Sixteenth Annual Report of the European Free Trade Association

Geneva—September 1976
1975-1976

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I. The year in EFTA: July 1975 to June 1976

During the twelve months covered by this report economic recovery began in some of the industrialised countries of the world but activity in many of the smaller countries was still under the influence of the world recession. In its initial stages the recovery depended heavily on a rebuilding of inventories, and since in most countries there was little evidence by June 1976 that fixed investment had started to increase it was still not quite certain that a sustainable upswing in activity was taking place. Inflation continued to be high in many countries and unemployment rates had hardly been reduced. Most of the EFTA countries had managed to offset the pressures of the world recession rather well but, like many other small industrial nations, many of them were still running relatively large deficits on the current account of their balances of payments.

This was the situation in June 1976 when the EFTA Councils met at Ministerial level for their regular six-monthly meeting. Reflecting on the experience of the EFTA countries, the Ministers emphasised the need for policies designed to sustain the revival and stressed in particular the necessity for active employment policies which should include selective measures aimed at increasing employment. At the same time they considered it essential that a resurgence of inflationary pressures should be prevented and that continued attention should be given to world monetary problems.

The importance of preserving and improving the free trade achieved in EFTA was underlined by the Ministers at the same meeting in the course of a review of the internal activities of EFTA. They emphasised the importance of resisting demands for measures to restrict trade and of resisting protectionism in general. They also recognised that the OECD Trade Pledge, by which the OECD nations undertook to refrain for twelve months from applying measures to restrict trade, had had a positive effect since it was first adopted in May 1974, and they expressed the firm hope that a second renewal of the Pledge would likewise be beneficial. Three weeks later OECD Ministers agreed to extend the Pledge for a further year.

Throughout the year the EFTA countries continued to exchange information and to consult each other within the framework of the Association on general economic developments in the EFTA countries and in the world as a whole. The consultations covered both the policies adopted in the EFTA countries in order to deal with the current economic situation, and the positions of the EFTA countries in connection with the complex of international negotiations on trade and other economic questions that were taking place in
other contexts. In these negotiations the EFTA Governments aimed to contribute as fully as opportunities permitted to strengthening the liberal system of world trade and to improving the conditions for the economic advance of the developing countries. Reviewing in June 1976 the part played by the EFTA Governments in this context, the EFTA Ministers recognised that considerable work remained to be done to bring about the necessary changes in international economic relationships and in particular to secure a larger share of the world product for the developing countries, especially the least developed and those without petroleum or other natural resources.

A further step towards the achievement of free trade between the EFTA countries and the European Communities was taken on 1st January 1976 when the fourth tariff cut was made, as scheduled, under the Free Trade Agreements which each of the EFTA countries has with the EC. For almost all industrial products the free trade will be realised when the fifth and final reduction of tariffs takes place on 1st July 1977. The ending of the fishing dispute between Iceland and the United Kingdom at the beginning of June made it possible for Iceland to expect to receive in the near future the full benefits of its Free Trade Agreement.

Work continued throughout the year on the removal of technical barriers to trade. Two new schemes designed to overcome barriers of this kind through the principle of the mutual recognition of tests and inspections of particular groups of products reached an advanced stage of preparation within EFTA. These schemes are similar in purpose to other schemes and conventions already in force which were worked out originally in EFTA, and all of them are open to the participation of other countries. In the course of the year Hungary became the eleventh country to accede to the Pharmaceutical Inspection Convention and the United Kingdom the fifth country to ratify the Hallmarking Convention.

A major preoccupation of EFTA during the year was the working out of the details of its response to the appeal from Portugal for economic assistance. The EFTA countries and the Association had quickly recognised that Portugal needed financial and technical assistance in order to overcome the serious economic difficulties facing the country and thus to enable a sound democratic political system to take root there. At the suggestion of the Portuguese authorities it was agreed that action should be taken in four different fields.

The Councils agreed that Portugal should have an additional five years in which to complete the removal of its tariffs on imports from EFTA and amended the Stockholm Convention accordingly. The amendment will enter into force after ratification by the EFTA countries. Concessions were also made by some EFTA countries in order to encourage the import of certain agricultural goods produced in Portugal, and other measures to facilitate Portuguese agricultural exports were under consideration. In addition, technical assistance was provided on a bilateral basis in the fields of education, housing, fisheries, forestry, tourism and urban transport, and other specific projects were being studied bilaterally.

Finally, EFTA also agreed during the year to set up a 100 million US dollar Industrial Development Fund for Portugal. This was a venture of an entirely new kind for EFTA which necessitated a thorough examination
of the possibility of creating such an institution and of the principles accord­
ing to which it should provide finance for the development of industrial
enterprises in Portugal. The decision to establish a fund was taken when the
EFTA Councils met at Ministerial level in November 1975, and the Statute
creating the Fund, as a new EFTA institution, was agreed in April 1976.
The Statute is subject to final acceptance by the EFTA countries, a process
that had not been completed at the end of the year under review.

The Statute, which is reproduced in full at the end of this report, provides
that the Fund is to finance specific projects for the reconstruction or creation
of enterprises, especially small and medium sized, in the public and private
sectors in Portugal. The contributions of the EFTA countries are to be made
available to the Fund in five equal annual instalments and will be drawn on
as and when required by financing operations. Reimbursement of the contrib­
utions will begin from the end of the eleventh year of the Fund's life and
be completed by the end of the twenty-fifth year. From the sixth year
contributions will bear interest at the rate of 3 per cent per annum. The
Fund is to conduct its operations in such a way that a substantial part of its
assets are used for purchases within the Area of the Association. The EFTA
Council, with the full participation of the representative of Finland, is to
supervise and give guidance on the application of the Statute of the Fund.

