United States' Government's new trade policy which is presently being debated in the Congress. The EFTA countries welcome this imaginative and constructive initiative which—while no substitute for European integration of the kind which all of the European countries desire—can be of positive assistance towards the freeing of world trade.

As stated in the London Communiqué the EFTA countries consider it essential to maintain the momentum towards integration within the Association during the period of negotiations between the Member States and the European Economic Community. Their efforts towards this objective have been most successful, notably as regards the acceleration of the timetable of tariff reductions. When the EFTA countries decided to seek arrangements with the Community in July, 1961, the second tariff reduction within the Association had just been put into effect, thereby reducing tariffs by 30 per cent below the level applying

on the date of the coming into force of the Stockholm Convention about one year earlier. A few months later the decision was taken to bring forward to 1962 the next tariff reduction of a further 10 per cent which was to take place on 1st July, 1963. At their meeting in Copenhagen in June, 1962, Ministers decided to bring forward to 31st October, 1962 the next tariff reduction of 10 per cent originally foreseen for 1st January, 1965; in two Member countries this step will be put into effect some months later. Tariffs between EFTA countries will then be only half of what they were when the Association started two years ago, and the implementation of the original timetable of tariff reductions will have been advanced by nearly two years. This rapid dismantling of tariff barriers has not given rise to invocation of any of the safeguards contained in the Stockholm Convention against difficulties in particular sectors.

The Stockholm Convention in addition provides for the gradual abolition of obstacles to trade other than tariffs. The EFTA countries have gone beyond the obligations contained in the Convention concerning the progressive elimination of quantitative import restrictions. Export duties and export restrictions were duly abolished at the beginning of 1962, in accordance with the Convention.

Another year's experience has confirmed the statement made in the First Annual Report that the mechanisms of a free trade area have been shown to be workable in practice. The system of origin control has continued to work smoothly and effectively, and it has even been possible in some respects to simplify the procedures. Both the success of EFTA in this field and the progress made towards liberalization of trade were stressed at the meetings of EFTA's Consultative Committee, which brings together representatives of the main economic sectors in the Member States.

Article 25 of the Stockholm Convention provides that the Council shall keep the provisions on trade in agricultural goods under review and once a year consider the development of trade in agricultural goods within the area of the Association. The Council accordingly initiated such a review in the spring of 1961 and a considerable amount of information on developments in agricultural trade between the Member States was collected and analyzed. The EFTA countries agreed that it was inappropriate to contemplate far-reaching changes in the existing agricultural arrangements at the very moment when the two countries most affected by trade in agricultural goods, the United Kingdom and Denmark, were both negotiating with the Community on this subject. The EFTA countries did, however, decide that certain items should be removed from the list of agricultural goods and so enjoy the same tariff reductions as industrial goods, and an additional bilateral agreement with the object of facilitating trade in agricultural products has been made within the framework of the Stockholm Convention.

The Convention also provides for an examination of the arrangements within the Association relating to trade in fish and other marine products. During the year such an examination was made by a group of experts and their findings were submitted to the Council for consideration. For reasons similar to those in the case of trade in agricultural goods, the Council decided to postpone further action for the time being. Both questions will be reconsidered should this be requested by any Member country.

At the beginning of EFTA's second year the Association Agreement with Finland came into force and has now functioned successfully for 12 months. Although she started a year later, Finland has been able to catch up with the EFTA countries in the process of dismantling trade barriers, and has now assumed substantially the same obligations in relation to the greater part of her trade with the EFTA countries. The EFTA countries have for their part extended to Finland the benefits which they grant to one another. The institutional arrangements made under the Association Agreement have been working well.

PART II

INTERNAL ACTIVITIES OF THE ASSOCIATION

During the year under review the progressive and accelerated reductions of tariffs and the further relaxation of quantitative import restrictions within EFTA have been assimilated without difficulty by the various industries in the Member countries. Since the beginning of July last year the operative rates of customs duty on EFTA trade have been 30 per cent below the original starting point in all Member countries. A further cut of 10 per cent, making a total of 40 per cent in less than two years, was made at the beginning of March, 1962 and a decision to reduce duties by another 10 per cent was taken in June, 1962. Thus from the beginning of 1963 intra-EFTA tariff rates will be only half what they were before the Association came into being in 1960.

The origin system, which forms the basis of entitlement to the reduced rates of duty, has continued to function smoothly to the general satisfaction of all concerned. Certain minor changes in the details of the origin system were made during the year and are described in the Appendix.

Lowering Barriers to Trade

The third round of tariff reductions, which was due under the original timetable to take place on 1st July, 1963, was brought forward by a decision of the Council to 1st March, 1962, (Decision No. 22/1961). This reduction, which was of 10 per cent of the basic duties, brought the total amount by which tariffs have been reduced within EFTA to 40 per cent.

Austria and Norway were authorized to delay the reduction until not later than 1st September, 1962. In fact Austria made the reduction on 1st July, 1962 and Norway will do so on 1st September. Denmark was authorized to withhold the reduction for a limited range of goods for which she is seeking a *décalage* arrangement in negotiations with the EEC.

By a decision of the Council on 22nd June, 1962 (Decision No. 11/1962) the fourth round of tariff reductions was brought forward from 1st January, 1965 to 31st October, 1962.; in the case of two countries the reduction will enter into force a few months later.

Austria and Norway were authorized to delay the reduction to 31st December, 1962 and a date not later than 30th April, 1963, respectively. The Danish décalage arrangement was also prolonged.

A further 10 per cent reduction was also applied on 1st March, 1962 to the protective element in those revenue duties which the Member States concerned have elected to deal with by successive reductions corresponding to those applicable to tariffs generally.

When the decision on the third round of tariff reductions was taken, the Council also decided that two items should no longer be included in the list of agricultural goods (Decision No. 23/1961). These goods accordingly now benefit from EFTA tariff reductions. A description of them is given in the Appendix.

New increased global quotas were introduced on 1st July, 1962 in accordance with the requirement in Article 10 of the Convention. A Working Party which met from 4th to 7th June, 1962 to examine the new quota programmes found that the increases in the quotas over those in force during 1961/62 conformed to, and in most cases exceeded, the prescribed minimum of 20 per cent of the basic quota as previously increased. A number of quotas were eliminated entirely, and others were narrowed in scope.

