

1972-1973

Thirteenth Annual Report
of the
European Free Trade
Association



Geneva - September 1973

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I. Survey of the year

The year in EFTA: July 1972 - June 1973

The new trading pattern in Europe

The period July 1972 - June 1973 saw far-reaching changes in the trading arrangements of Western Europe. The previous division into two separate trading groups—a free trade area between the nine EFTA countries and a customs union between the six countries of the European Communities—was bridged over by a network of agreements by which the whole region will become in effect an area where substantially all the trade will be duty free. For most products this free trade will be achieved by the middle of 1977.

The new pattern emerged as a consequence of two principal events.

One was the accession on 1st January 1973 of two former EFTA Members, Denmark and the United Kingdom, to the European Economic Community, the European Coal and Steel Community, and Euratom. Ireland also became a Member of the Communities on the same date. As recorded in last year's Annual Report, Norway had also signed the Accession Treaty with the Communities in January 1972. However, a referendum held in September 1972 did not give a majority in favour of membership and the objective of membership was therefore not pursued.

The other event was the conclusion, in mid-summer 1972, of the negotiations between the other EFTA countries and the enlarged Communities on the terms of Free Trade Agreements (FTAs) between them. On 22nd July FTAs were signed in Brussels by five Member States, Austria, Iceland, Portugal, Sweden and Switzerland. Finland, the Associate of EFTA, initialled agreements with the Communities but had not signed them before the end of the year under review.

Each of these countries concluded one agreement with the European Economic Community (EEC) and a separate agreement with the European Coal and Steel Community (ECSC) and/or its member countries covering products which fall under the provisions of the ECSC.

The FTAs of Austria, Portugal, Sweden and Switzerland with the EEC were ratified during the last months of 1972 and came into effect on 1st January 1973, i.e. on the same day as Denmark and the United Kingdom acceded to the Communities. The initial 20 per cent tariff cuts according to these Agreements were made on 1st April 1973.

In the case of Austria, however, an Interim Agreement negotiated with the EC provided that the EEC and Austria would make a reciprocal tariff cut

of 30 per cent on 1st October 1972 on most industrial products and on the industrial element in the protection of processed agricultural products ; a second cut, of 10 per cent, is due to be made on 1st January 1974, at which point all the EFTA countries having FTAs with the EEC, and the EEC, will also have made the same 40 per cent cuts in tariffs.

Iceland ratified the Agreement with the EEC at the end of February 1973 and it came into force in time to permit Iceland to join with Portugal, Sweden and Switzerland in making the first reciprocal tariff cut with the EEC on 1st April 1973.

After the Norwegian referendum mentioned above, Norway immediately took steps to begin negotiations with the Communities for Free Trade Agreements similar to those of the other EFTA countries. The negotiations were concluded in April 1973 and the FTAs were signed on 14th May. The Agreement with the EEC came into force on 1st July when the first 20 per cent tariff cut by Norway and the EEC was made.

The FTAs covering the products which fall under the provisions of the ECSC, which are subject to a different ratification procedure in the EC, have not yet been ratified and have thus not formally entered into force. The tariff cuts and the origin rules of these FTAs, which are the same as those provided for in the FTAs with the EEC, have, however, been applied through autonomous decisions.

Arrangements with Denmark and the United Kingdom

The negotiations of the EFTA countries with the Communities, whether for membership or for FTAs, had taken place on the basis of the general understanding that the enlargement of the Communities should not involve the reintroduction of tariff barriers in Western Europe. Consequently, the FTAs negotiated by the EFTA countries which were not candidates for membership all contained provisions that no new duties should be introduced, and thus ensured the maintenance of free trade with Denmark and the United Kingdom in all products covered by the FTAs.

Before the end of 1972, however, certain problems remained to be settled. These concerned, firstly, the rules of origin to be applied to trade during the first three months of 1973, that is, from the date of the withdrawal from EFTA of Denmark and the United Kingdom to the date on which the origin rules in the FTAs became operative. All the nine EFTA countries agreed in December 1972 on the terms of a protocol according to which the old EFTA origin rules would be applied during this period to trade between Denmark and the United Kingdom, on the one hand, and the countries remaining in EFTA, on the other. This protocol also provided for the maintenance of free trade as far as and for as long as possible between these countries in products not covered by the FTAs. Finally the protocol provided for a smooth transition from the EFTA system of trade to the new situation for products which were either not covered by the FTAs or for which special rules applied.

There was also the question of the trade of Denmark and the United Kingdom with the two EFTA countries, Finland and Norway, which did not

at that time have FTAs with the Communities. The maintenance of their free trade was based temporarily on an exchange of notes between the countries concerned.

Arrangements were also worked out on ways in which Denmark and the United Kingdom would continue to cooperate with EFTA countries on matters concerning public procurement and establishment.

The Free Trade Agreements

Although each FTA is a separate agreement and was negotiated bilaterally with the Communities by the EFTA country concerned, the form and contents of each of the agreements are substantially similar. Differences arise mainly from the provisions concerning agricultural imports from Portugal and fisheries imports from Iceland and Norway.¹ It should be noted however that as far as Iceland is concerned, tariff reductions on fishery products are still subject to uncertainty due to the reservation by the Community relating to fishing rights. The main provision of each FTA with the EEC appears in Article 3, which provides that Customs duties on imports of industrial products shall be progressively abolished in five steps, each of 20 per cent. The first cut was made on 1st April 1973, to be followed by three more cuts on 1st January 1974, 1975 and 1976. The final 20 per cent cut is fixed for 1st July 1977.

Each of the FTAs with the EEC is accompanied by at least three protocols. Protocol No. 1 concerns the sensitive products for which there are longer transitional periods for the dismantling of tariffs. Protocol No. 2 lays down the régime for products manufactured from agricultural raw materials—mainly processed foodstuffs. Protocol No. 3 defines the rules of origin which are to govern the eligibility for free trade treatment of products traded under the FTAs between the EFTA and Community countries.

The separate Free Trade Agreements for products falling under the provisions of the ECSC are essentially of the same kind as the FTAs with the EEC. They also provide for the removal of tariffs in five stages, to be completed by 1st July 1977, and the rules of origin are the same. In the case of Austria, Finland, Norway, Portugal and Sweden these FTAs contain provisions on prices and freight rates on the lines of the ECSC system.

Each of the FTAs provides for the establishment of a Joint Committee to be responsible for the administration of the Agreement and to ensure its proper implementation. The first meetings of Joint Committees were held in the first half of 1973.

