

**Fourth Annual Report  
of the**

# **European Free Trade Association**



**Geneva - September 1964**

**1963 /1964**

**Fourth Annual Report**  
**of the**  
**European Free Trade**  
**Association**

Geneva - September 1964



## FOURTH ANNUAL REPORT: 1963-1964

### Table of Contents

	<i>Page</i>
<b>I: SURVEY OF THE YEAR</b>	
Economic Growth in 1963 . . . . .	7
EFTA Trade in 1963 . . . . .	9
Intra-EFTA Trade . . . . .	9
EFTA Trade with EEC and USA . . . . .	11
EFTA Trade with the Developing Countries . . . . .	12
<b>II: INTERNAL DEVELOPMENTS IN EFTA</b>	
Tariffs and Quotas:	
Further Reduction in EFTA Tariffs . . . . .	13
Quantitative Import Restrictions . . . . .	13
Annex G . . . . .	13
Origin Rules . . . . .	14
Annex D and Annex E . . . . .	14
Operation of the Free Trade Area:	
Drawback . . . . .	14
Price Differences in Agricultural Raw Materials . . . . .	15
Practices of Public Undertakings . . . . .	15
Restrictive Business Practices . . . . .	15
Establishment . . . . .	16
Double Taxation . . . . .	16
Industrial Standardization . . . . .	16
Study of Effect on Prices of Tariff Dismantling . . . . .	17
The General Consultation and Complaints Procedure . . . . .	17
Agriculture:	
Annual Review . . . . .	18

	<i>Page</i>
Bilateral Agreements . . . . .	18
Export Subsidies . . . . .	18
Economic Development Committee . . . . .	19
The Association with Finland:	
Tariffs . . . . .	20
Quantitative Import Restrictions . . . . .	21
The Consultative Committee . . . . .	21
Information Activities . . . . .	22
The EFTA Council and the Joint Council . . . . .	23
Administration and Finance . . . . .	23

### **III: EXTERNAL RELATIONS**

The GATT and the Kennedy Round . . . . .	25
The United Nations Conference on Trade and Development . . . . .	25
Organization for Economic Co-operation and Development . . . . .	26
Nordic Council . . . . .	26
Council of Europe. . . . .	26
EFTA Parliamentarians . . . . .	27
Inter-Parliamentary Union . . . . .	27
Visit of Secretary-General to the United States . . . . .	27

### **IV: ANNEX**

Amendments and Implementation of the EFTA Convention . . . . .	29
--	----



# **FOURTH ANNUAL REPORT OF THE EUROPEAN FREE TRADE ASSOCIATION**

**for the period 1st July 1963 - 30th June 1964**

## **I: SURVEY OF THE YEAR**

**T**HIS Report covers another year of consolidation and constructive activity for the European Free Trade Association. Production and trade in the EFTA countries continued to show steady gains; trade barriers inside the EFTA market were further reduced; and the EFTA countries continued their efforts to promote the liberalization of trade on a world-wide scale. The far-reaching decisions taken at the Ministerial meeting of the EFTA Council in Lisbon in May 1963 are now being put into effect: by the end of 1966, EFTA will have become a single market of 100 million people, almost completely free of tariffs and other restrictions on industrial goods traded between the EFTA countries.

Internal EFTA affairs in the past year were governed by the fact that industrial tariffs within the Association were reduced on 31st December 1963 to 40 per cent of their 1960 level, and by the realization that the abolition of tariff barriers might bring into greater prominence non-tariff barriers to trade. Accordingly, it began to study them in order to be prepared to counter by appropriate action any difficulties, if and when they arise. The Stockholm Convention foresees possible difficulties of this kind, and provides the basis for remedies. Administrative practices, restrictive business practices, requirements in respect of establishment—all these have been under study during the year to see if such practices frustrate the benefits which the EFTA countries expect to receive from the abolition of tariffs and quantitative restrictions. In addition, studies have been initiated on other matters which can affect trade—double taxation, duty “drawback”, and the desirability of enlarging the field covered by common standards. All these activities are reported in more detail in a later chapter.

**A**GRICULTURE was another matter on which action was intensified. The general rules of the Stockholm Convention relating to tariffs and quotas do not apply to the main agricultural



products. EFTA does, however, make provision for agriculture in four main ways: it has on various occasions enlarged the already considerable range of goods which, although essentially agricultural in character, receive the same tariff advantages as industrial products; it encourages bilateral agricultural agreements within the framework of the Convention; it provides for an annual review of trade in agricultural goods; and it calls for the establishment of rules for the gradual abolition of subsidized exports detrimental to Member States. During the past year, action was taken under all four of these headings.

Co-operative action was also begun to assist EFTA countries with problems of economic development. An Economic Development Committee was established and initiated action on a variety of needs. The Committee acts as a clearing house through which the specialized knowledge of all EFTA countries can be put at the disposal of those requiring it.

These various efforts to ensure the smooth functioning of the EFTA free trade area do not, however, represent any turning inwards in the economic policies of the EFTA countries. Such a change of direction could hold no attraction for a group of countries which are and must remain as dependent on external trade as any others. The EFTA countries recognize that their hopes for expansion and prosperity lie in the growth of world commerce; this fact remained the keynote of the external activities of EFTA during the past year.

THE "Kennedy Round" negotiations in the GATT, which formally opened in May 1964, constitute the outstanding attempt to reduce barriers to world trade. Most of the year covered by this report was taken up in efforts to negotiate rules for the "Kennedy Round" which would give it the best chances of success. The identity of purpose of the EFTA countries and their harmony of outlook in the main issues have enabled them to reinforce with conviction the efforts for agreement on the widest possible scale. The EFTA countries also played a full and constructive part in the United Nations Conference on Trade and Development, which took place in Geneva in the Spring of 1964.