In accordance with Article 6 of the Convention any protective element in internal taxes or other internal charges had to be eliminated by 1st January, 1962. By the same date, under Articles 8 and 11, export duties and quantitative restrictions on goods exported from one Member State to another had to be abolished. Member States have informed the Council of the action they have taken in accordance with these requirements and an examination of this information is in progress in a working party.

Drawback

Following a further study of the provisions which should be applied to deal with drawback during the transitional period the Council decided that until the EFTA reduction of tariffs reaches 50 per cent of the basic duties, or until 1st January, 1964, whichever is the later, Member States shall not refuse to accept goods as eligible for Area tariff treatment on the ground that they benefit from drawback (Decision No. 19/1961).

The provisions to be applied for the remainder of the transitional period will be considered in due time. At least twelve months' notice will be given of any provision permitting Member States to refuse Area tariff treatment to goods on the ground that they benefit from drawback.

Hallmarking

A group of experts met on 19th and 20th September, 1961, to examine the effects of national hallmarking regulations on intra-EFTA trade in goods made of precious metals, and reported to the Council. The Council

has invited Member States to supply additional information with a view to further study of this question.

Agriculture, Fish and other Marine Products

In these sectors the objective of the Association is to facilitate an expansion of trade thereby providing reasonable reciprocity to Member States whose economies are largely dependent on exports of these products. In preparation for the examination of trade in agricultural and fishery goods provided for in the Convention, the Secretariat has collected statistical and other information analyzing the trade of the EFTA countries in these products. A Working Group of Fishery Experts met in Geneva in January, 1962 to examine the arrangements relating to trade in marine products.

These reviews were put in hand before Member States decided to start negotiations with the EEC. In the new situation the Council decided that it was premature to contemplate more far-reaching arrangements than those existing and the Council therefore decided to postpone action in these fields for the time being. However, any Member State can request that the reviews be taken up again if and when it considers it appropriate to do so.

The time limit provided for the establishment of rules for the gradual abolition of subsidized exports of agricultural products detrimental to other Member States is extended to 1st July, 1963.

Bilateral agricultural agreements are envisaged in the Convention to facilitate an expansion of trade in these products. During EFTA's first year a number of such agreements were concluded. On 22nd February, 1962 Portugal and Switzerland agreed on a Protocol under the relevant article of the Convention (Article 23).

ORGANIZATION OF EFTA

The Council

The governing body of the Association is the Council composed of representatives of the Member States. It meets at regular intervals—generally once a week—at the level of officials, *i.e.*, the heads of the permanent Delegations in Geneva. The permanent working group of Deputies also meets regularly to prepare the Council meetings.

At Ministerial level the Council held two meetings in Geneva during the last six months of 1961, one on 28th July, 1961 and the other on 20th-21st November, 1961. During the first six months of 1962 Ministers met in Geneva (2nd March, 1962) and Copenhagen (21st-22nd June, 1962).

The Austrian representative held the Chair from 1st July, 1961 and the Danish representative from 1st January, 1962.

Consultative Committee

The Consultative Committee provides a link between the executive organs of the Association and leading personalities representing different sectors of economic life, including labour, in the Member States. The members are appointed by Governments. The first meeting was held in London in May, 1961; the second in Vienna on 5th-6th December, 1961 and the third in Copenhagen on 24th-25th May, 1962.

Technical Committees

The Customs Committee. The Customs Committee acts as a forum for comparing the views and experiences of administrations on the practical application of the Convention provisions concerning Area tariff treatment and origin. The Committee held three meetings during the period under review.

The Committee of Trade Experts. The technical problems of operating the trade provisions of the Convention, other than questions of customs administration, are dealt with by this Committee. It met three times during the period.

The two committees have discussed and found solutions to a number of practical administrative problems in connection with customs treatment, in particular the origin system.

The Budget Committee. The Budget Committee held two meetings during the year.

The budget for the financial year 1962/63 has been established at an amount of S.Fr. 3,087.845. The scale of contributions has not been changed. It is determined by reference to Member States' gross national product at factor cost, no Member being required to contribute more than 30 per cent of the expenses of the Association. The United Kingdom contribution to the EFTA budget is 30 per cent, Sweden's just over 22 per cent, Switzerland's 16 per cent, followed by contributions from Denmark (10 per cent), Austria (9.5 per cent), Norway (8 per cent), and Portugal (4 per cent).

Ad hoc Working Groups. During the year the following *ad hoc* working groups met in Geneva.

- Group of Experts on Hallmarking
- Group of Experts reviewing the qualifying processes permitting the use of non-Area wool tops in the manufacture of yarn
- Working Group of Fishery Experts
- Working Party on Quantitative Import Restrictions
- Working Party on Export Duties, Quantitative Export Restrictions and Internal Taxes
- Working Party for the annual review of Import Quotas

The Secretariat

The permanent secretariat in Geneva is headed by Mr. Frank E. Figgures, Secretary-General, Mr. Knut Hammar skjöld, Deputy Secretary-General and Mr. Charles Müller, Assistant Secretary-General. There are 47 other staff members, about half of them in professional grades.

The Secretariat is organized in five departments:

- (i) Trade Policy Department
- (ii) General and Legal Department
- (iii) Economic Department
- (iv) Press and Information Department
- (v) Administration and Finance Department

As part of the Press and Information Department, the Secretariat maintains an Information Office in Washington, D.C.

RELATIONS WITH OTHER ORGANIZATIONS

EFTA has continued its relations with a number of other inter-governmental organizations, including the OECD, GATT, the Council of Europe, the International Monetary Fund, the Regional Economic Commissions of the United Nations, the Customs Cooperation Council, the Pan-American Union and the Latin-American Free Trade Area. Contact is maintained by exchange of information and attendance by EFTA observers where necessary.

GATT

Observers from the Secretariat attended the 19th Session of the Contracting Parties to the GATT from 13th November to 9th December, 1961, and the meeting of Ministers from 27th to 30th November, 1961. They also attended the meetings of the GATT Council and certain GATT working parties.

A report on the implementation of the Stockholm Convention was submitted to the Contracting Parties at their 19th Session by the Chairman of the EFTA Council at official level. The Contracting Parties were particularly interested in the bilateral agricultural agreements between the EFTA countries.