All of the FTAs, save only that of Finland, contain a procedure to be followed if one of the parties wishes to develop the relations established by the Agreement by extending the cooperation to fields not covered by the Agreement. The Joint Committee may be instructed by both parties to

¹ The text of the Swiss-EEC Agreement, together with notes showing in detail the differences for other EFTA countries, was published in the EFTA Bulletin for November 1972 (Vol. XIII, No. 8).

examine any such request and, where appropriate, to make recommendations to them, particularly with a view to opening negotiations. The agreements resulting from such negotiations will be subject to ratification or approval by both parties in accordance with their own procedures.

The withdrawal of Denmark and the United Kingdom

The withdrawal of Denmark and the United Kingdom from EFTA took effect on 31st December 1972. The United Kingdom had given twelve months' notice of its intention to withdraw. For Denmark, which was unable to give notice a year in advance of 31st December 1972, the EFTA countries made the arrangements necessary for its notice of withdrawal to become effective at the end of December 1972.

The new EFTA

In the framework of these new trading arrangements in Western Europe the trade of the seven countries that remain in EFTA continues to be of great importance to them. Trade between the EFTA countries represents on average 20 per cent of their total exports, and this trade between them has maintained an average growth rate of 15 per cent a year since 1959. Moreover, 48 per cent of the exports of the seven nations go to the enlarged EC which in its turn supplies 56 per cent of total imports of the EFTA countries. The 40 million inhabitants account for 7.2 per cent of all world exports and their imports come to 9.3 per cent of total world imports.

EFTA trade in 1972¹

In the thirteen years from 1959, the last year before tariff reductions in EFTA began, to 1972, intra-EFTA² trade, measured in terms of exports,

¹ The dollar values for trade in 1972 are calculated on a weighted average of monthly exchange rates, as supplied by each EFTA country to the OECD. These rates are, in units of local currency per dollar:

Austria	23.3	Portugal	27.25
Denmark	6.9595	Sweden	4.8129
Finland	4.1	Switzerland	3.819
Iceland	88.44	United Kingdom	0.4
Norway	6.59		

Since the exchange rates between the US dollar and national currencies have varied in recent years, the rates of growth of exports and imports, calculated in dollars, will of course differ from those calculated on the basis of national currency data.

² All data in this section cover the trade of the nine countries which made up EFTA in 1972, i.e. they include the trade of Denmark and the United Kingdom.

increased by 355 per cent, i.e. at an average annual rate of 12.4 per cent. This compares with a rise in total EFTA exports in this period of 207 per cent (9 per cent a year), in exports to the EC of 236 per cent (9.8 per cent a year), in total EFTA imports of 204 per cent (8.9 per cent a year) and in imports from the EC of 274 per cent (10.7 per cent a year). In 1972 intra-EFTA trade again increased more than total EFTA imports and exports.

Total trade

In 1972 the imports and exports of the EFTA countries combined increased much faster than in 1971.

Total exports (f.o.b.) rose by 15.1 per cent (1971 = 10.7 per cent) to 55,746 million US dollars and total imports (c.i.f.) by 15.5 per cent (1971 = 7.9 per cent) to 64,515 million dollars. The biggest percentage rise in total exports—27.9 per cent—was recorded by Iceland, but Austria, Finland, Norway and Portugal also registered increases of more than 20 per cent, while the exports of Denmark, Sweden and Switzerland rose by more than 15 per cent. The smallest rise in exports, of 8.9 per cent, was recorded by the United Kingdom, which was also the only EFTA country whose exports increased less in 1972 than in 1971.

All EFTA countries, except Iceland and Norway, recorded a greater rise in total imports in 1972 than in 1971. Swedish imports rose especially strongly, i.e. by 13 per cent, after having stagnated in 1971.

A clearer impression of developments in trade during the year is obtained by a review of the three months' moving averages of exports and imports, seasonally adjusted. A comparison of these averages for the beginning and the end of the year reveals an average growth rate of 1.5 per cent a month for total exports and imports of the EFTA countries combined.

Intra-EFTA trade

The value of intra-EFTA trade (measured by exports f.o.b.) rose in 1972 by 19.9 per cent (1971 = 10.4 per cent) to \$16,249 million.

Sweden, which in 1971 had for the first time achieved the largest share in intra-EFTA exports, did not maintain its position in 1972. Its exports to the other EFTA countries, at \$3,925 million, were slightly less than those of the United Kingdom. The United Kingdom remained the largest market for EFTA countries' products. In relative terms the greatest increases in exports to EFTA were achieved by Portugal (35 per cent), Austria (27.4 per cent) and Finland (27.4 per cent), but all other EFTA countries also reported sharp increases, and even the smallest increase, 15.7 per cent for Sweden, was relatively high. Intra-EFTA imports by the United Kingdom rose by 27.9 per cent and those of Portugal and Iceland by 21.6 per cent and 20.3 per cent respectively. Denmark and Norway recorded the lowest increases in imports from other EFTA countries.

Intra-EFTA trade increased steadily until July, but in August the moving averages showed a sharp fall ; exports then increased again until November, and a new fall was recorded in December.

A comparison of the three months moving averages of seasonally adjusted figures at the beginning and at the end of the year shows an average growth rate of 1.75 per cent a month, compared with 0.9 per cent in 1971.

EFTA-EC trade

Exports of the nine EFTA countries to the six EC countries in 1972 rose by 17.7 per cent (1971 = 7.5 per cent) and imports from the EC rose by 23.2 per cent (1971 = 9.2 per cent), reaching \$14,486 and \$22,022 million respectively. In relative terms the increases in Icelandic and Portuguese exports were particularly large (almost 75 and 42 per cent respectively), while the United Kingdom recorded the greatest rise in imports, both in absolute and relative terms, i.e. from \$5,059 to \$6,812 million, a rise of 32.7 per cent.

On the basis of three months' moving averages of seasonally adjusted figures exports to the EC rose at an average rate of 1.5 per cent a month and imports at 1.9 per cent.

EFTA trade with the United States

Exports from the EFTA countries combined to the USA increased by 19.2 per cent in 1972, compared with 14.1 per cent in the previous year, and reached \$5,355 million. EFTA imports from the USA rose by 9.7 per cent to \$5,257 million, after a fall of 4.2 per cent in 1971. As in 1971, trade with the United States fluctuated sharply during 1972.

EFTA trade with Eastern Europe

Like trade with other regions, trade with Eastern Europe increased more in 1972 than in 1971. Imports rose by 8.3 per cent, only a little more than in 1971, while exports, which had been unchanged in 1971, increased by 18.9 per cent.

EFTA trade with the rest of the world

EFTA countries' exports to the rest of the world rose by 7.5 per cent in 1972 to \$17,193 million and imports by 9.3 per cent to \$17,981 million. The rate of growth was thus less than that realized in trade with Western and Eastern European countries and with the United States, largely because of the small increase in United Kingdom imports and exports, which account for almost 70 per cent of EFTA trade with the rest of the world. There was, however, a sharp increase in Norwegian exports and Finnish imports.