The EFTA countries have been concerned to minimize any adverse consequences of the progressive establishment of two trading groups in Europe, and to avoid serious divergencies on questions of commercial policy or technical matters such as standardization and patents. To this end, they have kept one another informed about their contacts with members of the European Economic Community and with the Commission. Austria has provided its EFTA partners with full reports on the exploratory talks which, with the understanding of the other EFTA countries, took place during the year between Austria and the Community.



AT the close of its fourth year of existence, EFTA is fortunate in facing no immediately pressing difficulties. Its task in its fifth year will be to continue to consolidate its own development and to seek all possible means of liberalizing world trade, thereby contributing to its long-term objective of a single market embracing all of Western Europe.

## Economic Growth in 1963

THE past year brought continued and even increased prosperity to Western Europe as a whole. Indeed, most economic indicators turned upwards after the middle of 1963, some sharply. Among other EFTA countries, this was true of the United Kingdom, and since its production accounts for more than half the EFTA total, this revival transformed the annual economic growth rate for the group as a whole. The combined gross national products of the EFTA countries rose by 3.7 per cent in real terms in 1963, or double the increase of the previous year.

Accelerated growth was not confined only to the United Kingdom. Mid-1963 was also a turning point for several other EFTA countries. To some extent this was the result of expansionist policies put into effect by EFTA Governments to overcome the relatively poor performance of 1962. There is also no doubt that the revival got off to a good start in the spring of 1963. Many factors were operating, including a strong upsurge both of private consumption and of public spending.

One such example of economic revival in EFTA was *Austria*, where there had been an increase in the gross national product in the first quarter of 1963 of only 1 per cent above the corresponding period in 1962; by the final quarter of 1963 the Austrian economy was operating at a level 7 per cent higher than in the fourth quarter of 1962. Industrial output in Austria in 1963 was 4.2 per cent higher than the year before and activity in the consumer goods industries rose particularly quickly with an increase of production of 7 per cent. Gross fixed investment also showed signs of recovery in the second half of the year.

In *Denmark* and *Sweden* also, economic growth continued at satisfactory rates during the year. The Danish Government succeeded in curbing a threat of over-expansion without damaging the growth factors which had supported rapid increases in activity in previous years. In Sweden investment did not rise in private industry but this was balanced by strong expansion in consumer goods and housing construction. A policy of mild restraint on credit permitted a healthy growth rate. In both countries continued expansion was accompanied by only moderate increases in consumer prices compared with the previous year.



*Finland*, which has an agreement of association with EFTA and is playing its full part in the development of the free trade area, was another country whose economy took a sharp upward turn in the second half of 1963. Towards the end of the year, exports were rising and consumer demand likewise showed new signs of strength, helped particularly by an accelerated growth in industrial production, as well as a good harvest. The gross domestic product was 4 per cent higher than in the preceding year. *Norway* also, after a period of less rapid expansion in 1962, regained a higher growth rate from the middle of 1963. As a result the Norwegian gross national product was estimated to be 4.3 per cent higher in real terms than in the previous year. This revival—no doubt stimulated by the expansionary budget—was broadly based and has continued strongly in the first half of 1964.

After the slow beginning in 1963 it seems probable that the *Portuguese* economy expanded more rapidly in the second half of the year and achieved an overall rate of expansion of around 4 per cent. This was in spite of the fact that total agricultural production showed no increase from the previous year and may even have slightly declined.

In *Switzerland* there were signs at the beginning of 1963 that activity was levelling off and order books were getting shorter. But in the middle of the year demand began to rise, with the result that the gross national product probably increased by 4 per cent or 4.5 per cent in real terms during the year. In 1963 consumer prices rose by a further 3.4 per cent. Since Switzerland's resources are fully utilized, any new increases in demand merely serve to aggravate this pressure on prices, and in early 1964 the Government embarked upon restrictive policies to reduce the over-heating of the economy. These policies affect specifically the construction industry and the capital market. At the same time new restrictions were placed on the immigration of foreign labour, to avoid an increase in the foreign labour force, already amounting to almost 30 per cent of the total working population.

In 1960 the *United Kingdom* adopted as a target a rate of economic growth of 4 per cent a year in real terms for the period 1961-1966. In the first two years of that period, and particularly in 1962, little progress was made. In 1963, however, not only was there a 3.6 per cent increase in the gross national product, but in the final quarter the rate was running at 7 per cent higher than a year earlier—and industrial production was 8 per cent higher. There is every indication that this expansion has continued unabated into 1964, with industrial production almost 2 per cent higher in the first quarter than in the previous three months.

This recovery, which dated from mid-1963, was initiated by rising exports, consumers' expenditure and public investment. In the last quarter of 1963 there was also a sharp increase in stock-



building, and investment by manufacturing industry showed signs of recovery which continued into 1964. As a result of the high general level of activity, the rate of unemployment fell sharply and was only 1.4 per cent of the labour force by June 1964.

## **EFTA Trade in 1963**

A measure of the increase in world trade in 1963 is the fact that the value of total international trade in commodities increased by 10 per cent, or double the increase of the previous year. The increase of trade was shared by all the major trading groups of the Western world.

EFTA commodity exports to the rest of the world (including intra-EFTA trade) were valued at US \$ 23,294 million (f.o.b.) in 1963, or 8.2 per cent higher than the 1962 figure and 1.4 per cent higher than the average annual rate of increase in EFTA exports since 1959. Especially striking were the increases in the value of Danish and Portuguese exports, although the most significant effect on the EFTA figures as a whole was produced by the 7.2 per cent growth in United Kingdom exports during the year; this compared with an annual growth of 5.2 per cent since 1959.

Total EFTA commodity imports from the rest of the world were valued at US \$ 27,584 million in 1963, an increase of 6.8 per cent over the previous year. The rise in imports was slightly slower than that of exports.

The largest increase in EFTA trade in the past year was again within Europe: 61.1 per cent of total exports went to European countries, including EFTA countries, compared with 50.6 per cent in 1959. It is worthy of note that the total amount of trade between EFTA and the EEC is still rising as fast as trade within EFTA.