The Council of Europe

EFTA's first Annual Report was submitted to the Council of Europe. The Economic Committee of the Consultative Assembly discussed the report in Paris on 7th September, 1961. The Secretary-General of EFTA participated in the discussion and commented on the Report and developments since its publication. The then Chairman of the Ministerial Council, the Austrian Foreign Minister, Dr. Kreisky, presented the Report to the Consultative Assembly on 27th September. In this connection the Consultative Assembly welcomed the decision of the EFTA Member States to try to arrive at a solution to the integration problems in Europe by applying for negotiations with the European Economic Community for either membership or association. Representatives of the Secretariat were present at the first part of the 14th Ordinary Session of the Consultative Assembly from 15th to 18th May, 1962 when a discussion of the

special problems of the neutral Member States of EFTA took place on the basis of a report by Mr. Maurice Macmillan, M. P.

OECD

The OECD rules of procedure include a provision that the Secretary-General of EFTA or his representatives may attend meetings of OECD bodies. The Secretary-General was present at the first meeting of the OECD Council at Ministerial level which took place on 16th and 17th November, 1961. Other EFTA officials have attended the meetings of the Economic Policy Committee and the Trade Committee.

PART III

ECONOMIC DEVELOPMENTS IN EFTA 1961-62

Within EFTA progress in the development of the domestic economies was broadly in line with the general trend experienced in Western Europe as a whole. It must be remembered that the dominant feature of the economic situation in Western Europe in 1961 was the marked slowing down in the rate of expansion of total output during the year; there was, however, a slight upturn in the last quarter. In the majority of cases the rate of growth of total output was either constant or declined moderately compared with 1960 (see Table I). Only in Sweden was expansion more rapid in 1961 than a year earlier. In all the industrialized countries of the Association, this slower growth reflected the slackening in the rate of expansion of industrial production, although agricultural output also rose less fast. In Sweden the expansion of output in the agricultural and service sectors was especially strong and this more than offset the slackening pace of growth of production in industry and forestry.

Growth of Output

Gains in the gross national product of individual EFTA countries, measured in real terms, ranged from just over 2 per cent to about 6 per cent. Although many of the increases in national output of goods and services were moderately smaller in 1961 compared with a year earlier, the tempo of the current European boom remained vigorous. It seems probable, moreover, that the pace of advance this year will not be slower than in 1961 and may well exceed last year's rate, particularly in the case of the United Kingdom. The following table shows annual growth rates for all EFTA countries and Finland in the past three years. The figures for 1961 are still provisional.

TABLE I
RATES OF GROWTH IN EFTA MEMBER STATES AND FINLAND
(Percentage gain in volume on previous year)

Country	Period	Gross National Product
Austria	1959	3.8
	1960	8.4
	1961	5.0
Denmark	1959	5.2
	1960	6.6
	1961	4.6
Finland	1959	6.4
	1960	9.6
	1961	7.2
Norway	1959	4.7
	1960	6.1
	1961	5.8
Portugal	1959	4.5
	1960	4.8
	1961*	4.8
Sweden	1959	5.1
	1960	3.7
	1961	5.9
Switzerland	1959	4.7
	1960	6.0
	1961*	6.0
United Kingdom	1959	2.9
	1960	4.2
	1961	2.3

* Estimate.

Sources: Economic Commission for Europe and various national sources.

Industrial Production

The development of industrial production in EFTA and Finland is shown in Table II below:

TABLE II
INDEX NUMBERS OF INDUSTRIAL PRODUCTION
IN EFTA MEMBER STATES AND FINLAND

(1953 = 100)

Monthly Average

	1959	1960	1961	Percentage gain on the previous year	
				1960	1961
<i>EFTA</i>	125 ^{f)}	134 ^{f)}	136 ^{f/g)}	7.2 ^{f)}	1.5 ^{g)}
Austria ^{a)}	163	180	187	10.4	3.9
Denmark	135	142	.. ^{b)}	5.2	.. ^{b)}
Norway	137	147	158	7.3	7.5
Portugal	155	172	178 ^{c)}	11.0	8.1 ^{c)}
Sweden	127	135	142	6.3	5.2
Switzerland ^{d)}	—	—	—	—	—
United Kingdom	120	129	130	7.5	0.8
Finland ^{e)}	107	120	129	12.1	7.5
EEC	153	171	182	11.8	6.4
United States	116	119	120	2.6	0.8

^{a)} Base: 1956 = 100

^{b)} Publication of this index ceased in January, 1961, pending revision of the series.

^{c)} January-September only.

^{d)} No index of industrial production is compiled.

^{e)} Base: 1958 = 100.

^{f)} Not including Switzerland.

^{g)} Not including Switzerland and Denmark.

In 1961 in particular it is likely that the rise in industrial production for EFTA as a whole was greater than indicated by the figure given in Table II. From present evidence it can be safely asserted that Swiss indu-

strial production again rose strongly in 1961 and probably as rapidly as in the previous year. The gain in Denmark is also likely to have been substantial.

Recent Economic Trends

The economic situation in most EFTA countries during the past twelve months was characterized by strong demand pressures at home often accompanied by rising costs and prices and in some cases by a deterioration in the balance of payments. Both total and industrial employment were appreciably higher in 1961 than a year earlier and some Member countries again experienced labour shortages.

In *Austria* the strain on resources began to ease in the second half of last year and while the expansion of economic activity is likely to continue in 1962, the indications are that it will do so more slowly than in the last two years. Industrial production in the first quarter of 1962 was rising at an annual rate of 2-3 per cent. Wages and salaries on average went up by 8-10 per cent during 1961, but productivity rose only 4 per cent in the same period. Since the beginning of this year price and wage developments have been much more favourable, largely owing to the credit and other monetary measures taken by the Federal Government in co-operation with the National Bank.

Demand for consumer goods remains brisk and the level of exports continues high. Austria's trade with her EFTA partners has again risen more strongly than the total. The share of these countries in Austria's imports rose from 11.7 per cent in 1959 to 12.7 per cent in 1961; over the same period Austria's exports to them increased from 11.6 per cent to 14.4 per cent of the total. In contrast to the year before the Austrian overall balance of payments in 1961 again showed a substantial surplus.

Since the war the *Danish* Government has frequently had to curb the expansionary process in order to protect the balance of payments. After five years of surplus on current account, the balance of payments situation deteriorated somewhat in 1960 despite a substantial rise in exports. The small current deficit of 1960 grew considerably larger in the following year and as a result the authorities were once again obliged to take certain steps necessary to safeguard the foreign exchange reserves.