EFTA TRADE IN 1972

Table 1

(in million US dollars and percentage changes 1971-1972)

Reporting country	EFTA		EC		USA		Eastern Europe		Rest of world		Total world	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
<i>Imports (c.i.f.)</i>												
Austria	973.0	19.4	2,996.4	29.2	167.5	8.6	437.3	15.8	600.8	23.8	5,175.0	24.7
Denmark	2,071.9	8.4	1,693.2	16.0	359.2	— 6.3	158.6	14.3	760.8	10.2	5,043.7	10.0
Finland	1,276.3	12.2	878.4	19.4	140.6	11.7	498.4	— 0.6	404.6	36.9	3,198.4	14.4
Iceland	102.1	20.3	63.4	8.9	18.4	— 15.9	35.5	4.6	11.0	3.4	230.4	9.9
Norway	1,932.0	7.9	1,150.6	15.0	270.6	10.7	136.3	— 17.6	883.1	— 0.6	4,372.6	6.9
Portugal	533.9	21.6	694.1	19.5	194.4	59.9	19.7	— 9.4	743.5	22.2	2,185.6	23.4
Sweden	3,103.0	12.5	2,658.6	14.5	576.2	2.2	355.0	5.9	1,283.8	18.9	7,976.5	13.0
Switzerland	1,587.6	15.2	5,075.4	19.0	585.5	13.6	159.2	11.0	1,071.7	16.0	8,479.4	17.3
United Kingdom	4,892.2	27.9	6,812.4	32.7	2,944.3	10.6	982.7	15.3	12,222.0	6.5	27,853.6	16.3
EFTA			22,022.4	23.2	5,256.7	9.7	2,782.7	8.3	17,981.4	9.3	64,515.1	15.5
<i>Exports (f.o.b.)</i>												
Austria	1,117.9	27.4	1,490.4	22.6	174.2	36.3	453.5	18.2	618.4	15.9	3,854.4	22.8
Denmark	2,177.3	18.7	981.5	21.3	354.4	24.2	141.0	— 0.4	676.0	24.1	4,330.1	19.8
Finland	1,383.5	27.4	616.2	17.5	142.0	25.1	448.9	36.3	356.4	17.5	2,947.0	25.1
Iceland	64.0	22.0	30.4	72.1	58.0	5.7	21.7	33.1	14.9	74.6	188.9	26.1
Norway	1,555.6	24.0	781.6	10.7	236.8	31.4	94.7	51.4	612.6	69.4	3,281.2	27.9
Portugal	525.4	35.0	264.4	42.0	137.0	35.3	7.8	20.4	352.1	— 0.6	1,286.6	24.6
Sweden	3,924.8	15.7	2,230.7	12.5	614.5	25.5	324.2	4.8	1,559.9	23.3	8,654.2	16.3
Switzerland	1,537.0	20.5	2,522.3	16.3	601.4	21.5	283.3	33.0	1,917.6	19.0	6,861.6	19.1
United Kingdom	3,964.0	16.9	5,568.2	18.7	3,036.5	14.8	688.7	11.9	11,085.1	0.7	24,342.5	8.9
EFTA	16,249.3	19.9	14,485.6	17.7	5,354.8	19.2	2,463.8	18.9	17,192.9	7.5	55,746.4	15.1

INTRA-EFTA TRADE IN 1972

Table 2

(in million US dollars and percentage changes 1971-1972) (Exports f.o.b.)

Importer		Austria	Denmark	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	United Kingdom	EFTA
Exporter											
Austria	\$m		82.4	50.9	1.1	51.2	32.8	154.7	444.7	300.1	1,117.9
Percentage change			18.7	24.7	28.6	20.6	26.4	26.0	26.8	33.5	27.4
Denmark	\$m	71.3		98.0	25.7	309.2	25.9	680.2	120.2	846.7	2,177.3
Percentage change		26.1		23.4	12.0	15.8	27.8	16.4	12.2	21.6	18.7
Finland	\$m	27.6	109.4		4.6	124.8	8.6	515.4	55.0	538.1	1,383.5
Percentage change		26.4	18.4		18.8	40.2	53.2	38.4	6.8	19.9	27.4
Iceland	\$m	1.8	11.0	3.8		2.4	10.1	5.4	8.8	20.6	64.0
Percentage change		192.2	1.2	46.3		0.0	13.0	— 13.8	660.4	5.0	22.0
Norway	\$m	22.6	237.0	86.3	13.3		24.1	515.6	35.9	620.8	1,555.6
Percentage change		23.7	25.2	26.4	27.6		6.9	18.2	27.2	29.1	24.0
Portugal	\$m	20.9	38.8	24.7	1.1	22.8		83.0	39.4	294.7	525.4
Percentage change		39.0	46.4	66.9	8.5	63.9		43.6	48.5	26.2	35.0
Sweden	\$m	151.4	798.5	542.9	15.6	824.5	66.8		250.7	1,274.4	3,924.8
Percentage change		11.6	8.0	16.1	31.3	7.8	36.9		15.5	26.6	15.7
Switzerland	\$m	404.4	118.6	78.7	4.2	89.5	87.6	220.4		533.5	1,537.0
Percentage change		23.1	12.9	13.7	25.0	9.9	10.4	16.2		27.3	20.5
United Kingdom	\$m	297.5	601.0	343.0	33.6	475.7	285.4	1,012.0	916.0		3,964.0
Percentage change		15.0	5.9	— 1.2	14.8	10.2	10.6	8.4	62.3		16.9
EFTA	\$m	997.4	1,996.7	1,228.3	99.1	1,900.2	541.3	3,186.7	1,870.6	4,429.0	16,249.3
Percentage change		19.4	10.9	12.7	18.7	12.2	15.3	17.9	38.9	25.5	19.9

II. Internal developments in EFTA

The implications for EFTA of the new trading arrangements in Western Europe

A major internal task facing EFTA in the course of the year was to make the changes necessary in the Stockholm Convention to take account of the new trading arrangements in Western Europe. In making the changes the guiding principle was to avoid having one set of rules governing trade between the EFTA countries and the enlarged EC and a different set governing trade between the EFTA countries themselves. Several Decisions were therefore taken by the Councils to amend the EFTA rules, taking into account the provisions of the FTAs.

Origin rules

One of these Decisions relates to the rules of origin which determine which goods are eligible for EFTA tariff treatment, that is, for duty-free import from one EFTA country into another. The rules are contained in Article 4 of and Annex B to the Convention which, as revised by Council Decision¹, are now identical with those contained in Protocol No. 3 of the FTAs, except for some minor changes necessitated by the multilateral character of the Stockholm Convention. The new origin system came into force on 1st April 1973, the date of coming into force of the origin system in the FTAs.