## **Intra-EFTA Trade**

THE 1963 figure for intra-EFTA trade showed an increase of 11 per cent over the previous year, maintaining the same average rate of growth as has prevailed since 1959. This increase is faster than the increase of total EFTA trade with the world. Consequently, intra-EFTA trade in 1963, which was valued at US \$5,312 million, represented 22.8 per cent of total EFTA exports, compared with 19.8 per cent in 1959.

The increase during the year in economic activity in Member countries, which has already been described, was accompanied by a faster expansion in trade between them (see Table). Noteworthy was the increase of nearly 10 per cent in British imports from EFTA—almost double the rate of increase which had prevailed in the previous three years. Since the United Kingdom accounts for 30 per cent of total intra-EFTA imports, this sharp rise had a



INTRA-EFTA <sup>1</sup> TRADE IN 1963 AND TOTAL IMPORTS (c.i.f.) AND EXPORTS (f.o.b.)  
BY COUNTRIES IN MILLIONS US \$ AND PERCENTAGE CHANGE  
ON 1962 AND 1959

	IMPORTS						EXPORTS					
	FROM EFTA			FROM WORLD			TO EFTA			TO WORLD		
	1963	1963/62	1963/59	1963	1963/62	1963/59	1963	1963/62	1963/59	1963	1963/62	1963/59
	mill. US \$	% change	% change	mill. US \$	% change	% change	mill. US \$	% change	% change	mill. US \$	% change	% change
Austria . . . .	233.5	+ 13.9	+ 72.7	1,675.4	+ 7.9	+ 46.4	220.0	+ 9.7	+ 88.4	1,325.3	+ 4.9	+ 37.5
Denmark . . . .	877.1	+ 2.4	+ 38.7	2,114.6	— 0.1	+ 32.6	872.0	+ 17.2	+ 51.3	1,865.4	+ 14.8	+ 35.7
Finland . . . .	392.8	+ 0.7	+ 65.7	1,201.0	— 1.6	+ 44.7	356.9	+ 6.9	+ 43.7	1,142.4	+ 4.1	+ 37.6
Norway . . . .	804.5	+ 20.1	+ 66.3	1,821.7	+ 10.1	+ 38.6	455.3	+ 9.3	+ 38.7	1,073.5	+ 10.3	+ 32.6
Portugal . . . .	144.2	+ 5.4	+ 46.2	651.0	+ 11.0	+ 37.5	94.3	+ 23.8	+ 84.9	416.9	+ 13.6	+ 43.8
Sweden . . . .	1,028.5	+ 14.0	+ 69.0	3,386.4	+ 8.8	+ 40.9	1,284.4	+ 13.9	+ 57.4	3,199.4	+ 9.6	+ 45.2
Switzerland . .	443.0	+ 11.3	+ 79.1	3,237.7	+ 7.8	+ 69.2	429.4	+ 8.5	+ 55.0	2,416.7	+ 9.1	+ 43.6
United Kingdom . .	1,694.0	+ 9.6	+ 28.5	13,496.5	+ 7.3	+ 20.8	1,599.6	+ 7.3	+ 43.5	11,854.7	+ 7.2	+ 22.5
EFTA . . . .	5,617.6	+ 10.1	+ 49.4	27,584.3	+ 6.8	+ 32.3	5,311.9	+ 11.0	+ 50.6	23,294.3	+ 8.2	+ 30.6

<sup>1</sup> EFTA including Finland.

Sources: OECD Series A and Finland: Foreign Trade.



considerable effect on the figures for the area as a whole. It should be noted, however, that the most rapid increases in imports from EFTA sources were in fact recorded by Austria, Norway and Sweden. The increase of United Kingdom imports from other EFTA countries became even more pronounced in the first months of 1964. Provided the British economy continues to operate at its present high level, 1964 should give an even greater increase in intra-area trade, the more since EFTA's internal tariffs have now been reduced to 40 per cent of their 1960 levels.

The contribution of trade between the Scandinavian members of EFTA to the growth of intra-EFTA trade is also striking. More than half of total intra-EFTA exports now originate in the Scandinavian countries and in the four years since the Stockholm Convention was signed, the trade of those countries with each other has increased by 75 per cent, while Scandinavian exports to other EFTA countries have increased by 42 per cent. This development, which no doubt owes a great deal to the relative homogeneity of the Scandinavian countries and to their geographic contiguity, continued during 1963 and into 1964.

Although the foreign trade of Austria and Switzerland is still very closely linked to their neighbours in the Six, it should be noted that the EFTA trade of both these countries has been growing more rapidly since 1959 than their trade with the EEC. Switzerland has increased its EFTA imports by 79.1 per cent since 1959 and Austria by 72.7 per cent—the highest rates of growth registered by the EFTA countries. Austria also has the highest increase of exports to her EFTA partners—88.4 per cent since 1959, a figure affected by the smallness of exports to EFTA before that year. Of equal importance is the fact that the great increase of Austrian exports to EFTA has been mainly in the products of Austria's newer manufacturing industries, whereas the EEC continues to buy from Austria mainly raw materials and semi-finished goods which were traditionally Austria's principal sources of foreign exchange earnings.

## **EFTA Trade with EEC and USA**

**A**S already stated, EFTA exports to the EEC increased in 1963 as fast as intra-EFTA trade. The figures for 1963 were: exports (f.o.b.) US \$6,407 million: imports (c.i.f.) US \$8,435 million. The result was a deficit on visible trade of about US \$2,000 million. In 1963, however, EFTA exports to the EEC grew by 11 per cent and imports by only 4.6 per cent, indicating some movement towards a closer balance. All EFTA Member countries increased their exports to EEC faster than their imports. Although the Danish increase in exports to the EEC, of 16.8 per cent, was particularly striking, it was once again the United Kingdom figures which had the most effect on the total. Since



1959 the share of total British exports going to the EEC has increased by half, from 14.7 per cent to 21 per cent. The United Kingdom, incidentally, is the only EFTA country which has a surplus in its visible trade with the EEC.