During the year two EFTA countries which had previously introduced
temporary restrictive measures to curb growing balance of payments deficits
found it necessary to keep them in force. The Finnish import deposit
scheme was prolonged but with a new timetable to phase it out completely
by 31st December 1976. The Portuguese import surcharge was also retained
for the rest of the year 1976. Steps were taken during the year by three
countries to restrict imports of particular products. To protect a domestic
industry affected by a rapid increase in low-price imports, Austria set min­
imum import prices for women's tights, with authority to collect a compen­
satory levy on imports entering the country at lower prices. Switzerland
reintroduced border charges on the import of some animal feeding-stuffs
that are duty free in EFTA, which in its view was necessary to regulate the
production of meat and milk in Switzerland. For reasons of economic defence
policy, Sweden imposed a global quota on the import of shoes and boots, as
an interim method of arresting a secular decline in its footwear industry. All
these actions were the subject of careful scrutiny within EFTA, as is recounted
in more detail elsewhere in this report.

Suggestions that the EFTA countries should cooperate more closely were
made during the year both by the group of EFTA Parliamentarians and by
trade unions in the EFTA countries. The Parliamentarians, who meet
yearly to discuss EFTA's work, expressed the view that the Association
should play a bigger role in economic cooperation in Europe. They proposed
that the EFTA countries should strengthen their cooperation both within the
Association and in other international organisations.

Trade union representatives made proposals to this effect at a meeting of
the Consultative Committee, the membership of which includes representatives
of industry, unions, commerce and other interests in the EFTA countries.
The trade union members put the emphasis on the maintenance of full
employment, which is one of the objectives of EFTA, and stressed the need for a continuous evaluation within EFTA of economic developments in Europe, especially so far as employment is concerned. They also made some specific suggestions about the organisation of EFTA's activities with this aim in view, proposing that there should be changes in the work of the Consultative Committee and that there should be exchanges of information on economic and social developments with the appropriate bodies of the European Communities. The intention of the trade union members was that the Consultative Committee should recommend these proposals to the Councils, and the proposals were supported by some other representatives at the meeting. At the end of June 1976 preparations were being made for a full discussion in the Committee.
II. Internal developments in EFTA

Tariffs and quotas

Tariff reductions on industrial goods

Since the end of 1966, or in the case of Finland 1967, only Iceland and Portugal are permitted to levy import duties on industrial products imported from other EFTA countries.

Iceland's import duties were reduced on 1st January 1976 from 50 per cent of the basic duties to 40 per cent, as provided for in the timetable contained in the Council Decision on Iceland's accession to EFTA. The duties will be reduced by 10 per cent of the basic rate at the beginning of each calendar year until they reach zero on 1st January 1980.

No reduction was due, during the twelve months covered by this report, in the Portuguese import duties on goods covered by paragraph 4 of Annex G to the Convention. The rate of duty thus remained at 30 per cent of the basic duties, except that the duty on a few iron and steel products, subject to a separate timetable, was cut from 20 to 10 per cent.

Quantitative import restrictions

The abolition of quantitative restrictions on industrial products was completed by 31st December 1966 by all the EFTA countries except Iceland which at that time was not a member of EFTA. As scheduled in the Council Decision on the accession of Iceland, its quantitative restrictions were abolished by 1st January 1975 with the exception of the quotas on certain goods containing sugar. See page 17.

On 5th November 1975 Sweden introduced a global import quota system for certain shoes and rubber boots. See page 21.

Amendment of Annex G to the Convention

Annex G to the Convention contains a special timetable for the removal of Portuguese import duties on a large number of products. According to this timetable, the duties on these goods are to be reduced from 30 per cent to 20 per cent on 1st January 1977 and to nil on 1st January 1980. At the request of the Portuguese Government (see page 25) the Annex was
amended 1 to allow the Council to extend the timetable to 1st January 1985 for particular products (on Portuguese request) and to permit Portugal to introduce duties on the products of new industries provided that the new duties are also abolished by 1st January 1985.

The amendment, which is designed to assist the development of Portuguese industry and thus strengthen the Portuguese economy, will enter into force after it has been accepted in all the EFTA countries. The Councils will then be able to decide on the timing of reductions in the duties on the particular goods for which Portugal requests prolonged tariff protection, which will have to cease by 1st January 1985.

Origin rules

Changes introduced during the year

The origin rules applied in EFTA, which with few exceptions are identical with those in force under the Free Trade Agreements which each of the EFTA countries has with the European Communities, were kept under review during the year. Four decisions which amended the rules were adopted by the EFTA Council and endorsed by the Joint Council of EFTA and Finland.

One Decision 2 mainly concerned the documents that have to be submitted in support of a claim for duty-free import within EFTA or, in the case of trade with the EC, for FTA tariff rates. The layout of the movement certificate EUR. 1 was altered and some technical changes made in it. The use of the other document—form EUR. 2—was extended: from 1st February 1976 it can be used for small parcels despatched by any form of transport and not, as previously, only for those sent by post. The maximum value of consignments for which the form can be used was raised from 1,000 to 1,500 of the units of account used in the accounting system of the EC 3. The limits

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2 Decision of the Council No. 10 of 1975 and Decision of the Joint Council No. 3 of 1975, adopted on 11th December 1975.