In the new system laid down in Part I of Annex B there are two basic criteria for EFTA tariff treatment. One is the old "wholly produced" rule, in this case defined as "wholly obtained". In cases where this is not fulfilled, another, more important, criterion is that the product must have undergone a processing which results in its falling under a different tariff heading in the Brussels Nomenclature classification of products.

This general principle is modified in two ways in its detailed application to particular products. In some cases a change of tariff heading is not

¹ Decision of the Council No. 1 of 1973 and Decision of the Joint Council No. 1 of 1973.

considered as sufficient, and other specific conditions have to be met which may include the use of a particular production process or a percentage criterion. In other cases a change of tariff heading is not required as a basis for free trade treatment, but the rules specify the processing which must be done in an EFTA country, or the percentage requirements that have to be met.

In order to facilitate the transition to the new system, the former EFTA origin rules were maintained in the Convention as Part II of Annex B. They were, however, applicable only in certain circumstances and only until 15th May 1973.

The new origin system also makes provision for cumulative origin. Expressed in simplified terms, cumulative origin allows a product or component originating in an EFTA country (or in the EC) to be further worked or processed in one or several other EFTA countries (or in the EC) even if this further working or processing on its own would not suffice to give the final product originating status. Products from EFTA countries and the EC can, for cumulation purposes, be treated alike because the rules of origin in the EFTA Convention and in the FTAs are identical. Special arrangements were made to permit Finland and Norway to participate in the system although they had no FTAs in operation on 1st April 1973.

The EFTA governments have agreed that it would be essential to keep the origin system under continuous consideration to ensure that it would function smoothly for trade both within EFTA and with other partners.

In addition to the Decisions which formally amended the origin rules of the Stockholm Convention, three further Decisions¹ were taken during the year on the application of the rules. These Decisions introduce regulations on matters of administrative cooperation in the Customs field, on postal consignments and on transitional measures concerning movement certificates, that is, the documentary evidence for a claim to EFTA treatment.

Processed agricultural products

A second Decision taken by the Councils concerns the treatment to be accorded to products processed from agricultural raw materials. The majority of these products have always been considered in EFTA as industrial products, and other were listed, together with agricultural raw materials, in Annex D of the original Convention.

Paragraph 1 of Article 21 of the Convention and Annex D to the Convention were amended by Decisions² of the Councils in order to take into account the new system for such products agreed with the EC and laid down in Protocol No. 2 of the FTAs. Under the FTA system the price of goods processed from agricultural raw materials contains an industrial element—the value

¹ Decisions of the Council Nos. 3, 4 and 5 of 1973 and Decisions of the Joint Council Nos. 3, 4 and 5 of 1973.

² Decision of the Council No. 6 of 1973 and Decision of the Joint Council No. 6 of 1973.

added in manufacture—and an agricultural element—the cost of the raw materials, which may vary from country to country. Different compensation measures are permitted to make up for differences in the price levels for raw materials.

The new Annex D is divided into three parts, each containing a list of commodities. The new text of paragraph 1 of Article 21 contains provisions applicable to each of these parts.

Part I of Annex D lists goods which before this amendment were traded within EFTA as industrial goods. The main change made in relation to these goods is that an importing or exporting EFTA country is permitted to apply measures in order to compensate for differences in the cost of agricultural raw materials. However, no EFTA country shall accord to such imports from its EFTA partners treatment less favourable than it accords to imports from the EC.

The commodities listed in Part II of Annex D were, before the amendment, among those included in the original Annex D. The new list is composed of commodities which appear in the Protocol No. 2 to at least one of the Free Trade Agreements. According to the amended text of paragraph 1 of Article 21, imports from the EFTA countries of these goods may not be given a less favourable treatment than that accorded to imports from the EC.

Part III of Annex D contains the rest of the items in the old Annex D and consists mainly of unprocessed agricultural products. No change is made in the treatment of these products.

Any decisions to introduce or amend price compensation measures for goods in Parts I or II of the Annex must be notified in advance to the Council. A request for an examination of any such measures in the light of the new rules may be made by any EFTA country.

A system of variable import levies had been introduced in EFTA from 1st January 1971. It applied to a few products, now included in Part I of Annex D, on import into Austria and Switzerland where manufacturers of certain processed foodstuffs had to pay substantially higher prices for their agricultural raw materials than those paid by producers in other EFTA countries. When Annex D was revised, the Council Decision authorizing the variable import levies was revoked, since the problem it was meant to solve is dealt with by the new provisions of Article 21.

Drawback

A third Decision connected with the FTAs relates to drawback, the refund of duties applicable to imported materials when goods are exported. Article 7 of the Stockholm Convention permits exporters to claim either EFTA tariff treatment or drawback but not both. The Article was amended by Council Decision¹ so as to apply only to goods which were eligible up to 15th May

¹ Decision of the Council No. 7 of 1973 and Decision of the Joint Council No. 7 of 1973.

1973 for EFTA tariff treatment in accordance with the provisions of the former EFTA origin rules. But the amendment involved no change of substance since the new origin rules contain in Article 23 of Part I of Annex B a provision with equivalent effect.

Trade in iron and steel products

A working party was set up during the year to study the situation arising in EFTA in relation to the Free Trade Agreements concluded or negotiated by EFTA countries with the European Coal and Steel Community and/or its Member States. Four of the EFTA countries—Austria, Finland, Portugal and Sweden—had negotiated agreements according to which they would apply provisions on prices and transport rates on the lines of the ECSC system to their trade in iron and steel products with the EC. The Norwegian agreement differs from these mainly as regards the matter of deliveries made within Norway from Norwegian plants.

The working party agreed that there was no common EFTA action to be taken. The EFTA countries mentioned above are considering whether or not to apply the same price and freight rate system to trade between them in these products on the basis of bilateral agreements.

The organization of EFTA

The departure of Denmark and the United Kingdom from EFTA necessitated a reconsideration of some aspects of the organization of EFTA's work. One aspect was the majority required in the Councils in cases in which Council Decisions were to be taken by majority vote. The Councils decided¹ in November 1972 that from the beginning of the following year four votes should constitute a majority.

The future role of the various standing committees of EFTA was also reviewed in the course of the year. The outcome was that for the most part, and for the immediate future, there was no need to make any major changes. It was, however, decided that the Agricultural Review Committee should be abolished and that a Committee on Agriculture and Fisheries should be established.² In addition the mandate of the Economic Committee was amended.³

How the EFTA Secretariat should be organized in future was also discussed in the Council. The Council approved a reduction of the manning table by some 30 per cent, part of which had already been achieved in the course of the year. To obtain a more flexible use of the reduced staff resources the

¹ Decision of the Council No. 12 of 1972 and Decision of the Joint Council No. 4 of 1972.