The increase in economic activity in the United States in 1963 enabled EFTA countries to continue the recovery in exports to that area which began in 1962, after three years of decline. In 1963 total EFTA exports to the United States rose by 4.3 per cent to US \$1,839 million, compared with a 3.3 per cent increase in the value of imports from that area to US \$2,530 million. All EFTA countries increased the value of their exports to the United States, the largest increases being registered by the United Kingdom and Sweden.

### **EFTA Trade with the Developing Countries**

EFTA's trade with the developing countries of Africa, Asia and Latin America, measured at current prices, showed rapid expansion during 1963 from the more or less stagnant state of the previous year. EFTA imports rose by 7.7 per cent to US \$5,658 million (c.i.f.), and exports, at US \$4,566 million (f.o.b.), were 2.8 per cent higher. These movements increased the commodity trade deficit of EFTA with the developing countries to US \$1,092 million.

The United Kingdom accounts for about three-quarters of EFTA trade with the developing areas, as compared with just over half of total EFTA trade. The rise in the trade by the other EFTA countries with the developing countries has been partly counter-balanced by the decline in the latter's share of United Kingdom trade in recent years. Total EFTA imports from developing countries increased by only 14 per cent in the period 1959-1963, whereas if the United Kingdom is excluded, imports increased by 28 per cent in the period. Even so, this still represents a very small proportion of total EFTA imports.

United Kingdom trade with developing countries showed, however, a substantial increase in value during 1963 and this was the principal reason for that year's expansion in EFTA's trade with these countries. The largest increases in British imports from these areas were from Africa (14.3 per cent) and Latin America (11.2 per cent); imports from Asia were almost unchanged from the 1962 level. Asia, however, remains the largest supplier of imports for the United Kingdom. For the other EFTA countries (except Portugal) Latin America has the lead.

Exports to the developing countries by EFTA represented a fifth of total area exports in 1963, with Asia taking almost half this total. Last year saw a partial recovery in exports to these regions after a decline in 1962, with increases of 7 per cent and 10 per cent in exports to Asia and Africa.



## II: INTERNAL DEVELOPMENTS IN EFTA

### TARIFFS AND QUOTAS

#### Further reduction in EFTA tariffs

**I**N accordance with the accelerated timetable agreed at the Ministerial meeting in Lisbon in May 1963, a further 10 per cent cut was made on 31st December 1963 in the tariffs on industrial goods traded between EFTA Members. These duties have thus been reduced to 40 per cent of the basic level (the basic duties are those which were applied on 1st January 1960). The elimination of the remaining 40 per cent will take place in three steps; reductions of 10 per cent will be made on 31st December 1964 and 31st December 1965, and the final 20 per cent will be eliminated at the end of 1966.

#### Quantitative Import Restrictions

By the end of June 1963, Member States had abolished most quantitative import restrictions, and during the year have considerably enlarged the remaining quotas. Following the instructions given by Ministers in Lisbon in 1963, a working party has studied the remaining restrictions in the light of the obligations in paragraph 3 of Article 10 of the Convention to see whether all remaining quotas are being enlarged sufficiently rapidly so that no burdensome problems will exist when the time for complete abolition of quotas arrives. The examination showed that, in general, liberalization had been carried far and that the number of quantitative restrictions in force after 1964 would be fairly limited.

The position in respect of the remainder will be further examined during the early spring of 1965, when data on programmes for their relaxation should be more complete and when further experience should be available.

#### Annex G

As part of the agreements reached at the Lisbon Ministerial meeting, a few changes were made in the list of goods which, when



imported into Portugal, are subject to the slower timetable of duty reductions applicable under Annex G to the Convention.\*

## **Origin Rules**

The EFTA origin rules have continued to operate satisfactorily. It was decided to continue indefinitely those origin criteria which had hitherto been subject to a time limit; a modification was introduced in one case, and provision was made in another for review if necessary at the end of 1965.\*

## **Annexes D and E**

Following an initiative taken at the Ministerial meeting in Lisbon some further items were deleted from the list of agricultural products (Annex D to the Convention), and thus were brought within the provisions of the Convention for full free trade area treatment. Additional proposals to delete whale meat and whale meat extract from the list of marine products (Annex E) were approved by the Council in September 1963 and June 1964 respectively.\*

## **OPERATION OF THE FREE TRADE AREA**

### **Drawback**

The chief concern of both the Committee of Trade Experts and the Customs Committee at their meetings during the year was the problem of drawback. Drawback can take a number of forms, but its essential feature is that special relief from import duty is provided for goods if they are subsequently exported, or for imported materials when they are used in the production of goods for export.

The main task of the Committee of Trade Experts, in its meetings during the year, has been to study the general economic effects of either (a) continuing to allow drawback or (b) not allowing drawback for EFTA goods after 31st December 1966, when they will be free of import duties within EFTA.

The Customs Committee has during the year been examining the drawback question from a different angle. Its task has been to study the administrative and procedural implications that would be involved in a decision to disallow, with effect from 31st December 1966, EFTA tariff treatment for goods which benefit from drawback concessions in the country of production.

---

\* Details of these changes are in the Annex to this Report.



## **Price Differences in Agricultural Raw Materials**

During the second half of 1963, a working party completed an initial study of various possible solutions to the problems arising for some Member States from the fact that some manufactured products, e.g. sugar confectionery, biscuits, etc., contain a high proportion of Annex D agricultural raw materials which are not subject to the abolition of tariff duties and whose domestic price is significantly higher than the world market price. At the Council's request, a report on the practical aspects of the matter has been prepared by the Secretariat and will be considered by the Council.

## **Practices of Public Undertakings**

Article 14 of the Stockholm Convention calls for the elimination in Member States, by the end of 1966, of practices of public undertakings which result in protecting home production or in trade discrimination on grounds of nationality. The committee of Trade Experts has begun a study of these practices, with a view to making recommendations to the Council for further action by Member States.