3 The corresponding figures in national currencies laid down by the EFTA countries are, until further notice, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Small packages (100 UA)</th>
<th>Travellers' personal luggage (300 UA)</th>
<th>EUR. 2 limit (1,500 UA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria (A. S.)</td>
<td>2,500</td>
<td>7,500</td>
<td>37,200</td>
</tr>
<tr>
<td>Finland (Markka)</td>
<td>500</td>
<td>1,500</td>
<td>7,500</td>
</tr>
<tr>
<td>Iceland (I. Kr.)</td>
<td>20,000</td>
<td>60,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Norway (N. Kr.)</td>
<td>750</td>
<td>2,200</td>
<td>10,800</td>
</tr>
<tr>
<td>Portugal (Esc.)</td>
<td>3,000</td>
<td>9,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Sweden (S. Kr.)</td>
<td>600</td>
<td>1,800</td>
<td>9,000</td>
</tr>
<tr>
<td>Switzerland (S. Frs.)</td>
<td>370</td>
<td>1,100</td>
<td>5,500</td>
</tr>
</tbody>
</table>

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on the value of small packages that can be sent to private persons, duty free and without either of these documents, or included in travellers' personal luggage were raised to 100 and 300 units of account respectively 1.

The second Decision 2 related solely to the Stockholm Convention and involved a clarification of the description of the products covered by tariff heading ex 22.09 in Section II of List A of Annex B to the Convention. The products concerned—whisky and certain other spirits—are not eligible for tariff reductions under the FTAs.

The third Decision 3 amended the special provision relating to the tariff treatment of nuclear fuels both in EFTA and under the FTAs. At present no limit is set to the value of materials or parts originating outside EFTA or the EC which are incorporated in fuel elements (ex 84.59) for nuclear reactors. The value was to be limited to 40 per cent of the value of the finished product after 31st December 1977 but the amendment postpones this requirement until after 31st December 1984. The reason for the postponement was that the production of the fuel elements depends on long-term supply contracts for the raw materials.

Drawback

The fourth Decision 4 amended from 1st January 1976 the rules relating to drawback: the refunding of import duties paid on imported materials used in the manufacture of goods that are later exported. The amendment involves no change in the basic rule, in force since the beginning of 1967, that finished goods originating in EFTA may not benefit both from EFTA (duty free) tariff treatment and from drawback on duties on imported materials. The rule now however permits the granting of drawback on agricultural materials that do not qualify for area tariff treatment—materials listed in Parts II and III of Annex D to the Convention—and on fish covered by Annex E which likewise are not duty free in EFTA.

Proposals for amendments of the origin rules

A number of proposals for other changes in the origin rules in the FTAs, submitted by the EFTA countries to the Commission of the European Communities in March 1975, are still under consideration within the EEC. The proposals included some specific suggestions for changes in the rules for particular products, as well as some submissions of a general nature.

1 See footnote No. 3 on page 12.
4 Decision of the Council No. 11 of 1975 and Decision of the Joint Council No. 4 of 1975, adopted on 11th December 1975.
Some of the specific propositions, together with others put forward by the EEC, were discussed at meetings in May 1976 of the bilateral Customs Committees established under the FTAs and will be reverted to at future meetings. Two of the general proposals were again brought to the attention of the Commission at the same meetings. One was designed to overcome the administrative problems which are connected with the application of the present rules, and aimed at introducing an alternative percentage criterion to be applied to all goods (with the exception of the textile sector). The proposal means that goods would qualify as originating products by satisfying either the present processing rules or the proposed percentage criterion. According to this criterion goods would be regarded as originating, provided that they are obtained by working or processing in which the value of the non-originating products used does not exceed a certain percentage of the value of the finished product.

The other general suggestion was that there should be a widening of the cumulation rules which determine the conditions under which products which undergo consecutive production processes in more than one tariff area (each EFTA country individually and the EEC as a whole being one tariff area) are entitled to FTA or EFTA treatment. The proposal would provide uniform treatment whether the processes were performed in two or more than two of these tariff areas.

The aim of these suggestions is both to simplify the origin rules and to adapt them to the evolution of manufacturing techniques and to the conditions of international trade.

Charges other than tariffs

Finnish import equalisation tax

Some amendments to the provisions of the Finnish import equalisation tax were introduced in August and September 1975 and notified to the Joint Council. The tax, in force since June 1971, applies to the import of products which, when produced in Finland, are affected by indirect taxes for which there is not normally a compensating tax at the border. In order to take account of recent developments in the structure of industrial production in Finland the list of goods exempted from the tax was revised and the procedure for obtaining exemption was altered. The Committee of Trade Experts, which considered the tax and the amendments at its February meeting, agreed to revert to the subject when new developments warranted doing so.

Other border charges

The Committee of Trade Experts completed its examination of a number of charges, such as Customs clearance fees and traffic fees, imposed at the borders of EFTA countries. It reported to the Councils that, with two pos-
sible exceptions which were expected to be abolished by revision of the laws in the countries concerned, none of the charges afforded protection to domestic industries. The Councils endorsed the Committee's conclusions and recommended to EFTA Governments that, if border charges are maintained or introduced, steps should be taken to ensure that they do not give effective protection to domestic production of similar products, or exceed the approximate cost of the services rendered, or restrict imports. The Councils also instructed the Committee to examine such border charges from time to time.

On 1st April 1976 Switzerland reintroduced border charges on certain animal feeding-stuffs. These charges were examined at a special meeting: see page 23.