² Decision of the Council No. 12 of 1973.

³ Decision of the Council No. 11 of 1973.

departmental structure of the Secretariat was abolished at the end of the year under review, to be replaced by a merger of the technical staff into a general section from which the Secretary-General may draw on the appropriate expertise to carry out both basic and special tasks.

Tariffs and quotas

Tariff reductions on industrial goods

Within EFTA's free trade area only Portugal and Iceland continue to levy import duties on industrial imports from other EFTA countries. In the case of Portugal, the rate of duty on goods covered by paragraph 4 of Annex G to the Convention was cut to 40 per cent of the basic rate on 1st January 1973 ; the rate will be reduced by 10 per cent on 1st January 1975 and 1st January 1977, and will be eliminated by 1st January 1980.

In accordance with the provisions of Annex G of the Convention the Councils examined statistical information provided by the Portuguese authorities covering the years 1966 to 1969 inclusive on the exports of items listed in the Annex in relation to their production in Portugal. The items, the export of which exceeded 15 per cent of production, were as a result made subject to a faster timetable for tariff reductions according to paragraph 5 of Annex G.

In the case of Iceland, import duties had been reduced by 30 per cent on 1st March 1970 on its accession to EFTA. From 1st January 1974 they will be reduced annually by 10 per cent of the basic duties and so be eliminated by 1st January 1980.

Quantitative import restrictions

Since 31st December 1966 quantitative import restrictions on industrial products have been eliminated by all the EFTA countries except Iceland. Iceland's global quotas, which are still maintained on a small number of products, were increased by 20 per cent on 1st January 1973 for most of the products concerned as provided for by the Convention and the terms of Iceland's accession. The remaining restrictions, with a few exceptions, will be eliminated by the end of 1974.

Portuguese iron and steel industry

Because of special difficulties encountered by the Portuguese iron and steel industry, imports into Portugal of a number of iron and steel products

continued to be liable to higher duties and subject to quotas up to the end of 1972. These arrangements were applied in virtue of a specific decision by the Councils. As part of an interim agreement Portugal, on 1st January 1973, brought the duties into line with the tariff reduction timetable set out in paragraph 4 (a) of Annex G. In addition, some products were brought within the framework of a faster timetable for the removal of tariffs, leading to a final abolition of tariffs in some cases on 1st July 1977 and in others on 1st January 1973. Increased quotas were in force in the first half of 1973.

The special régime for these products lapsed at the end of June 1973. It was at the same time confirmed that in general the duties would be reduced to zero according to the Annex G timetable by the end of 1979. Portugal would in addition abolish the duties on some iron and steel products according to the faster timetables mentioned in the previous paragraph.

Infant industries

The Council decided in the course of the year to examine a request from the Portuguese Delegation concerning the problem of "infant" industries in Portugal. The matter is under consideration.

Charges other than tariffs

Internal taxes

In 1968 the Councils instructed the Customs Committee to retain on its Agenda certain internal taxation rates or systems. These have all been dealt with.

Finnish import equalization tax

After the introduction in Finland in June 1971 of an import equalization tax to apply to all imported products, which when domestically produced are affected by hidden taxes (taxes occultes), the Councils carried out a preliminary examination of the system. The Councils agreed that the Committee of Trade Experts should keep the matter under review.

The import equalization tax has been extended for one year. The new law, operating in 1973, contains the same provisions for exemption of goods from the tax as the previous law.

Agriculture and fisheries

Annual review of agricultural trade

The annual review of agricultural trade within EFTA was conducted by the Councils in October 1972 on the basis of a report prepared by the Secretariat.

The report showed that intra-EFTA imports of agricultural goods rose by 8.6 per cent in 1971. Intra-EFTA non-agricultural imports increased by 12.0 per cent and total intra-EFTA imports by 11.8 per cent. The increase in imports of Annex D goods was smaller than in the previous year, but the share of Annex D goods in total intra-EFTA imports remained roughly constant at 6.0 per cent. Exports of Annex D goods rose in 1971 by 10.4 per cent and total exports by 12.0 per cent. For the third consecutive year the share of agricultural products in total exports remained constant at 4.7 per cent. In terms of exports the increases in intra-EFTA trade of both Annex D goods and of non-agricultural products were somewhat higher than in terms of imports. The Councils noted the report.

Annex E

In July 1972 the Icelandic Delegation requested that free trade should be extended to fish products listed in Annex E to the Convention. This request was subsequently supported by Norway. The matter was referred to discussion and examination within the Association which revealed substantial willingness on behalf of most EFTA countries to delete items from Annex E. A further investigation of this question is taking place.

Escape clauses, consultations and complaints

The general consultation and complaints procedure

No EFTA State has made use of the general consultation and complaints procedure provided for by Article 31 of the Convention during the period covered by this report.

The Association with Finland

Meetings of the EFTA Council continued to be held simultaneously with those of the Joint Council of Finland and EFTA. Representatives of Finland have taken part in the meetings of committees and working groups that were held during the year.

The Economic Development Committee (EDC)

The EDC working party on "New patterns of settlement" completed its report in June 1973. Experts from Denmark and the United Kingdom took part also in the final stages of the study.

The most general conclusion of the study, the fifth in a series of EFTA studies on regional development, is that longer term regional development measures should be based principally on a national settlement strategy so as to achieve their objectives through selective and concentrated action rather than by dispersed efforts spread over wide areas of the country concerned. Among the more specific findings of the working party, the need for some kind of national location executive, the basis for which already exists in several EFTA countries, was generally recognized. Like previous studies by working parties of the EDC, the report expresses the views of the working party and does not engage the responsibility of the EFTA governments.

The Consultative Committee

The Consultative Committee, which brings together representatives of industry, commerce and the trade unions in EFTA countries, held two meetings under the Chairmanship of the Chairman of the Ministerial Council during the twelve months covered by this report. These meetings, as usual, preceded meetings of the Ministerial Councils, and reports on them formed separate items on the Ministers' Agendas. At the 25th Meeting in Vienna in November 1972, the future of the Consultative Committee was made the subject of a special debate and at the 26th Meeting in May 1973 the future role and work of EFTA were dealt with in the same way.

In addition to these activities the Consultative Committee has continued to pay particular attention to the development of closer economic and trading cooperation in Western Europe.

EFTA Parliamentarians

In accordance with custom, Parliamentarians from the EFTA countries met informally in Strasbourg on three occasions in connection with sessions of the Consultative Assembly of the Council of Europe.