Because the Committee felt that it was impracticable to investigate simultaneously all practices of public undertakings falling under Article 14, it decided that two separate studies should be undertaken. These studies, covering (a) the procurement policies, and (b) the trading activities of public undertakings, will be carried out by a special sub-committee, which will hold its first meeting during the second half of 1964. The sub-committee will base its enquiries on information already submitted by the EFTA countries to the OECD, as well as on additional information to be provided.

## **Restrictive Business Practices**

As a result of the Lisbon meeting of the Council, a working party on restrictive business practices was set up, holding its first meetings in April and June 1964.

The task of the working group is to examine, on the basis of facts, whether any provisions other than those of Article 15 of the Stockholm Convention are required to deal with the effects on trade between Member States of restrictive business practices or action by dominant enterprises. The group has carried out a general survey of national legislation and practice in the field of restrictive business practices; it has also examined a number of hypothetical cases in order to find out what legal and administrative means are available to ensure that the obligation in Article 15 can be met. The work of this group is continuing.



## **Establishment**

Article 16, paragraph 1 of the Stockholm Convention is designed to prevent Member States from hampering the development of the free trade area by discriminating against the nationals of other EFTA countries by applying restrictions on the setting-up or operation of economic enterprises. Following the Lisbon meeting, a working party was set up to examine, on the basis of facts, whether further or different provisions were necessary to give effect to the principle of this paragraph of the Convention. The group met for the first time from 15th-17th June 1964, and carried out a preliminary survey of national legislation and practice in this field, on the basis of memoranda submitted by the Member States. It will pursue its investigation by means of a questionnaire; a further meeting will be held in the autumn of 1964.

## **Double Taxation**

In July 1963 the OECD Council adopted a Draft Double Taxation Convention on Income and Capital. At the same time, it recommended to Member countries which are also Members of regional groupings that they should examine the feasibility of concluding, within these groupings, multilateral conventions based on the OECD Draft Convention.

The EFTA Council agreed in March 1964 to set up a working party to examine whether it is technically feasible to establish a multilateral EFTA Convention on double taxation. The working party, on which all Member States and Finland were represented, met in Geneva on 20th-21st May 1964. It tentatively concluded that it would be technically possible to work out such an EFTA Convention. The task would, however, raise a number of practical difficulties, which would have to be examined before a final answer on its feasibility could be given. The working party therefore suggested that the work should be continued, and that a mandate should be given to try to work out, on the basis of the OECD Draft Convention, an EFTA Convention to be concluded between all Member States and Finland. The Council agreed to this mandate, and asked the working party to continue along these lines.

## **Industrial Standardization**

An important subject discussed at the Ministerial meeting of the EFTA Council in February 1964 was that of industrial standardization. Differences in standards can be a serious obstacle to international trade. The Ministers, recognizing the need for "standards which would have the widest possible application, both in Europe and elsewhere", agreed that a working party of experts from



Member countries and Finland should be set up to study what EFTA could do in this field.

The working party met in Geneva at the end of May 1964. In its report, which was endorsed by the Council, it concluded that there was no question of EFTA setting up its own standards; it should support the activities of the international standards organizations. Member States could best do this by strengthening their national standards bodies and ensuring that, as far as possible, national standards are aligned with agreed international standards. Within EFTA, the working party suggested that new statutory regulations enforcing standards of importance to EFTA trade should be notified to Member countries for comments before entering into force.

### **Study of Effect on Prices of Tariff Dismantling**

There has been growing interest in both public and private circles in Member countries in finding out what advantages consumers have derived from the Stockholm Convention. One field of primary interest is the effects on prices of the tariff dismantling between EFTA countries and a group of experts from Member countries met on 16th and 17th June 1964 to discuss ways and means of measuring these effects. Because of the interest in information on consumer prices the meeting of experts agreed that Member countries should, in the first instance, concentrate their studies on the effects on consumer prices, with the possibility that further studies on the indirect effects of tariff dismantling on prices might follow later.

It was decided that Member countries should make pilot studies in their own countries in order to ascertain the methods which would give them the best results. Provisionally, it was hoped that final studies would be completed by mid-1965 with the aim of having an EFTA publication ready during the autumn of 1965.

### **The General Consultations and Complaints Procedure**

Under Article 31 of the Stockholm Convention, Member States may refer to the Council any question of practices by another Member State which they consider frustrate the benefits to be expected under the Convention. During the year covered by this Report, this procedure for consultations and complaints was used only once. A Member State reclassified a certain product under a new heading of the Brussels Nomenclature, thus raising the question of what the basic EFTA duty and the quota situation should be. The basic grounds for the complaint were removed when the Member country in question accepted the decision by the



Nomenclature Committee in Brussels, which had been consulted in the matter, that the earlier classification was correct. The Nomenclature Committee co-operated most readily with the Association in clarifying this question.

## **AGRICULTURE**

Although, as mentioned in the Introduction to this Report, agriculture does not feature in the general provisions of the Convention, action is taken by the Association under several heads to encourage agricultural trade among the Member States.

### **Annual Review**

The EFTA Council is required once a year to examine the development of trade in agricultural goods, and to consider what further action should be taken in pursuit of the Association's objective of facilitating an expansion of agricultural trade that will provide reasonable reciprocity to those Member States whose economies are largely dependent upon agricultural exports.

The first of these reviews began at the end of the year covered by this Report. A first meeting, lasting two weeks, was held by the Agricultural Review Committee set up in the previous year to assist the Council. This meeting was devoted to an examination of the development of trade in agricultural goods over the past six years. It is expected that the Committee will complete its review in September 1964.

### **Bilateral Agreements**

A new and revised bilateral agreement on agricultural trade was reached between Denmark and Sweden; it replaced an earlier agreement concluded in 1960. Sweden also concluded a bilateral agreement with Portugal. Both these agreements form an integral part of the free trade area arrangements.

### **Export Subsidies**

The Stockholm Convention lays it down as an objective of the Council "to establish rules for the gradual abolition of subsidized exports (of products listed in Annex D) detrimental to other Member States". This objective is contained in Article 24, paragraph 2 of the Convention.