Agriculture

Annual review of agricultural trade

The annual review of agricultural trade within EFTA was carried out by the Councils in December 1975 on the basis of a report prepared by the Secretariat. The review covers the trade in agricultural products which do not benefit from EFTA tariff treatment.

The report showed that the intra-EFTA imports of these goods amounted in 1974 to 267 million US dollars, which is 2.9 per cent of total intra-Area imports. The increase in the value of intra-EFTA imports of agricultural goods was 45.6 per cent, compared with a rise of 35.2 per cent in total intra-EFTA imports. The largest market for intra-EFTA imports of these goods was Norway which took 27 per cent of the total: the largest exporter was Sweden which provided 36 per cent of the intra-EFTA exports of agricultural goods.

New bilateral agricultural agreements

No bilateral agreements on trade in agricultural products were concluded between EFTA countries during the year.

Processed agricultural products

As required by the Stockholm Convention, EFTA Governments notified the Councils whenever changes were made in the measures they applied in order to compensate for differences between the domestic and the world market prices of agricultural raw materials—which are not eligible for EFTA tariff treatment—when used in the production of certain other goods which are duty free in EFTA. The purpose of the compensation is to ensure that the competitiveness of industries processing these raw materials is not affected
by the fact that the prices at which the materials are available to them differ from country to country.

All EFTA countries except Iceland and Portugal apply compensation systems of this kind. According to paragraph 1 (c) of Article 21 of the Convention, the compensation measures may not exceed the differences between the domestic and the world prices of the raw materials. What guidelines should be used so that the differences are not exceeded when price compensation measures are applied has been thoroughly discussed on a number of occasions both in the Committee of Trade Experts and in the Councils.

In December 1974 the Committee recommended certain guidelines to be used by the EFTA countries in applying price compensation measures and identified the relevant world market prices (in most cases, the prices at the EEC frontier) for the commodities most widely used in the manufacture of the products concerned. The commodities are skimmed milk, whole milk powder, butter, refined sugar and cereals. The Councils took no action at the time on these recommendations since in the meantime the prices of some agricultural raw materials, particularly sugar, had risen substantially and were equal to or above the domestic prices in several EFTA countries. The steps taken by EFTA Governments to deal with the problems created by this situation were examined in February 1975 by the Committee.

After considering the whole matter at a number of meetings in May and June 1975 the Councils noted that world market prices were again below domestic prices for agricultural raw materials in EFTA countries. They agreed that the application of price compensation measures under Article 21 and the setting of common guidelines for their application were of substantial importance in securing conditions of free competition in EFTA. They therefore instructed the Committee of Trade Experts to review, and where necessary complete, the proposals for common guidelines put forward in December 1974, and to make proposals for common guidelines for use in extraordinary price situations.

Guidelines for use in extraordinary price situations were considered at the meetings of the Committee held in October 1975 and in February and June 1976. At the June meeting the Committee agreed to recommend to their authorities that a particular compromise solution should be carefully considered. In this compromise solution an abnormal price situation would occur when the price identified as the world market price for the agricultural raw material in question rose above the level of the EEC threshold price. In such a case the common external reference price to be used in calculating the compensation might be the EEC threshold price plus a given percentage of that price. Different views were expressed with regard to the size of the percentage. The Committee agreed to revert to the matter at their next meeting.

The price compensation schemes applied in Austria, Finland, Norway and Sweden remained basically unchanged throughout the year. Switzerland had applied, from the middle of 1973, a compensation system involving fixed import levies. This was partly replaced, from 1st June 1976, by a system of variable import levies.
Pending the introduction of a system of compensatory levies Iceland has maintained quantitative restrictions on the imports of certain goods containing sugar. According to the terms of Iceland's accession to EFTA these restrictions should have been eliminated by the end of 1974. The Councils raised no objection to the temporary postponement on the understanding that the restrictions should not work to the detriment of intra-EFTA trade.

From 26th January 1976 Iceland also made the import of bread, biscuits, cakes and other bakers' wares subject to the granting of licences, until a price compensation system could be brought into force. The purpose was not to restrict imports from the other EFTA countries but to keep a watch on the development of the prices of these products, and the licences were to be granted liberally. The Committee of Trade Experts, which examined the matter at the request of the Councils, pointed out that only if licences were granted automatically could the surveillance system be regarded as not constituting a restrictive practice.

Austria and Switzerland agreed in June 1976 to discuss bilaterally, in the autumn of 1976, the trade effects of the differences in the tariff treatment of certain fruit and vegetable juices. When these juices have a higher water content than natural juices or are aerated with carbon dioxide, they are subject to EFTA's free trade provisions in Austria and all the other EFTA countries except Switzerland. When the discussions between Switzerland and Austria, the other EFTA country mainly concerned, have been completed the Councils are to revert to the subject.

Agricultural concessions to Portugal

In response to the Portuguese request (see page 26) for agricultural concessions from its partners in EFTA, three EFTA countries decided to reduce their tariffs on imports of a number of products of interest mainly to Portugal, and the concessions were incorporated in a Council Decision adopted in March 1976 1.

The Decision provides for a reduction of about two-thirds in the Austrian import duty on Port wine imported in bottles containing two litres or less, from 1st July 1976. From the same date in the case of Norway there will be a 30 per cent reduction, followed by additional cuts of 10 per cent each on 1st January 1977 and 1st January 1978, in the duties on carrots, tomatoes, apples, pears, peaches, nectarines, cultivated strawberries, cut flowers and buds, and foliage, branches and other parts of trees for bouquets or ornamental purposes. Also from 1st July 1976 Sweden is reducing, at various rates, its import duties on carrots, cauliflowers, fresh grapes, fresh peaches, bulbs, and cut flowers and flower bulbs of certain species. These tariff concessions apply to imports of these products from all EFTA countries.