The boom in Denmark is now in its fourth year. The gross national product in 1961, as in the three previous years, rose by close to 5 per cent in real terms. The expansion has been carried forward by rapidly increasing investment in manufacturing industry and the strong and continuous rise in building activity. Agricultural output was also higher last year. In addition there has been a steady growth of industrial exports and consumer expenditure. Last year the symptoms of inflation became much more marked. Labour was short in all sectors and average wages in the manufacturing and construction industries are estimated to have risen 12-13 per cent in 1961, compared with 7 per cent in 1960 and 8 per cent in 1959. To meet this situation credit restrictions have been re-intro-

duced and to restrain demand a general sales tax and measures to control building activity have been brought in.

The striking features of the foreign trade situation in 1961 were a modest rise in the trade deficit and the increasingly pronounced change in the structure of Danish exports. At the beginning of the last decade industrial products accounted for only one third of total exports, but last year they became predominant. Total exports were 3 per cent higher in 1961 compared with an increase of 7 per cent in 1960. Imports rose only 4 per cent last year against 13 per cent a year earlier.

Somewhat contradictory tendencies seem to have appeared in the *Norwegian* economy during the past twelve months. On the one hand, foreign demand has fallen off and this is reflected in the trade and production figures. Particularly in the timber processing industry both demand and employment have declined. At the same time expansion has proceeded in other sectors. Round about the beginning of the year the rate of increase in home demand began to gather speed again. Industrial production is rising and almost the whole of the increase is due to bigger orders for the home market; output in the export industries in the first quarter this year was lower than in the same period last year. Higher output in the investment goods industries, increased building activity and a 16 per cent rise between the first quarter of 1961 and the corresponding period a year later in imports of machinery indicate that investment is still on the increase.

With the demand for labour continuing at a high level the Norwegian wage bill increased by just over 9 per cent in 1961. In the period 1956-61, wages rose by nearly 39 per cent and the upward trend has persisted this year. The consumer price index rose by 2½ per cent in 1961.

Expansive factors in the internal economy are still giving strong impulses to a rise in total demand, production and imports. At the same time, falling demand for certain important Norwegian exports and unsatisfactory results in fishing have created difficulties for many traditional export industries. The increase in internal demand is concentrated on investments, especially investments in machinery and transport equipment. The latest figures for building activity also show an upward trend. Demand for consumer goods is still rising but as in the second half of last year the rate of increase in the first few months of 1962 was moderate. The Norwegian Government believes that industry will continue to contribute most to rapid economic growth.

The *Portuguese* economy in 1961 made considerable gains, mainly because of favourable developments in manufacturing industry and in the electricity supply and transport sectors. Agricultural output last year was only slightly higher than in 1960. On the external side, the balance of trade worsened significantly, with imports nearly 20 per cent higher and exports only 1 per cent more than in 1960. This trend is continuing but at a more moderate pace. Imports in the first two months of 1962 went up 7 per cent and exports 3 per cent. There has been no change in the consumer price index; slightly lower food prices were offset

by a rise in other prices. Employment is high and seasonal labour shortages on the land are reported from some regions.

The gold and foreign exchange holdings of Portugal are rising again after reaching their lowest level for some years in the third quarter of 1961. The increase in imports and the relative stagnation in exports resulted in an external trade deficit last year of over \$ 300 million, an increase of almost 48 per cent over the deficit at the end of 1960.

For the *Swedish* economy 1961 was another buoyant year. Productive capacity was used to the full and employment was at a higher level than in any previous post-war year. The real increase of the Swedish gross national product in 1961 was approximately 6 per cent.

In contrast with the previous two years, the rise in exports tapered off and the private investment boom showed signs of slackening, although housebuilding activity, which enjoys very high priority in the Government's economic and social policy, continued to increase at a fast rate. Industrial output rose rather less than building activity (up 5 per cent) and agricultural production was at least 6 per cent higher than a year earlier. As previously, the most rapid growth of all was in the service industries. This is reflected in the sharp increase in private consumption, which last year rose about 6 per cent.

Although total hourly labour costs increased by another 9 per cent in 1961, the rise in prices was much more moderate (about 2 per cent). Moreover, by means of restrictive budgetary and monetary policies the Swedish Government has managed to contain the inflationary pressures accompanying the current expansionary phase.

The *Swiss* economy has been running very close to the limits of capacity and official circles consider that the boom has entered a difficult phase. The clearest evidence of the pressure on resources is shown by the increase in the numbers employed in industry and the building trade. Compared with a year earlier employment in Swiss industry in the final quarter of 1961 was 6.3 per cent higher and in the building and construction industry was nearly 7 per cent more. It is now estimated that one in four of wage and salary earners in Switzerland are foreign workers. Further evidence of pressure on the economy is provided by the rise of more than 4 per cent in the index of consumer prices last year; this is equivalent to the whole increase in the five preceding years. The increase, moreover, was almost entirely the result of higher domestic prices, import prices having risen only very little during the period.

A notable feature on the external side last year was the record trade deficit amounting to more than S. Fr. 2,800 million. This was S. Fr. 1,300 million more than in 1960 and exceeded the previous highest adverse balance by S. Fr. 1,100 million. Substantially higher imports of consumer goods as well as semi-finished and finished manufactured products were responsible for the increase in the trade deficit. On all current account transactions taken together there was a deficit of S. Fr. 900 million.

For the *British* economy 1961 was another troublesome year. The series of measures taken in July to deal with a weak balance of payments position and increasing demand pressures at home while exports failed to show any significant tendency to rise, have clearly proved effective. Pressure of demand slackened between July and the end of last year. Personal spending fell and there was a net reduction in the hire purchase debt and in personal bank advances. Home market prices continued to rise, partly because of the increase in indirect taxes introduced in July and partly because of the rise in costs which had already taken place. Current expenditure by the central government and local authorities continued upwards and investment in fixed assets reached a peak in the third quarter, but fell a little in the fourth. Stockbuilding was appreciably lower than in 1960.

With a rise in the general level of economic activity during the first half of last year and a rapid increase in wage rates the wage and salary bill rose by about 5 per cent between the fourth quarter of 1960 and the second quarter of 1961. In the second half of the year, partly as a result of the declared policy of the Government calling for a wage and salary pause, the wage and salary bill increased by only 1 per cent.