Information activities

The main object of information activities in the course of the year was to provide, to various categories of readers and enquirers, information about the changes taking place in trading relationships within Western Europe. For the general public a new version of the leaflet "EFTA : What it is, what it does", presenting the new seven-nation EFTA in the European context, was published early in 1973 in English, French and German.

The EFTA Bulletin was the Association's main channel for information for traders and others about the new trading arrangements in Europe. The November 1972 issue contained the basic text of the new Free Trade Agreements together with articles about various aspects of the FTAs. Articles in the 1973 issues of the EFTA Bulletin reported on the consequential changes in the Stockholm Convention and particularly on the new origin rules. A new bilingual English-French edition of the Stockholm Convention incorporating all relevant Council Decisions taken in the first half of 1973 was published in the middle of the year. The new edition appears both in the familiar paperback form and in a loose-leaf format which contains the full details of Annex B.

Other regular publications that appeared in the course of the year included the 12th Annual Report and "EFTA Trade 1971", the latest in the annual series of trade studies published by the Secretariat. There were, in addition, a number of publications concerning or related to the mutual recognition schemes (see pages 27 to 30). These included the text, in a bilingual English-French edition, of the "Convention on the Control and Marking of Articles of Precious Metals"; and the texts of the papers presented at two seminars dealing with pharmaceutical products, one entitled "Contamination", from the April 1972 seminar held in Stockholm, and one called "The Quality of Pharmaceutical Products: the Role of the Inspector", from the seminar held in Rennes in September 1972. Two other publications on pharmaceuticals were also produced during the year, "Guidelines for the Manufacture of Sterile Products" and "Guidelines for the Handling of Starting Materials".

In the summer of 1973 the fifth in the series of studies on aspects of regional policy prepared by working parties of the Economic Development Committee was being printed. It is being published under the title "National Settlement Strategies: a framework for regional development" (see page 22).

In the course of a review of information activities undertaken in the autumn of 1972 it was decided that the information effort in the United States could continue to be discharged by a selective distribution of the EFTA Bulletin. The EFTA Reporter, the newsletter which had been published in Washington for eleven years, was therefore discontinued and the Washington Information Office closed at the end of 1972.

The EFTA Council and the Joint Finland-EFTA Council

During the period under review the EFTA Council and the Joint Finland-EFTA Council held forty meetings, all of them simultaneously. In addition, the two Councils met at Ministerial level in Vienna on 16th and 17th November 1972 and in Geneva on 24th and 25th May 1973.¹

For the period 1st July-31st December 1972 Austria carried the Chairmanship of the two Councils and Denmark the Vice-Chairmanship. Portugal and Sweden held the Chairmanship and Vice-Chairmanship respectively of both Councils for the period 1st January-30th June 1973.

Administration and Finance

The Secretariat

Mr. Alfred Wacker left the Secretariat in June 1973 on being appointed Swiss Representative to the Council of Europe. At the meeting of the EFTA Council on 21st June Mr. Cornelio Sommaruga was named Assistant Secretary-General.

During the year, the strength of the personnel was gradually reduced by a natural process in anticipation of a modification of the Secretariat following the withdrawal of Denmark and the United Kingdom from the Association. In April 1973, the Council approved a reorganized Secretariat of 67 staff to be introduced on 1st July 1973. At the end of June 1973 the staff in Geneva totalled 62 : of these 25 were in the Professional category and above and 37 were in the General Service grades. The names of the principal officers during 1972-1973 are given on the last page.

¹ The press communiqués issued at the end of the Ministerial meetings are reproduced on pages 33 to 38.

Bearing in mind that English will be retained as the working language of the Association, the Council approved the employment of non-EFTA nationals. After 1973 the approval of the Council is required for the employment of staff in the Professional category who are not nationals of a Member State.

Finance

Because the EFTA States wished to maintain a Secretariat appropriate to the needs of the nine-nation Association until the end of December 1972, Denmark and the United Kingdom accepted the responsibility for certain expenditure until 30th June 1973. The budget for the financial year 1972-1973 was established in two halves, the second part including the expenses of repatriating departing staff. The total net budget for 1972-1973 was 7,350,125 Swiss francs. The budget for the financial year 1973-1974 commencing 1st July 1973 has been established at S. Frs. 6,305,951 gross which, after deduction of estimated income of S. Frs. 308,900, leaves a net sum of S. Frs. 5,997,051 to be financed by contributions from Member States.

The scale of contributions to the EFTA budget is determined by reference to Member States' gross national product at factor cost, with the qualification that no Member is required to contribute more than 30 per cent of the net expenditure of the Association. The individual national contributions for 1973-1974 are on the following basis (the figures assessed for 1972-1973 are shown in brackets): Sweden 30 per cent (20.859 per cent), Switzerland 24.688 per cent (13.966 per cent), Austria 14.844 per cent (8.486 per cent), Norway 12.031 per cent (6.894 per cent), Portugal 5.937 per cent (3.357 per cent), Iceland 1.562 per cent (0.883 per cent). The contribution of Finland, the Associate Member, is 10.938 per cent (6.275 per cent).

III. Removal of technical obstacles to trade

One important feature of EFTA's work on the removal of technical barriers to trade has been to devise agreements of the kind known as "mutual recognition schemes". Their object is to avoid the additional cost and delay in time involved when products are subject to technical tests in more than one country. The method adopted is to enable the approval authorities in an importing country to accept the tests and inspections carried out by testing and inspection bodies in the exporting country.

Although these, like the conventions mentioned below, were worked out under the auspices of EFTA, they are not based on the Stockholm Convention but constitute separate agreements and are therefore independent of EFTA. Thus Denmark and the United Kingdom continue to participate in the agreements even after their departure from EFTA. The competent authorities in any country which is a Contracting Party of the GATT may participate in any scheme without the consent of the existing participants, but their consent is necessary in the case of authorities in other countries.

The mutual recognition schemes

Pressure vessels

The authorities responsible for approving pressure vessels in the EFTA and former EFTA countries are all parties to the scheme for the reciprocal recognition of tests and inspections carried out on pressure vessels, which entered into force on 1st January 1971. A meeting of the participating authorities was held in May 1973. The operation of the scheme was reviewed and it was noted that a number of additional testing authorities had been recognized by the approval bodies.

Ships' equipment

The scheme for the reciprocal recognition of tests and inspections carried out on ships' equipment, particularly life-saving and fire-fighting equipment, came into force in January 1971. The bodies participating in the scheme are

the competent authorities from Denmark, Finland, Iceland, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia. Meetings of the participating authorities were held in September 1972 and April 1973. At the latter meeting it was agreed to bring the clause governing participation in the scheme into conformity both with those in the other mutual recognition schemes, as described above, and with the draft code of conduct now being worked out in GATT for the prevention of technical barriers to trade.