Other measures intended to facilitate imports of agricultural goods from Portugal were under consideration in the EFTA countries.

Escape clauses, consultations and complaints

The general consultation and complaints procedure

No EFTA State made use during the year of the general consultations and complaints procedure provided for by Article 31 of the Stockholm Convention.

Finland: temporary import restrictions on consumer durables

The licensing system applied by Finland to imports of certain consumer durables was kept under review by the Joint Council. Licensing was introduced for these products in August 1973 as a temporary measure to protect the Finnish balance of payments. Since May 1975 licences are granted automatically. The system applies to 2 per cent of Finland's total imports.

Finland: import deposit scheme

In March 1976 the Finnish Government decided to prolong the import deposit scheme which had come into effect on 24th March 1975 and which was to have been abolished within a maximum of twelve months. It was introduced as part of an economic policy programme designed to redress the country's balance of payments position, and affected about 50 per cent of all imports. Finland's trade deficit rose from 5 billion Finnish marks in 1974 to 7.7 billion in 1975 and the current account deficit from 4.6 to 8.1 billion marks.

Notifying the Joint Council of the prolongation of the scheme, the Finnish Delegation pointed out that, despite some improvement, the current account deficit was expected to be still too high in 1976 and that the abolition of the scheme in March would have led to an increase in liquidity that would have caused difficulties for monetary policy. Some goods have been subject to a deposit equal to 5 per cent of the import price, and this group had been exempted from the requirement from 15th February 1976. The notification of the prolongation included a timetable for the removal of the scheme for all other imports. For goods that had been liable to a 10 per cent deposit the scheme would be abolished on 1st July 1976; for those liable to a 20 per cent deposit the rate was cut to 10 per cent from 16th March 1976 and the scheme would likewise be ended on 1st July 1976; for goods subject to a 30 per cent deposit, the rate would be cut to 20 per cent on 1st October 1976 and 10 per cent on 16th November 1976 and the scheme would be abolished from 31st December 1976.

The Joint Council decided that the Finnish decision should be examined at a special meeting of the Deputy Heads of the National Delegations of the seven countries, assisted by experts where desired, and at the next meeting
of the Economic Committee. The Deputy Heads were to take into account
the current economic situation in Finland, the effects of the import deposit
system on trade, and the other measures that had been adopted by the
Finnish Government for the purpose of safeguarding the balance of pay­
ments. A report was to be made to the Joint Council by 1st June 1976.

In their report, the Deputy Heads of Delegation agreed that the Finnish
economic situation was serious and called for strong measures. Regrets were
however expressed that it had not been possible for the Finnish authorities
to take internal measures early enough for the import deposit scheme to be
ended on the date originally envisaged. Recent Finnish measures, including
cuts in central government spending and efforts to restrict local government
spending, were welcomed by the Deputies, as was the decision to lay down
a precise timetable for the abolition of import deposits. Because of the
structure of their exports to Finland most EFTA countries were more affected
by the scheme than other trade groups, and the wish was therefore expressed
at the meeting that Finland should consider shortening the timetable espec­
ially for goods liable to a 30 per cent deposit. The report from the Deputy
Heads of Delegation was noted by the Joint Council in May. Some delega­
tions reiterated on that occasion the wish that the Finnish authorities would
seriously consider shortening the timetable.

The matter was raised also at the Ministerial meeting of the Councils.
Although there was some understanding of the need for Finland to take
action to correct the balance of payments situation, regret was expressed that
the import deposit scheme affected the exports of most of the EFTA coun­
tries more than those of other countries. The Finnish Minister stressed that
in the examinations undertaken in IMF and GATT the conclusion had been
that the Finnish measures were considered not to go beyond what was neces­
sary to prevent a further deterioration of the balance of payments. He also
recalled the timetable for the gradual abolition of the scheme by the end
of 1976.

When the Economic Committee reviewed the situation in Finland at its
meeting in June the Finnish Delegate expressed the view that gross domestic
product would stagnate in 1976 and that the current account deficit would be
reduced considerably since exports were expected to rise more rapidly than
imports. Tight monetary policies would be maintained. The Committee
expressed its understanding of the difficulties facing Finland but some dele­
gates regretted that it had been found necessary to prolong the import deposit
scheme.

Portugal : import surcharge

Twice during the year the Portuguese Government prolonged the sur­
charge levied on imports of a wide range of goods since 31st May 1975, and
originally scheduled to be removed by 31st December 1975. The surcharge,
which was intended to help alleviate the serious problems facing the Portu­
guese economy, was extended, with some alterations, first to 31st March and
then to 31st December 1976.
The Councils decided in April 1976 that a special meeting of Deputy Heads of Delegation, assisted by experts where desired, should examine the Portuguese economic and balance of payments situation. It was also to examine any other relevant measures, apart from the import surcharge, taken or planned by the Portuguese authorities, as well as the effects on intra-EFTA trade of the surcharge and other relevant measures. A report was to be made to the Councils by 1st June 1976. The Economic Committee was also to examine the Portuguese economic situation at its meeting in June.