The rise in prices last year was again considerable. Between the fourth quarter of 1960 and the corresponding period a year later the index of retail prices rose $4\frac{1}{4}$ per cent. Wage increases, additional indirect taxes and the relative shortage of some kinds of home-grown food in the second half of the year largely accounted for the rise in consumer prices.

If all goes well 1961 may prove to have been a decisive turning point in the development of the United Kingdom economy. The key to the situation is a substantial increase in exports and the outlook in this regard seems to be good. The trend in exports has been upwards since about the beginning of this year. Merchandise exports might be 4-5 per cent higher than last year. Exports to Western Europe continue to do well and there are signs of a recovery in exports to the Sterling Area. A substantial improvement in the balance of payments on current account is forecast for this year.

Taken together these changes resulted in total industrial production rising only a little over 1 per cent in 1961 as a whole. If exports continue their upward movement and with the expected small rise in total investment, and increases of about 3 per cent in Government current expenditure and 4 per cent in personal consumption, total output in British industry should expand faster this year than last.

The performance of the *Finnish* economy last year was again highly satisfactory. The gross national product measured in real terms was over 7 per cent greater than in 1960. It seems, however, reasonably clear that in the course of 1961, the Finnish boom gradually approached its peak and that the rate of economic growth is now slowing down. The absence of any inflationary tendencies last year is especially noteworthy, the more so as it was the third successive year in the current boom. The price level remained almost unchanged throughout 1961, but this favour-

able trend has not continued this year. There are now definite signs of inflationary pressure, with consumer prices having risen appreciably in the first four months of 1962. A Finnish Government Committee charged with the duty of watching price movements has recently decreed price stops for a small number of essential commodities.

The good overall result for 1961 was largely due to the continued high level of activity in the industrial, building and forestry sectors of the economy. The volume of total industrial production (including output of the mining and energy supply industries) last year was more than 7 per cent higher than in 1960. Since industrial production rose strongly in 1960 (up 14 per cent on a year earlier), last year's result was still impressive. The main reason for the change in the rate of advance between 1960 and 1961 was the slower rate of increase in output of capital goods as several expansion projects, particularly in the wood-working industry began to near completion.

In manufacturing industry the increase in production was again about 6 per cent with variations ranging from—5 to + 15 per cent for individual industries. In the paper industry, chemical pulp production was 15 per cent greater last year compared with 1960. The total of about 2.8 million tons was double the 1958 figure. Newsprint production grew by 20 per cent last year and the output of other kinds of paper increased substantially faster.

Output in the metal-using industry, which now accounts for well over a quarter of Finland's manufacturing industry, rose 6 per cent in 1961. Building activity continued strongly and the volume of completions was about 10 per cent higher than in 1960. The building boom was to some extent stimulated by certain technical tax reliefs.

Agricultural output despite the lower quality of the 1961 harvest and slightly reduced quantity, was of record size.

Imports were 10 per cent higher in the first quarter of this year compared with the corresponding period of 1961. Although exports have also risen, the trade gap has widened. Buoyant export demand for timber was largely responsible for the 8 per cent rise in the volume of timber cut in the first seven months of the 1961/62 felling season which began last June.

EFTA'S TRADE IN 1961/62

As one of the largest trading areas in the world, counting among its members many countries which are heavily dependent on foreign trade for their prosperity, EFTA is vitally affected by the rate of growth of international trade. Although world trade increased less rapidly in 1961 than during the previous year, trade between industrial countries, particularly those in Western Europe expanded at about double the rate of world trade.

In contrast to the contraction of demand in the primary producing countries, due to lower sales of their products abroad, markets in the major industrial countries were comparatively buoyant.

This development is strongly reflected in the expansion of both intra-EFTA trade and EFTA trade with the EEC which increased in each case by about 10 per cent. Also EFTA's total exports in 1961 rose at a faster pace than world exports generally.

The increase in total EFTA exports, however, was only about half as great as the gain made in intra-EFTA trade, trade between the Member countries growing substantially faster than EFTA shipments to the rest of the world (*i.e.*, total exports less intra-trade). In 1961 the rate of increase in intra-EFTA trade was 9.6 per cent compared with a rise of 4.2 per cent in EFTA exports to third countries.

Within EFTA, movements in United Kingdom trade, because of their large weight in the total, tend to mask the changes in the trade of the other Member countries, all of whom increased their imports from their partners by substantial amounts in 1961.

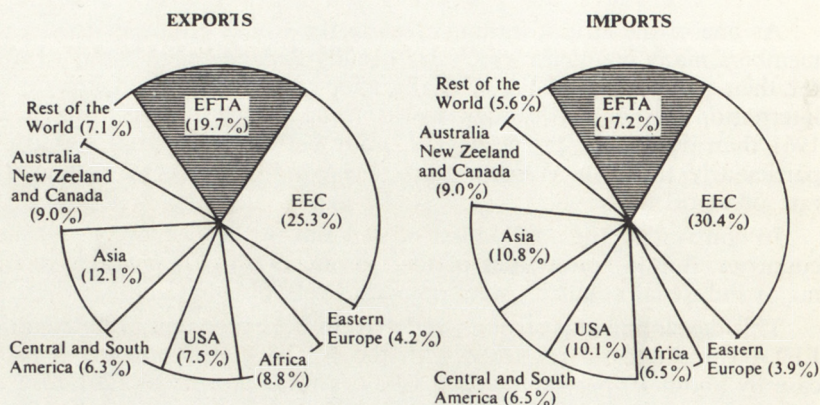
Most of these developments are, of course, in line with what was expected to follow from the greater trading opportunities opened up by the establishment of EFTA. Not unnaturally, also, a recent commodity analysis of intra-EFTA trade, shows clearly that trade in the goods covered by the Stockholm Convention has expanded much more rapidly than trade in all commodities combined. In some cases, mostly products of the engineering industry, the increases are particularly striking.

EFTA's World Trade

Total exports of the EFTA countries make up one-seventh of world trade and imports form an even larger proportion. In 1961, EFTA exports amounted to \$19.5 billion, *i.e.*, \$1 billion, or 5.2 per cent above

the level of 1960. United States exports in 1961 amounted to \$20.6 billion and EEC exports to \$32.3 billion. The total value of the imports of the Member countries in 1961 was \$23.5 billion; United States imports in the same period amounted to \$14.4 billion and EEC imports to \$32.2 billion.