A working party has met on a number of occasions to examine subsidized agricultural exports which cause damage to Member States and, having regard to the provisions of Article 24, to make



recommendations about the rules to be adopted thereunder. So far it has studied in turn the legal aspects of Article 24 and the development of trade in agricultural products to which the rules in paragraph 2 of Article 24 might be applied. It has also held a first discussion on the most suitable procedures for the implementation of this paragraph. The working party expects to be able to present recommendations to the Council in October 1964.

## **ECONOMIC DEVELOPMENT COMMITTEE**

Among the most important results of the Lisbon Ministerial meeting of the EFTA Council in May 1963 was the decision to set up an Economic Development Committee, charged with the responsibility of "examining such questions relating to economic development in Member States as the Council may refer to it, including questions in this field relating to circumstances created by the dismantling of trade barriers among them, and in appropriate cases to study the ways and means of promoting and facilitating collaboration among them in financial, technical and similar matters". During the year the Committee held two meetings, and convened a number of working parties which met to discuss specific matters referred to them. The Committee includes representatives of all Member States; as a result of the Joint Council meeting in Helsinki in September 1963, it also includes Finland.

The Committee met for the first time in Geneva from 11th to 14th November 1963. Subjects discussed at this meeting were:

- (a) regional development problems;
- (b) techniques of financing industry;
- (c) the Portuguese machine tool industry;
- (d) techniques of transport planning;
- (e) production, processing and marketing of vegetables and fruit in Portugal;
- (f) the creation of wood-using industries in Portugal;
- (g) the marketing of new Finnish export products; and
- (h) co-operative arrangements in industrial production.

The report of the Committee on this meeting was considered and approved by the EFTA Council and the Joint Council on 3rd December 1963, and satisfaction was expressed at the way in which the Committee had done its work. Following the Committee's recommendations, the Council made arrangements for meetings of working parties on the Portuguese machine tool industry and on the Portuguese wood-using industry. A colloquy on regional development was held in Geneva in June 1964.



A second meeting of the Economic Development Committee took place from 22nd to 24th June 1964, in Geneva. The meeting discussed progress on the various enquiries begun at its first meeting; it also considered several new proposals, including:

- (i) methods of export promotion;
- (j) sub-contracting between Portuguese industries and firms in other EFTA countries;
- (k) development of tourism in Portugal; and
- (l) transport problems, including techniques of transport planning, techniques of transporting in bulk and of storage, handling and conveyance of perishable goods, standardization of load units used in maritime transport, and the organization of education in the transport field.

## THE ASSOCIATION WITH FINLAND

At the meeting of the Joint Council held at Ministerial level in Helsinki in September 1963, it was decided that the EFTA Council Decision taken in Lisbon in May to accelerate the timetable of duty reductions should apply in relations between Finland and the Member States. However, in recognition that Finland became associated with EFTA only in 1961, a slightly different timetable was agreed for the reduction of duties on EFTA imports into Finland. This timetable is as follows:

<i>Date</i>	<i>Reduction to</i>
1st May 1964	40 per cent of the basic duties *
1st March 1965	30 per cent of the basic duties
31st December 1965	20 per cent of the basic duties
31st December 1966	10 per cent of the basic duties
31st December 1967	Abolition of duties

## Tariffs

The Joint Council adopted a new timetable in respect of those goods which are covered by Annex I of the Agreement of Association. Tariffs on these goods were reduced to 60 per cent on 1st May 1964; future reductions will be to 50 per cent on 1st March 1965, to 40 per cent on 31st December 1965, and by further steps of 10 per cent on each 31st of December in subsequent years until abolition of the tariffs on 31st December 1969.

In accordance with these timetables, Finland, on 1st May 1964, made a cut of 10 per cent in her import duties on most industrial

---

\* Those duties applied on 1st June 1961.



goods imported from her EFTA partners, reducing these duties to 40 per cent of their basic level, and made a 20 per cent cut in duties on EFTA imports for those items listed in Annex I of the Finland-EFTA Agreement, reducing these duties to 60 per cent of their basic level.

### **Quantitative Import Restrictions**

The Joint Council also adopted the Lisbon Decision to accelerate the elimination of quantitative import restrictions on trade between its Member States. In line with the timetable agreed for the reduction by Finland of its duties on imports from EFTA, Finland will undertake to abolish such quantitative restrictions not later than 31st December 1967—one year later than the date undertaken by the Member States of EFTA. However, the Joint Council agreed that when the time approached, it would re-examine the question of whether Finland could not complete its programme of liberalization at the same time as EFTA countries.

### **THE CONSULTATIVE COMMITTEE**

Two meetings of the EFTA Consultative Committee were held during the year, and were presided over by the Minister at that time Chairman of the EFTA Council. The Committee was established in 1961 as a forum for an exchange of views and information between the executive and administrative organs of the Association—the Council and the Secretariat—and representatives of the main sectors of economic life in the EFTA countries, including Finland; the Committee's members are appointed, however, in their personal capacities.

The sixth meeting of the Committee was held in Stockholm from 10th to 11th October 1963. The meeting discussed a wide range of topics concerning co-operation within EFTA; in addition, it discussed a report, prepared by a group of Committee members, on the rôle of the Committee. As a result of these discussions, a dialogue between the Council and the Committee has been opened on specific current questions of EFTA policy, complementing the Committee's general function as an adviser to the Association.

The seventh meeting of the Committee was held in Basle from 5th to 6th May 1964. Discussion at this meeting ranged over a wide field of topics. Members showed particular interest in the policies and methods to be adopted by EFTA in investigating non-tariff impediments to trade such as administrative arrangements, restrictive business practices, and other matters influencing the conditions of competition. These are all matters where the advice of non-governmental institutions, such as are represented on the Committee, is particularly relevant. The Committee welcomed



the steps taken since the previous meeting to bring about the detailed exchange of views between the Committee and the Council; this exchange, it was felt, enabled the Committee to fulfil its rôle more fruitfully by concentrating its discussion on topical issues and by transmitting its views to the policy-making Council. The Committee also discussed the implications of the present exercise on drawback.