The participating authorities agreed on common requirements for life-boat engines, life-boat davits and winches, glass-fibre reinforced plastic life-boats, inflatable life-rafts and electro-hydraulic steering gear for passenger ships. They continued work on the drafting of common requirements for other items of life-saving and fire-fighting equipment.

Agricultural machines and tractors

The scheme for the reciprocal recognition of tests carried out on agricultural machines and tractors for operational safety and ergonomics and for road safety came into force in September 1972. Its members are the participating authorities from all EFTA and former EFTA countries, except Iceland.

The first meeting of the participating authorities was held in December 1972. A general review of the scheme took place.

Gas appliances

The scheme for the reciprocal recognition of tests and inspections carried out on gas appliances entered into force on 1st August 1972. Its members are the appropriate approval bodies from all EFTA and former EFTA countries. A meeting of the participating authorities was held in November 1972, when the operation of the scheme and its relation to other European developments in this field was discussed.

The conventions

Pharmaceuticals

The Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products, which entered into force in 1971, has now been ratified by all the signatory States: Austria, Denmark, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The Committee of Officials, instituted under the Convention and composed of officials of the national competent authorities, met for the second time in December 1972. The officials reviewed the operation

of the Convention and the exchange to date of information reports and discussed the broad range of tasks assigned to the Committee under the Convention. A third meeting of the Committee was held in May 1973.

A seminar, organized by the EFTA Secretariat, on "The Quality of Pharmaceutical Products — the Role of the Inspector" took place in September 1972 at the Ecole nationale de la santé publique, Rennes, France, with the cooperation of that institution. The seminar, conceived as a forum in which pharmaceutical inspectors and other officials from EFTA and EC countries could meet and discuss matters of common interest, attracted some ninety participants from sixteen countries. The papers presented at the seminar have been published in book form and are available from the Secretariat.

The working party on pharmaceutical inspections held its tenth and final meeting in December 1972. It concluded that the tasks assigned to it in its mandate of 1969 had been accomplished and that any further matters in connection with inspections could appropriately be dealt with by the Committee of Officials instituted under the Pharmaceutical Inspection Convention.

Precious metals

On 15th November 1972 a Convention on the Control and Marking of Articles of Precious Metals was signed by representatives of the following countries : Austria, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

By introducing a Common Control Mark—the first international hallmark to be applied to articles of gold, silver and platinum intended for export—the Convention will remove a non-tariff barrier to trade in those articles between the signatory States. Each participating country will designate one or more of its assay offices to apply, in addition to its own hallmark, the Common Control Mark, when satisfied that the requirements of the Convention have been met. Where the Mark is applied, the Customs authorities of the signatory States will admit the articles without requiring further assay or marking in the importing country. In this way the delay and expense caused to traders by the need for repeated assays and hallmarking will be eliminated.

This Convention will come into force four months after it has been ratified by four of the signatory countries. It is open to accession by all members of the United Nations or of any of the specialized agencies of the United Nations or of the International Atomic Energy Agency or a party to the Statute of the International Court of Justice. The sole criterion for accession is the existence of a suitable assay office of such technical competence and reliability as to comply with the requirements of the Convention.

A group of experts from the signatory States met in October 1972 and again in January 1973 to work out preliminary measures for the coming into force of the Convention. It was agreed that the master punches and matrices for the Common Control Mark should be manufactured in the United Kingdom under arrangements to be made by the United Kingdom assay offices.

Future work on technical obstacles to trade

At the Ministerial meeting of the EFTA Councils in May 1973 it was proposed that the work of EFTA on eliminating technical obstacles to trade should be still further strengthened. The procedure whereby EFTA countries notified the Council in advance of any proposed new technical regulations should be improved ; the possibility of working out new mutual recognition schemes should be investigated ; and ways of cooperating with the EC and other organizations in the attempt to abolish non-tariff barriers should be studied. Ministers instructed the Council at official level to examine the three points.

IV. External relations

OECD

The Secretariat was represented at Ministerial meetings of the OECD and at meetings of the Economic Policy Committee, the Trade Committee and at certain meetings of the Industry Committee and of the Economic and Development Review Committee.

GATT

Periodic meetings have continued to be held between EFTA Delegations to GATT for consultation on general trade policy questions of concern to EFTA countries. There was particularly full consultation between them in connection with the examination of the FTAs in GATT. Members of the Secretariat attended, as observers, those GATT meetings of special interest to EFTA.

UNCTAD

Members of the Secretariat participated as observers in the meetings in Geneva of the United Nations Conference on Trade and Development which were of special interest to EFTA.

Council of Europe

The Twelfth Annual Report of EFTA was presented to the Consultative Assembly of the Council of Europe in October 1972. In accordance with established practice, representatives of the EFTA Secretariat attended most meetings of the Consultative Assembly and the Joint Meetings of the European Parliament and the Consultative Assembly.

Close contacts were maintained between the Secretariat of the Council of Europe and the EFTA Secretariat, both at regular inter-secretariat meetings held alternatively in Strasbourg and Geneva, and informally between such meetings.

UN Economic Commission for Europe

The Secretariat maintains regular contacts with the Secretariat of the United Nations Economic Commission for Europe. Members of the EFTA Secretariat attended ECE meetings of particular interest to EFTA, in particular those dealing with standardization and non-tariff barriers to trade.

Nordic Council

Representatives of the EFTA Secretariat attended the 21st Session of the Nordic Council held in Oslo in February 1973. The Session was partly devoted to a discussion of European integration. An inter-secretariat meeting was held in Geneva in May 1973.

Customs Cooperation Council

The Secretariat has been kept informed of developments in the Nomenclature Committee, Permanent Technical Committee and also the Study Group established by the Customs Cooperation Council on the development of a harmonized commodity description and coding system. Some meetings held under the auspices of the Customs Cooperation Council in Brussels were attended by members of the Secretariat.

Appendix

Ministerial meetings of EFTA Councils

Vienna, 16th and 17th November 1972

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Vienna on 16th and 17th November 1972, under the chairmanship of Mr. Josef Staribacher, Minister of Trade and Industry of Austria.

Ministers noted important developments in recent months concerning free trade relations among EFTA countries and between them and the European Communities :

- (a) Denmark and the United Kingdom were withdrawing from EFTA to join the Communities ;
- (b) EFTA was continuing, with seven countries—Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland ;
- (c) free trade agreements had been or were about to be negotiated by each of these seven countries with the Communities.