Direction of EFTA's Total Trade



EFTA's largest market is in Europe. Intra-EFTA trade and trade with the EEC countries in 1961 accounted for almost half of EFTA's total trade. 25 per cent of all exports in 1961 went to EEC countries while 20 per cent was internal EFTA exports. 30 per cent of all imports came from the EEC.

The dependence on foreign trade of the EFTA countries is clearly demonstrated by the very high value of international trade on a per capita basis: EFTA's per capita exports in 1961 amounted to \$214, as compared with \$189 for the EEC and \$112 for the United States.

EFTA's per capita imports in 1961 were \$259 compared with \$78 in the case of the United States and \$188 in the case of the EEC.

Balance of Trade

All EFTA countries are traditionally net importers. This reveals the importance of EFTA as a market for other European and overseas suppliers. The import surpluses are balanced by high tourist incomes

(Austria, Switzerland) by shipping returns (Norway, United Kingdom) and by other current account receipts. The import surplus in EFTA's overall balance of trade fell from \$4.55 billion in 1960 to \$4.04 billion in 1961, mainly due to the reduction of the United Kingdom import surplus from \$2.46 billion in 1960 to \$1.56 billion in 1961. Of the total import surplus about \$2.22 billion represented the import surplus in trade with the EEC and \$0.90 billion that in trade with the United States.

EFTA's Balance of Trade with the World

	Billion U.S. \$		Exports as a Percentage of Imports	
	1960	1961	1960	1961
Austria	—0.30	—0.28	79.1	81.0
Denmark	—0.33	—0.35	81.5	81.2
Norway	—0.58	—0.69	60.2	57.6
Portugal	—0.22	—0.32	59.9	49.7
Sweden	—0.31	—0.18	89.2	93.7
Switzerland	—0.35	—0.65	84.3	75.8
United Kingdom	—2.46	—1.56	80.7	87.3
EFTA	—4.55	—4.04	80.3	82.9

Imports c.i.f., Exports f.o.b.

EFTA's total exports rose at a higher rate in 1961 than imports, particularly in the United Kingdom, Sweden and Austria. Generally, both exports and imports increased at a lower rate than in 1960. Exports rose by 5.2 per cent as compared with a rise of 9 per cent in 1960. Imports rose by 2 per cent in 1961 as compared with 15.3 per cent in 1960.

Exports of Member countries expanded more in the second half of 1961 than in the first. Imports, on the other hand, rose more in the first half than in the second, and increased again in the first quarter of 1962 at nearly the same rate as exports.

EXPANSION OF TOTAL EFTA TRADE

Percentage Increases in EFTA's World Trade

Exports			Imports	
1960 on 1959	1961 on 1960		1960 on 1959	1961 on 1960
+ 16.2	+ 7.4	Austria	+ 23.7	+ 4.9
+ 6.4	+ 3.2	Denmark	+ 12.6	+ 3.6
+ 8.7	+ 5.6	Norway	+ 11.0	+ 10.6
+ 12.7	— 0.4	Portugal	+ 14.7	+ 20.2
+ 16.4	+ 6.7	Sweden	+ 19.6	+ 1.5
+ 11.8	+ 8.5	Switzerland	+ 16.7	+ 20.7
+ 6.4	+ 4.4	United Kingdom	+ 14.2	— 3.5
+ 9.0	+ 5.2	EFTA	+ 15.3	+ 2.0

EFTA'S RATE OF TRADE EXPANSION

(Percentage change on the corresponding period of the previous year)

Exports to:	World	EFTA	EEC	USA
1st half, 1960	+ 12.5	+ 17.3	+ 14.8	+ 0.9
2nd half, 1960	+ 5.8	+ 13.1	+ 9.9	— 18.2
1st half, 1961	+ 4.6	+ 10.9	+ 10.8	— 22.6
2nd half, 1961	+ 5.9	+ 8.4	+ 12.2	+ 9.8
1st quarter, 1962	+ 2.9	+ 7.4	+ 11.8	+ 24.1
Imports from:				
1st half, 1960	+ 18.8	+ 19.7	+ 22.7	+ 46.4
2nd half, 1960	+ 12.1	+ 10.9	+ 12.0	+ 40.4
1st half, 1961	+ 4.6	+ 11.1	+ 9.0	— 1.2
2nd half, 1961	— 0.6	+ 6.1	+ 8.8	— 17.9
1st quarter, 1962	+ 2.7	+ 5.2	+ 7.5	— 0.7

EFTA's exports to the EEC in 1961 rose by 11.5 per cent. This was mainly due to a vigorous rise in British sales to the Community—especially to France and Italy. Total United Kingdom exports to the Community in 1961 rose by 18.6 per cent. The favourable trend in the trade between Member countries and the EEC continued in the first quarter of 1962.

EFTA exports to the United States fell considerably in the first half of 1961 but rose again in the second half of the year and expanded sharply in the first quarter of 1962.

EFTA imports from European sources, including Eastern Europe, increased. Imports from overseas countries generally declined or remained unchanged. This trend is strongly influenced by developments in the British foreign trade. It is only in the first quarter of 1962 that imports from overseas countries have started to rise again.

Commodity Analysis of Total EFTA Trade

Manufactures, including chemicals, played the most important part in EFTA's trade in 1960. They accounted for almost half of all imports and for three-quarters of exports. Food, beverages and tobacco accounted for 25 per cent of total imports; crude materials for 17 per cent and mineral fuels for 11 per cent. Similar percentages ruled in 1961.

EFTA imports most of its food, fuel and basic materials from outside Europe but quite a large volume of such goods is supplied by Western European countries. In 1960 EFTA bought one-fourth of its crude materials from European OECD countries and almost one-third of its requirements of food, oils, fats and fuels from the same sources. Machinery, transport equipment and chemicals were bought almost entirely from Western European and United States sources.

Of EFTA's total exports of machinery and transport equipment two-thirds went overseas and one-third to Western Europe. Over half of total exports of chemicals and manufactured goods other than machinery and transport equipment were exported to countries outside Europe.