## INFORMATION ACTIVITIES

Following a decision by the EFTA Ministers at their meeting in Stockholm in September 1963, the information activities of EFTA were reorganized and substantially enlarged.

In December 1963 a "round table" discussion on EFTA, organized by Business International, Inc., was held in Geneva. This discussion enabled executives of nearly fifty major American and European corporations with international business interests to meet EFTA representatives, including Ministers from Sweden, Switzerland and the United Kingdom, senior officials from EFTA capitals, EFTA delegations in Geneva, and members of the EFTA Secretariat. A report prepared by Business International entitled "EFTA—Today and Tomorrow", was later put on sale.

In the early part of 1964, meetings were held in Geneva between the Secretariat and representatives of Chambers of Commerce, industrial federations, banking associations, trade unions and other bodies. These meetings provided the opportunity for the visiting groups to learn about recent events in the Association, and for the Secretariat to investigate which kinds of information about EFTA it could most usefully supply to them. Further advice on information policy was provided by meetings, in August 1963 and June 1964, of information experts from EFTA governments.

The "EFTA Bulletin", published in Geneva, and the "EFTA Reporter", issued by the Information Office in Washington, D.C., have appeared in revised form in recent months. A number of new publications were issued in the year covered by this report.

Information activities on behalf of the Association but outside the EFTA Secretariat were intensified during the year. The *International EFTA Action Committee*, which had suspended its activities during the negotiations between several EFTA countries and the EEC, resumed its active work with a meeting in London on 27th April 1964. This meeting was attended by about 40 representatives of the industrial, trading and parliamentary communities of the eight countries of the free trade area; the chairman was Sir Edward Beddington-Behrens CMG, MC. The meeting provided an opportunity for the discussion of all current EFTA business,



including external relations as well as problems arising within the area. The Committee reaffirmed its objective as being "to stimulate interest in EFTA and the opportunities it provides; and to promote understanding of the need to consolidate EFTA in its own right, and as one of the means to wider European economic integration, as well as of freeing the channels of world trade".

## **THE EFTA COUNCIL AND THE JOINT COUNCIL**

The EFTA Council and the Joint Council met 42 times and 24 times respectively during the year. The EFTA Council met at Ministerial level in Stockholm from 11th to 12th September 1963 and in Geneva from 13th to 14th February 1964; Ministerial meetings of the Joint Council were held in Helsinki on 13th September and in Geneva on 14th February. (The two Councils also held Ministerial meetings in Edinburgh on 9th and 10th July 1964.) All other meetings of the Councils were held in Geneva, with Member Governments represented by officials.

## **ADMINISTRATION AND FINANCE**

During the year the staff of the Secretariat in Geneva was increased from 50 to 69; the number in the professional category rose from 23 to 30, and in the general service category from 27 to 39. The staff of the Washington Information Office remained at 6: 1 in the professional category and 5 locally engaged.

The Association's net budget for 1963-1964 (including a supplementary budget for the year) was Sw. Frs. 4,055,700. The budget for the financial year 1964-1965 has been established at a gross figure of Sw. Frs. 4,416,500 or Sw. Frs. 4,390,500 net. The Budget Committee held two meetings during the year.

The scale of contributions to the EFTA budget is determined by reference to the 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. For 1964-1965, as for previous years, the individual national contributions to the EFTA budget are: United Kingdom, 30 per cent; Sweden, 22.11 per cent; Switzerland, 16.09 per cent; Denmark, 10.08 per cent; Austria, 9.51 per cent; Norway, 8.24 per cent; and Portugal, 3.97 per cent. By annual agreement, Finland also makes a contribution to the total. In practice, this has been between  $6\frac{1}{4}$  and  $6\frac{1}{2}$  per cent.



### **III: EXTERNAL RELATIONS**

#### **The GATT and the Kennedy Round**

**F**ROM the outset the EFTA countries have made it clear that they would do all in their power to attain the full objectives of the Kennedy Round, subject, of course, to reciprocity being provided by other countries for the benefit of EFTA exports. They support the principle that these trade negotiations shall cover all classes of products (agricultural, fishery and primary products as well as industrial) and that they shall deal not only with tariffs but also with non-tariff barriers. They have consistently worked for the realization of the important objective of a 50 per cent linear reduction of tariffs with a bare minimum of exceptions. A successful outcome would contribute to one of EFTA's principal aims: an expansion of world trade and the progressive removal of trade barriers. Further it would make a valuable contribution towards mitigating the problems in Europe arising from the existence of two separate market groupings.

In March 1964, the periodic EFTA report on progress made in implementing the Stockholm Convention was presented at the resumed 21st Session of the Contracting Parties. The report did not give rise to any comments.

#### **The United Nations Conference on Trade and Development**

As early as September 1963, when the United Nations Conference on Trade and Development was still in a preparatory stage, the EFTA countries recognized fully the opportunity offered by the Conference for the European nations and the other industrialized countries to work together with the developing countries in efforts to expand and develop their economies. To that end, there were consultations in the Council and among experts in Geneva, as well as between the delegations of the EFTA countries in the various international economic organizations dealing with the preparations for the Conference. This close contact continued throughout the Conference itself and will be maintained in following up its outcome.



## **Organization for Economic Co-operation and Development**

The Secretary-General of EFTA was present at the Ministerial Meeting of the OECD in November 1963. Members of the Secretariat have attended a number of meetings of interest to EFTA—in particular the meetings of the Trade Committee, the Economic Policy Committee and the Economic and Development Review Committee.

## **Nordic Council**

Formal relations between EFTA and the Nordic Council were established at the beginning of 1964, through an exchange of letters between the Presidency of the Nordic Council and the Secretary-General. The EFTA Secretariat is now represented at the sessions of the Council; this occurred for the first time in February 1964, when the Deputy Secretary-General attended the Council session in Stockholm.