The Deputy Heads of Delegation agreed in their report that Portugal's external deficit had continued to worsen. Although there was understanding for the special situation of the Portuguese economy, regret was expressed that it had not been possible to remove the surcharge as originally planned. It was stressed that the surcharge must be considered as only a temporary expedient, giving time for more comprehensive measures to be put into effect. The report was noted by the Councils in June 1976. They endorsed its conclusions and recalled that the surcharge was to be abolished on 31st December 1976.

At the June meeting of the Economic Committee the Portuguese Delegate stated that Portugal's basic balance of payments deficit was still increasing and that although gross national product was expected to rise in 1976 it would only slightly exceed the level of 1974. The Committee agreed that Portugal still faced very difficult external and internal imbalances. There was therefore some understanding for the continuation of the surcharge, but it was pointed out that it should be considered only as a temporary measure.

Norway: licensing of some textile imports

Imports into Norway of certain items of clothing and textile goods were made subject, from 25th August 1975, to surveillance in the form of a temporary automatic licensing arrangement. The arrangement, which was not intended to restrict imports, was discussed at two of the meetings of the Committee of Trade Experts, which stressed the importance of granting licences automatically and without delay. The Committee noted that the Norwegian authorities were prepared to discuss with the other EFTA countries any problems that might arise because of the licensing requirement.

Austria: reference prices for the import of tights

From 6th December 1975 Austria introduced minimum reference prices for the import of tights made of synthetic fibre, accompanied by authority to impose a levy to compensate for the differences between the prices at the border and the minimum reference prices. The measure was introduced because of the steep and accelerating rise in the import of low-price tights in the past three years, which had caused a sharp drop in production in Austria.

At the request of the Councils the Deputy Heads of Delegation examined
the matter. In their report the following month the Deputy Heads recognised that the rapid growth in low-price imports was disrupting the Austrian market for tights but asked why the Austrian authorities could not deal with the problem in accordance with normal legislation and international rules for action against dumped or subsidised imports. The Austrian view was that the investigation necessary to establish that the tights were imported at dumping prices would take a very long time and that the reference price system was the only effective and rapid way of dealing with the problem; the measure had no adverse effect on EFTA trade. The Councils noted the report but agreed that the question of dumping should be examined by the Committee of Trade Experts.

At its meeting in February 1976 the Committee agreed that women's tights were being imported into EFTA countries at low prices and that these imports could have a disturbing effect on the domestic market. But since Austria had not carried out a detailed examination to establish that the prices of the imports were below the normal prices for the tights in the home market of the exporter, it was not known whether the conditions for adopting anti-dumping measures (in accordance with Article 17 of the Convention) were present. Some of the experts suggested that Article 29, which in certain circumstances permits import restrictions as a means of dealing with difficulties in particular sectors, might have provided a legal basis for the Austrian measures.

Finland: origin marking regulations

At its meeting in October 1975 the Committee of Trade Experts discussed the Finnish regulations requiring that the name of the country of origin of certain types of products should appear on the product or its package. Amended regulations, in force from 1st October, limited the requirement almost entirely to consumer goods but extended it to a number of new products mostly within categories already partly covered by the rules. The Finnish representative explained that the changes had been made in response to demands from consumer organisations and that the aim was to make the rules correspond more closely to the prevailing pattern of consumption.

The other delegations recalled that the Committee, in two earlier reviews of origin marking regulations, had concluded that consumer protection in general was not a sufficient justification for the introduction of compulsory origin marking regulations. They also regretted the addition of new products to the list of goods subject in Finland to these regulations. The Committee agreed to keep the matter under review.

Sweden: global quota for footwear imports

On 30th October 1975 Sweden formally notified the Councils that it would introduce from 5th November a global import quota system for leather shoes, plastic shoes and rubber boots, with the level of the quotas for these products
based on average imports in the years 1972 to 1974. The decision was taken on the ground that production capacity in Sweden had fallen below the minimum level required, in accordance with Sweden's economic defence policy, in order to meet basic needs in case of war or other emergency in international relations. During the discussion at the meeting of the Councils on 30th October the Swedish Delegate referred to Article 18 of the Convention which states that nothing in the Convention prevents any Member State from taking action which it considers necessary for the protection of its essential security interests. Article 18 makes the use of quantitative restrictions for this purpose subject to prior authorisation from the Councils.

The matter was discussed at several meetings of the Councils and was on the Agenda when the Councils met at Ministerial level on 6th November 1975. On that occasion a statement was made by the Swedish Minister explaining the global import system, which had been introduced as a temporary emergency measure for defence planning purposes. The other Ministers regretted that the Swedish measure had been introduced without the Councils' having had the opportunity for full consideration and expressed concern about the consequences the measure might have for free trade, especially its possible contagious effects in other countries. They therefore appealed to the Swedish Government to reconsider it. They also instructed the Councils at official level to make a thorough examination of the question before 1st February 1976.

After further discussion in the Councils at official level the Deputy Heads of Delegation, assisted by experts, were requested to assemble all the relevant facts, to consider whether Article 18 was applicable, and to study, in the light of the relevant provisions of the Convention, possible ways of dealing with the particular situation facing the Swedish authorities. Their report, submitted to the Councils on 15th December, contained a detailed description of the situation of the shoe and boot industry in Sweden and the role of the industry in the country's general defence policy, as well as an account of other measures taken in Sweden, or planned, to support the industry. The possible application of Article 18 or other provisions of the Convention was also considered in the report.