Withdrawal of Denmark and the United Kingdom from EFTA and their accession to the Communities

Noting the withdrawal of Denmark and the United Kingdom from EFTA at the end of 1972, all Ministers expressed their warm appreciation of the spirit of cooperation at all levels which had prevailed in EFTA over the past twelve years. They were convinced that the same spirit would continue to animate their trade relations in the future.

Continuation of EFTA

The countries constituting EFTA from 1st January 1973 expressed their determination to pursue the fruitful cooperation which had developed since the inception of the Association. EFTA would continue to foster the development of intra-EFTA trade, which accounted for one-fifth of the total exports of the seven EFTA countries, would cooperate in economic matters and would make further efforts towards the removal of non-tariff barriers to trade.

EFTA would continue to have its headquarters in Geneva. Its Consultative Committee, representing both sides of industry, would also continue to give valuable advice regarding the work of the Association.

Free trade agreements with the Communities

Five EFTA countries—Austria, Iceland, Portugal, Sweden and Switzerland—had signed free trade agreements with the Communities in July. These agreements were now in process of ratification and were due to come into force next January. Finland, the Associate of EFTA, had also negotiated an agreement with the Communities which had not yet been signed. The remaining EFTA country, Norway, is about to open negotiations in Brussels for an agreement and Ministers noted with appreciation that the Communities had expressed their readiness to seek a speedy solution to the problem facing that country in its trade with them.

Maintenance of the results achieved in EFTA

From the beginning of the negotiations which had brought about these new trading arrangements, all the EFTA countries had emphasized their strong interest in maintaining the free trade already achieved in the Association. With regard to negotiations already completed, this objective had virtually been reached.

In the first place, the Stockholm Convention would continue to assure free trade between the countries remaining in EFTA. Secondly, the agreements with the Communities had provided for the maintenance of free trade between the EFTA countries and Denmark and the United Kingdom. For some goods which might be affected by the new arrangements with the Communities Ministers noted that provision was being made to ensure that trade would continue as freely as possible. With regard to rules of origin, Ministers discussed certain transitional problems. They underlined the importance of appropriate solutions in order to ensure the best possible conditions for the free flow of trade.

Questions relating to world trade

Ministers agreed on the importance and the urgency of the reform of the monetary system which should lead to the reestablishment of stable conditions in the international economy.

They expressed their satisfaction at the results achieved at the recent session of the GATT and especially at the general willingness to open in 1973 a new round of multilateral trade negotiations. They were all determined to contribute actively to such negotiations and to take particular account of the requirements of the developing countries.

Ministers emphasized that the further development of East-West trade was an important element in the general process of expanding world trade.

The next meeting of the EFTA Councils will take place in Geneva on 24th and 25th May, 1973.

Geneva, 24th and 25th May 1973

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level on 24th and 25th May 1973 in Geneva. All seven countries were represented: Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. Mr. A. Vaz Pinto, Secretary of State for Commerce, Portugal, was in the Chair.

Ministers emphasized the importance to all their economies of the internal trade of EFTA, which represented on the average 20 per cent of their total exports and was maintaining an average growth of more than 15 per cent a year. Ministers expressed their appreciation of the work of the EFTA Councils in making the arrangements necessary to ensure the continuation of the smooth operation of the free trade within the Association. The work which had already produced valuable results in the reduction of non-tariff barriers to trade would go on in the future. Henceforth, the Association would also be concerned with questions of common interest regarding the operation of the Free Trade Agreements with the European Communities. The importance of this activity could be measured by the fact that 48 per cent of the total exports of the EFTA countries at present go to the enlarged Communities.

Ministers approved the reorganization of the EFTA administration to meet its various tasks. An activity of particular importance concerned the new origin system which was now in operation for internal EFTA trade as well as for trade with the enlarged Communities. Ministers stressed that it would be essential to keep this system under continuous consideration to ensure that it would function smoothly for trade both within EFTA and with other trading partners.

In their discussion of new trading relations in Western Europe, Ministers noted that the opening months of this year had seen a transition to the new trading arrangements agreed in 1972. Of particular value had been the virtually complete continuation of the free trade between the remaining EFTA countries and the two former Members, Denmark and the United Kingdom.

Ministers noted that five Free Trade Agreements with the European Economic Community had come into operation and the first tariff cut had been made. However, as far as Iceland was concerned, tariff reductions on fishery products were still subject to uncertainty due to the reservation by the Community relating to fishing rights. Meetings had already been held of Joint Committees which had been set up to supervise the operation of the Agreements and Ministers noted that some useful amendments of the origin rules of the Agreements had already been made within the framework of the Joint Committees. Ministers noted that Norway had signed a Free Trade Agree-

ment with the Communities earlier in May, with the result that Norway would now play her full part with the other EFTA Member States in the new trading régime.

Ministers noted that developments in Western Europe made further economic cooperation with other areas even more important.

Ministers stressed the importance for EFTA countries to take a full part in the preparatory work being carried out in GATT for the coming round of multilateral trade negotiations. They emphasized the need for a thorough preparation of the meeting of Ministers to take place in September 1973 in Tokyo for the launching of this round of negotiations. The new round should aim at the further strengthening of multilateral cooperation in international trade matters as well as at making substantial progress in the reduction or elimination of barriers to international trade.

Ministers welcomed the growth and broadening of East-West economic relations. They were convinced that there was ample room for further initiatives on the bilateral as well as the multilateral level in order to develop trade and other economic cooperation with the socialist countries.

Ministers emphasized that special attention would have to be paid—in the multilateral trade negotiations and in other contexts—to the needs of the developing countries.

Ministers underlined the importance they attach to national and international efforts aimed at achieving better balance-of-payments equilibrium, removing excessive international liquidities and decreasing inflationary pressures. The establishment of stable economic and monetary conditions was of paramount importance in ensuring further progress in the field of the liberalization of international trade.

The next meeting of the EFTA Ministers will take place in Geneva on 22nd and 23rd November 1973.

European Free Trade Association
July 1972-June 1973

MEMBER COUNTRIES :

Austria	Denmark (to 31/12/72)	Iceland	Norway
Portugal	Sweden	Switzerland	United Kingdom (to 31/12/72)

ASSOCIATE : Finland

Secretary-General

B. Rabaeus

Deputy Secretary-General

A. Wacker

Principal Secretariat Officers

Department Heads :

¹ C. B. Burgess, CMG, OBE ; Co-ordination and Development Department
A. Gaeta ; General and Legal Department
R. Girod ; Administration and Finance Department
J. Lanner ; Economic Department
² B. Pontoppidan ; Trade Policy Department
³ G. R. Young ; Press and Information Department
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¹ To 31/5/73.

² To 31/12/72.

³ To 31/3/73.

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