Development in Commodity Trade

(a) Imports

Imports of beverages and tobacco, chemicals and manufactured goods other than machinery and transport equipment rose by an average rate of 2-4 per cent in 1961, compared with 1960. Imports of food, crude materials and oils and fats fell, while imports of fuels remained unchanged. Imports of machinery and transport equipment on the other hand increased sharply by 14 per cent.

(b) Exports

Exports of machinery and transport equipment expanded more than the exports of other manufactured goods. Sales of these commodities

to the United States fell but increased to EFTA countries and the EEC. Exports of chemicals increased by 5.3 per cent.

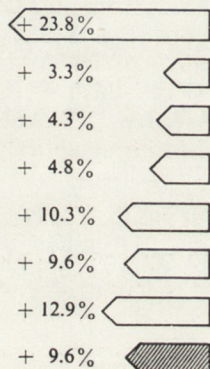
Intra-EFTA Trade

Trade among EFTA Member countries continued to expand. In 1961, intra-EFTA trade measured in terms of exports amounted to \$3.8 billion which is about one-fifth of EFTA's total exports. Intra-EFTA exports were \$340 million or 9.6 per cent higher than in 1960 (the growth of total exports was 5.2 per cent). Austria reported the highest increase in intra-EFTA exports (+23.8 per cent).

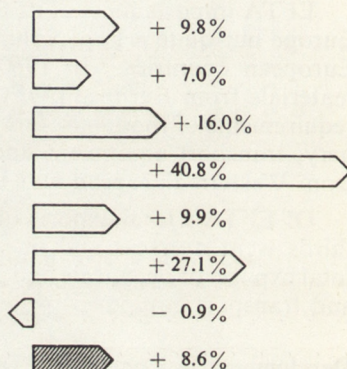
Percentage Increases in Intra-EFTA Trade

(1961 on a year earlier)

EXPORTS



IMPORTS



The rate of expansion in intra-EFTA trade levelled off as follows:

First half, 1960	+17.3%
Second half, 1960	+13.1%
First half, 1961	+10.9%
Second half, 1961	+ 8.4%
First quarter, 1962	+ 7.4%

This levelling off is in line with the general trend in Western European exports as a whole.

**PERCENTAGE OF EACH MEMBER COUNTRY'S TOTAL EXPORTS
GOING TO EFTA COUNTRIES**

	1959	1960	1961	1st quarter 1962
Austria	11.6	12.5	14.4	15.7
Denmark	40.5	42.6	42.6	44.0
Norway	38.9	43.4	42.9	39.6
Portugal	17.6	20.6	21.7	19.8
Sweden	33.7	34.4	35.5	35.0
Switzerland	15.3	15.9	16.1	17.5
United Kingdom	10.4	10.8	11.6	12.2
EFTA	17.9	18.9	19.7	20.2

As the table shows, the Scandinavian countries continued to have the most intensive EFTA trade. It is remarkable how some countries, particularly Austria, seized the trade opportunities offered by EFTA and increased their EFTA share of exports between 1959 and the first quarter of 1962.

Manufactured goods other than machinery, transport equipment and chemicals represent the largest group—30 per cent—of intra-EFTA trade. Machinery and transport equipment represent 24 per cent and chemicals a little over 7 per cent. Intra-EFTA trade in machinery and transport equipment experienced a remarkably high increase during the first half of 1961 compared with the corresponding period in 1960. Trade in these goods rose by 24 per cent. Chemicals were up by about 10 per cent and other manufactured goods increased by almost 15 per cent. Trade in food remained unchanged while crude materials, which are also of some, but lesser importance, decreased.

Finland's Trade

Due to the continuing boom in the Finnish economy, foreign trade in 1961 expanded further although at a lower rate than in the previous year. Exports reached \$1.051 million and were thus about 7 per cent higher than a year earlier. Imports amounting to \$1.147 million were up by 8 per cent. Most of the increase represents a growth in volume. Trade in the first quarter of 1962 continued to increase, with imports up by 10.2 per cent and exports by 12.2 per cent.

In line with the other Scandinavian countries, Finland did most of its trade with EFTA. More than a third of its trade is with EFTA and another third with the EEC; a little less than a fifth constituted trade with Eastern Europe (almost three-quarters of which represents trade

with the Soviet Union) and the remainder fell to the share of the rest of the world.

The proportions in the regional distribution of imports and exports did not change greatly in 1961; the share of Western Europe, however, increased at the expense of the trade with other main trading areas.

Western Germany is the leading supplier followed by the United Kingdom, the Soviet Union and Sweden.

On the export side the United Kingdom is the most important buyer with Western Germany and the Soviet Union in second and third place.

Finland's Foreign Trade by Commodities 1961

(million US \$)

Commodities	1961	1960	per cent Change	% Share 1961	1st quarter 1962*
<i>IMPORTS</i>					
Raw materials etc.	529.3	518.1	+ 2	46.1	139.6
Investment goods	323.7	290.7	+11	28.2	88.2
Consumer goods	191.6	148.3	+29	16.7	50.5
Fuels and lubricants	102.8	103.1	0	9.0	23.7
<i>TOTAL</i>	1147.4	1060.2	+ 8	100.0	302.0
<i>EXPORTS</i>					
Paper industry products	479.4	416.5	+15	45.6	120.9
Wood industry products	262.0	262.3	0	24.9	35.2
Round timber etc.	92.2	64.2	+44	8.8	7.5
Metal-working industry products	120.2	147.7	-19	11.5	38.0
Agricultural products	47.7	49.8	- 4	4.5	11.2
Others	49.5	45.5	+ 9	4.7	10.6
<i>TOTAL</i>	1051.0	986.0	+ 7	100.0	223.4

Source: Unitas. Oy Pohjoismaiden Yhdyspankki, No. 1, 1962.

* Preliminary figures.

Forest products constituted almost four-fifths of total exports in 1961. For the first time paper, increasing by nearly 15 per cent, was the largest item with a value of \$201 million, while exports of sawn goods amounted to about \$200 million. Sales of round timber rose by nearly 50 per cent while exports of metal manufactures, which accounted

for about 11 per cent of total Finnish exports in 1961, dropped from \$148 million in 1960 to \$120 million a year later.

As regards imports in 1961, purchases of consumer goods increased relatively more (up 29 per cent) than those of investment goods (up 11 per cent). In the following three months, however, imports of producer goods again rose faster than purchases of consumer goods. Imports of raw materials rose only a little in 1961, but by over 12 per cent in the first quarter of 1962.