On the presentation of the report, the discussion was resumed in the Councils. They did not contest that ultimately it would be for the country in question to decide on the content and scope of its defence policy, but they could not agree that an authorisation be given to Sweden for the application of quantitative restrictions in this case. In the absence of an authorisation by the Councils, all delegations, except the Swedish, urged the Swedish Government to remove the quotas or replace them by other measures, having due regard to the maintenance of the trade benefits of other EFTA countries.

The matter was briefly discussed by Ministers at the meeting of the Councils on 3rd June. Ministers from several countries drew attention to the difficulties experienced by exporters as a result of the quotas. The Swedish Minister stated that quotas were intended only to give time for a restructuring of the industry in Sweden, that internal measures to assist the industry were before the Swedish Parliament, and that the quotas would be removed as soon as possible.
Sweden: licensing of some textile imports

From 1st January 1976 the import into Sweden of certain textiles and items of clothing was made subject to a system of surveillance by means of licensing. The purpose of the system, which applies to imports from all sources but does not involve any quantitative restrictions, is to supply information at an early stage on the development of imports of the products. The Committee of Trade Experts discussed the surveillance system at its meeting in February 1976 and stressed the importance of granting licences automatically and without delay. It also noted that the Swedish authorities were prepared to examine immediately any specific problems in connection with the licensing requirements that might be raised by the other countries.

Switzerland: border charges on certain animal feeding-stuffs

With effect from 1st April 1976 Switzerland decided to include fishmeal and certain other animal feeding-stuffs which are not listed in Annex D or E to the Convention in the Swiss system of price supplements levied on imported feeding-stuffs. The price supplements, which are special border charges, vary from 6 to 10 Swiss francs per 100 kg.

At their meeting on 7th April the Councils requested the Deputy Heads of Delegation, assisted by experts, to make a thorough examination of the matter and to report to the Councils not later than 15th May 1976. After meeting twice, the Deputies finalised a report to the Councils. No unanimously agreed conclusion could be drawn.

The Swiss representative stated that when the Stockholm Convention was negotiated in 1959, a reservation had been made by Switzerland to the effect that the exclusion of the products in question from Annex D could only be accepted provided it did not entail the abolition of the special border charge which was levied on them at that time—and which remained in force until its suspension in 1969. The reservation was considered by Switzerland as a sufficient legal basis for the price supplements, which had had to be reintroduced because of the overproduction of certain meat and dairy products. The system of price supplements had always been an integral part of Swiss agricultural policy and the charges imposed had to be seen only as a regulatory measure.

The representatives of the other countries stated that they were not aware of any exemption permitting Switzerland to derogate from its free trade obligations. Since the products in question were not included in either Annex D or Annex E to the Convention, they were by definition free trade products in EFTA. Moreover, in their opinion the charges that had been reintroduced were at a level which would give effective protection to equivalent, or substitute, domestic products and were therefore protective rather than regulatory. The charges would severely restrict imports from EFTA countries and seriously affect direct export interests of some of them. The representatives of the other countries therefore recommended that the price supplements should be abolished for products not covered by Annex D or Annex E to the Convention.
When the Councils met at Ministerial level in June 1976, the Swiss Minister explained the considerations which had led Switzerland to reimpose the price supplements. The Ministers of the other EFTA countries appealed to Switzerland to abolish them.

Technical barriers to trade

The "INST" procedure

The Committee of Trade Experts continued to keep under review the results of the revised procedure (the "INST" procedure) by which the EFTA countries should notify each other in advance of any new or amended technical regulations they plan to introduce. The main purpose of the revision of the procedure was to make the process of notification simpler and more effective, with the objective of ensuring that no new barriers to trade arise as a result of the regulations. The number of notifications made by some countries remained modest but the Committee thought that to a large extent the reason might be that the bodies issuing technical regulations were under no legal obligation to inform any central authority in their own country in advance of the issue of new regulations. The members of the Committee agreed to recommend to their authorities that steps should be taken to stimulate interest in the arrangement and that appropriate methods for collecting such information in advance should be sought.

Preparation of new reciprocal recognition schemes

The main outlines of two new international schemes relating to lifting appliances (in the one case) and to heating equipment for liquid fuels (in the other) were being worked out during the year in meetings of two expert groups established by the Councils in January 1975. Each group was given the task of considering what might be the main content of international arrangements for the reciprocal recognition of tests and inspections carried out on the products. Each group met twice during the year and is expected to complete its work in 1976-77. The products covered by the group dealing with lifting appliances include passenger and goods lifts, building hoists and cranes; those covered by the group dealing with heating equipment for liquid fuels include oil burners, domestic boilers, air heaters and dryers, oil stoves, and cooking and lighting appliances. As in the case of the schemes mentioned on page 35, the essence of the arrangement would be that the authorities in the country importing these products would recognise, as equivalent to their own, the tests and inspections carried out in the country from which the products are exported. Each of the groups, following the instructions given by the Councils, has also been considering which authorities from countries outside EFTA should be invited to take part in the final formulation of reciprocal recognition schemes.
Registration of pharmaceutical products

Three meetings were held during the year of the ad hoc group of experts set up by the Councils to identify the difficulties caused for trade in pharmaceutical products by differences in national procedures for the registration of these products, and to review the work being done on registration in other international bodies, in particular in the EEC. The experts studied in detail the relevant EEC Directives and in an interim report to the Councils stated that the implementation of some of the provisions of the Directives might lead to difficulties for EFTA exports of pharmaceutical products to EEC countries. The experts also considered the possibility that the registration authorities might be able to accept, wholly or in part, the analyses and tests carried out in another country in order to obtain registration if there were a standard form of report on the evaluation of pharmaceutical products, and they discussed what kinds of information should be contained in such reports.