## **Council of Europe**

EFTA's Annual Report is submitted each year to the Consultative Assembly of the Council of Europe, and is debated, together with the Report of the EEC Commission, in the context of the Assembly's general debate on European Economic Relations.

The Third Annual Report of EFTA was presented to the Consultative Assembly on 18th September 1963 by Mr. Gunnar Lange, Minister of Commerce of Sweden and then Chairman of the EFTA Council. He was assisted by the Secretary-General. In reply, the Assembly adopted unanimously Resolution 252 (1963), which welcomed "the reaffirmation given by the EFTA Council that it remains the objective of the seven countries to seek agreement with the EEC and other European countries on the creation of a single united European market". It also welcomed the Lisbon decisions of the EFTA countries "as evidence of their determination, pending such an agreement, to go forward with the integration of their economies by eliminating not only tariffs and quotas but also other artificial trade barriers with a view to ensuring fair competition, a fair balance of advantages to all EFTA countries and a harmonious development of the area as a whole". The Resolution invited the EFTA Governments, in proceeding with their integration policies, "to take into consideration parallel developments in the European Economic Community with a view to an eventual merger with that Community" and "to avail themselves of the possibilities offered through the Council of Europe, OECD, ECMT and otherwise to continue and expand co-operation in all other fields".



Officials of the Secretariat attend the debates of the Consultative Assembly as observers; they also attended the tenth and eleventh joint meetings between the Assembly and the European Parliament.

### **EFTA Parliamentarians**

In a new expression of EFTA co-operation, the Parliamentary delegations from EFTA countries to the Council of Europe met together informally twice during the year, in September 1963 and April 1964, to discuss the general lines of EFTA policy. Mr. Per Federspiel, Member of the Danish Parliament, was in the chair on both occasions; the meetings were also attended by the Secretary-General. The Parliamentarians agreed that the meetings provide a valuable opportunity for an exchange of views, and should be repeated from time to time.

These meetings have been opened to the Press and have no formal connection with the Council of Europe. The discussions are broad-ranging and frank; no detailed records are kept, and no resolutions are passed.

### **Inter-Parliamentary Union**

The spring meeting of the Inter-Parliamentary Union, which took place in Lucerne in April 1964, provided a further occasion for a meeting between Parliamentarians from EFTA countries, members of the delegations from Geneva and the Secretariat. At this meeting M. Olivier Long of Switzerland, then Chairman at official level of the EFTA Council, gave an account of recent progress in EFTA.

### **Visit of Secretary-General to the United States**

The Secretary-General visited the United States early in April 1964 to meet United States Government officials, to consult with representatives of the EFTA countries in the United States, to fulfil a number of public engagements, and to visit the information office operated by EFTA in Washington DC.



## **IV. ANNEX**

### **Amendments and Implementation of the EFTA Convention**

#### **Amendments to the list of goods to which the special timetable in Annex G applies**

At its fifth Meeting in 1964, the Council agreed with the proposals of the Portuguese Delegation that, as compensation for the inclusion in the Annex G régime of ceramic insulators and cement, as agreed by Ministers at the 16th Meeting of the Council in 1963, the following items should be excluded from that régime: certain heterocyclic compounds, cream separators, and photographic cameras and photographic flashlight apparatus weighing up to 20 kg, each.

#### **Amendments to Annex B to the Convention**

Under Decision of the Council No. 18 of 1963, a new qualifying process was introduced for infants' embroidered outer garments, complete and ready for wear, falling under Brussels Nomenclature heading ex 61.02. The decision provides for these garments the same qualifying process as for dresses, skirts, etc.

Under Decision No. 19, Schedules I, II and III of Annex B were amended to prolong indefinitely those origin criteria which had previously been subject to a time limit. The origin criteria in question were the inclusion of certain iron and steel products on the Basic Materials List and certain qualifying processes for organic chemicals, for leather, for all types of goods covered by chapters 84 to 90 of the Brussels Nomenclature (machinery, electrical equipment, vehicles, optical and scientific instruments, etc.) and for certain textile goods and garments. The Decision provided for review at the end of 1965 of the criteria relating to the use of synthetic textile fibres and also made certain changes in the criterion for textile belts and belting.



## **Amendments to Annex D to the Convention**

Under Council Decision No. 16 of 1963, Annex D was amended so as to remove from that Annex as from 31st December 1963, certain goods and so bring them within the scope of the normal EFTA provisions. The goods concerned were certain sausage casings of pigs, certain edible guts, bladders and stomachs of sheep and pigs (ex BN 05.04), garlic (ex BN 07.01 and ex BN 07.04), fresh figs (ex BN 08.03), almonds and chestnuts (ex BN 08.05), certain olive oil for technical use (ex BN 15.07), olives prepared or preserved otherwise than by vinegar or acetic acid (ex BN 20.02), and prepared or preserved nuts (ex BN 20.06),

Under Decision No. 1 of 1964, Annex D was further amended by the deletion, as from 1st July 1964, of edible guts, bladders and stomachs of bovine animals (other than sausage casings) (ex BN 05.04), honeydew and ogen melons (ex BN 08.09) and seeds of coniferous species (ex BN 12.03).

## **Amendment to Annex E to the Convention**

Under Council Decision No. 17 of 1963, Annex E was amended by the deletion of whale meat. Consequently, as from 31st December 1963, whale meat (ex BN 02.04) became subject to the same tariff reductions and other provisions of the Convention as applied to industrial goods.

Under Decision No. 11 of 1964, Annex E was further amended by the deletion, as from 30th September 1964, of whale meat extract (ex BN 16.03).



*Published by the Secretariat of the European Free Trade Association,  
Geneva, Switzerland.*

*Printed by Imprimerie H. Studer S.A., Geneva,  
for the European Free Trade Association.*

Swiss Francs 3.00 equivalent, excluding local taxes.