Finland's foreign trade by areas in 1961

(mill. U.S. \$)

	Exports					Imports					Balance of Trade 1961
	1960	1961	% Change	% Share 1961	1st quarter 1962	1960	1961	% Change	% Share 1961	1st quarter 1962	
EFTA	344.2	364.8	+ 6	34.7	64.5	355.1	397.8	+12	34.7	110.6	— 33.0
United Kingdom	241.4	233.0	— 4	22.2	40.2	167.9	175.4	+ 4	15.3	47.1	+ 57.6
Continental EFTA countries	102.8	131.8	+28	12.5	24.3	187.7	222.4	+19	19.4	63.5	— 90.6
Nordic Countries	94.7	116.2	+23	11.1	21.8	154.8	185.0	+20	16.1	53.0	— 68.8
EEC	277.3	325.2	+17	31.0	64.2	366.0	399.4	+ 9	34.8	109.7	— 74.2
Western Germany	114.0	136.1	+19	12.9	27.1	205.6	244.2	+19	21.3	63.2	—108.1
East Bloc	192.5	189.4	— 2	18.0	49.2	218.4	219.6	+ 1	19.1	48.6	— 30.2
USSR	140.2	127.4	— 9	12.1	37.1	155.8	152.6	— 2	13.3	34.9	— 25.2
Others	172.0	171.7	0	16.3	45.2	120.6	130.2	+ 8	11.4	33.0	+ 41.5
USA	49.2	46.1	— 9	4.4	15.9	60.7	64.8	+ 7	5.7	16.2	— 18.7
TOTAL	986.0	1051.1	+ 7	100.0	223.1	1060.1	1147.0	+ 8	100.0	301.9	— 95.9

Source: Kansallis Osake Pankki, Economic Review 1962 — 1.
Bank of Finland, Monthly Bulletin, July, 1961.

PART IV

ASSOCIATION AGREEMENT WITH FINLAND

The Agreement creating an Association between the Member countries of the European Free Trade Association and the Republic of Finland, signed in Helsinki on 27th March, 1961, entered into force on 26th June, 1961 when all parties to the Agreement had deposited their instruments of ratification. The first tariff reduction and the first relaxation of quantitative import restrictions took place on 1st July, 1961, on which date duties on most of the trade in industrial goods between Finland and the EFTA countries was reduced by 30 per cent. At the same time a bilateral agreement between Finland and Denmark on trade in agricultural goods entered into force.

Operation of the Association Agreement

The Joint Council created by the Agreement held its first meeting in London on 29th June, 1961, with the United Kingdom Delegate to EFTA as Chairman. Since then the Joint Council has met 17 times. From 1st July, 1961 to 31st December, 1961 the Chair was held by Austria and from 1st January, 1962 to 30th June, 1962 by Denmark.

The Joint Council has taken 24 decisions by which Finland has adopted all the decisions which EFTA countries have taken among themselves in the trade field and the EFTA countries have applied those decisions in their relations with Finland.

Finnish representatives have participated in the work of such EFTA committees and working groups as deal with subjects of interest in the relations between the Member countries and Finland under the Association Agreement (the Customs Committee, the Committee of Trade Experts, and *ad hoc* working groups on various trade questions). Finnish representatives have also participated in the two meetings of the Consultative Committee of EFTA which have taken place since the entry into force of the Association Agreement.

The EFTA Secretariat provides the secretariat services for the Finland-EFTA Association and Finland therefore contributes to the budget of the Association by an annual payment.

Trade and Customs Questions

As mentioned above the Joint Council has adopted all the decisions previously taken by the EFTA Council in the trade field, and Finnish representatives have participated in the work of committees and working groups dealing with trade matters. The decision taken by the EFTA countries in November, 1961, to accelerate the date of the next 10 per cent tariff reduction from 1st July, 1963 to 1st March, 1962 (in the case of two countries not later than 1st September, 1962) was adopted by the Joint Council on the 8th May, 1962, *i.e.*, as soon as possible after the new Finnish Government had been formed. The Government has submitted a proposal to Parliament that the tariff reductions enter into force on the 1st August, 1962.

The Joint Council has in the course of the year discussed whether Finnish export and import control regulations for certain goods were compatible with the provisions of the Association Agreement. In both cases it was found that the measures taken did not infringe the obligations under the Association Agreement.

External Relations

The Joint Council is kept currently informed on the relations of EFTA with other relevant international organizations and arrangements have been made for keeping Finland informed of developments in negotiations between EFTA Member States and the European Economic Community.

The Association Agreement was submitted to GATT in accordance with Article XXIV of the General Agreement. The Contracting Parties at their 19th Session considered a report by a Working Party set up to examine the Agreement. The Contracting Parties approved the Report and, using the same formula as that employed in connection with the examination of the Stockholm Convention, reserved their right to revert to the matter in the light of developments.

APPENDIX

AMENDMENTS AND IMPLEMENTATION OF THE EFTA CONVENTION

The List of Qualifying Processes and the Basic Materials List

The Council decided to extend the validity of the qualifying processes permitting the use of non-Area wool tops in the manufacture of yarn until the end of 1962. The extension was granted in two steps: the first by Decision No. 24 of 1961 covering six months from 1st January, 1962; the second by Decision No. 8 of 1962 covering the remainder of the period.

Other questions relating to the lists of qualifying processes and basic materials have been examined during the year by the Council and the Committee of Trade Experts. A qualifying process for the production of pectin was established, when that product was removed from the list of agricultural goods in Annex D to the Convention, by Council Decision No. 23 of 1961. Decision No. 17 of 1961 made a few minor formal changes in other qualifying processes.

Documentary Evidence of Origin

The simplified arrangements for consignments of small value, introduced for a period ending on 31st December, 1961, by Decision No. 16 of 1960, were continued in force for an indefinite period by Decision No. 21 of 1961. A new form of declaration of origin, Form 1b, which makes more widely available the facility of putting the declaration on the ordinary commercial invoice, and thus dispensing with the need for a separate document, was introduced by Decision No. 20 of 1961.

Amendment of Annex D

By its Decision No. 23 of 1961 the Council decided to remove neat's-foot oil and pectin from the list of agricultural goods—Annex D to the Convention. The effect of this Decision is that the goods in question now enjoy the benefit of EFTA tariff reductions.