Assistance to Portugal

Portuguese requests for economic assistance, first presented in general terms in October 1974, were made more specific during a visit by the Secretary-General to Lisbon in May 1975 and formally spelled out in the next two months. Instructed by the Ministerial Councils in May 1975 to study the proposals positively and as a matter of urgency, the Councils at official level, aided by the Economic Development Committee, devoted many meetings to considering in detail how best to respond to the Portuguese appeal.

The assistance was required to help Portugal recover from a rapidly deteriorating economic situation in which investment was stagnating, export demand was slackening, unemployment was rising and the deficit in the balance of payments was growing sharply, and thus to enable Portugal to consolidate the new democratic institutions that were being created after the events of April 1974. Aid of four kinds was required: a longer period of protection for its industries; new scope for its agricultural exports; technical assistance in a variety of fields; and finance to develop Portuguese industry.

The request for a prolongation of the period of protection for Portuguese industries was met by an amendment to the Stockholm Convention, which was agreed on when the Councils met at Ministerial level on 6th November 1975. Subject to parliamentary approval in the EFTA countries, this amendment will make it possible for the Councils to authorise Portugal to extend the timetable for the elimination of duties in relation to a particular product (see page 11). In the intervening years, according to the Decisions, Portugal could also be permitted to introduce new duties on the import of other products hitherto not manufactured in the country. But all the duties were to be abolished from 1st January 1985.
On agricultural products, Portugal had asked its partners in particular to facilitate its exports of wine and of horticultural products. The scope for concessions was limited by the existence of earlier agreements likewise designed to encourage Portuguese exports of agricultural products, but the EFTA countries examined thoroughly the possibilities of increasing their imports from Portugal. On 6th November the Ministers agreed that tariff reductions and other measures should be considered bilaterally, that any steps taken as a result should be notified to the Association, and that any tariff concession granted should be incorporated in a Council Decision. Three countries subsequently resolved to reduce their tariffs on some agricultural products of interest mainly to Portugal (see page 17). Several EFTA countries also informed the Councils that they were considering adopting other measures that would benefit Portuguese exports in this sector.

The requests for technical assistance covered a very wide field, including the development of the forest industry, the fishery sector, various aspects of government financial administration, the provision of low-cost cooperative housing, vocational training and social welfare systems. The proposals were first surveyed at a special meeting of the Economic Development Committee held in July 1975. A consensus emerged from this meeting that the specific requirements should mainly be explored on a bilateral basis between Portugal and the EFTA countries with the particular expertise in the various matters. In November 1975 the Ministers, after noting that technical assistance was already being provided by several EFTA countries and that other offers had been made, agreed that the requests should continue to be met on the basis of bilateral arrangements, and that the coordination of the assistance would be the responsibility of the Economic Development Committee.

On the question of financial aid for the development of Portuguese industry the Ministers agreed on the same occasion, subject to parliamentary approval, to set up a fund for the development and restructuring of Portuguese industry. The size of the fund would be US $ 100,000,000 which would be supplied over a period of five years in order to finance specific projects particularly for the reconstruction or creation of small and medium-sized enterprises in the public and private sector. The Ministers instructed the Councils at official level to work out the arrangements necessary to give effect to this agreement. The Economic Development Committee was subsequently convened to make specific proposals to this end and, if possible, to put forward a draft statute for a fund. The Committee held three meetings, in December 1975 and January and February 1976.

On the basis of the Committee's report and after further discussions in the Councils, the statute of the EFTA Industrial Development Fund was agreed and the Fund established as an EFTA institution by Decisions of the Councils adopted on 7th April 1976¹. The size of the Fund was to be 84,604,516 Special Drawing Rights (SDRs)—the equivalent of 100 million

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¹ Decision of the Council No. 4 of 1976 and Decision of the Joint Council No. 1 of 1976.
US dollars on 6th November 1975 when the Ministerial Councils agreed to create the Fund. The contributions to the Fund were to be as follows:

- Austria: 15.128 per cent equal to 12,798,972 SDRs
- Finland: 10.241 per cent equal to 8,664,348 SDRs
- Iceland: 1.000 per cent equal to 846,045 SDRs
- Norway: 12.003 per cent equal to 10,155,080 SDRs
- Portugal: 6.119 per cent equal to 5,176,950 SDRs
- Sweden: 30.000 per cent equal to 25,381,355 SDRs
- Switzerland: 25.509 per cent equal to 21,581,766 SDRs

These sums were to be made available to the Fund in five annual instalments and to be drawn on as and when required. The reimbursement of the contributions is to begin from the end of the eleventh year of the Fund's operation and to be completed by the end of the twenty-fifth year. From the sixth year contributions will bear interest at the rate of 3 per cent a year. The Portuguese Government undertook to guarantee the reimbursement of the contributions and the payment of interest. The Statute provides that the Fund is to have due regard for the promotion of intra-EFTA trade by conducting its operations in such a way that a substantial part of its assets is used for purchases from the EFTA countries.

The EFTA Council, with the full participation of the representative of Finland, is to supervise and give guidance on the application of the Statute. A Steering Committee composed of representatives of each Contributory State will have the responsibility for the operation of the Fund and will take major decisions concerning financial operations. In Portugal, an Executive Commission will be responsible for the administration of the Fund and within certain limits will be able to decide on the granting of loans. The full text of the Statute is reproduced in the Appendix.

The Fund is to come into operation as soon as the national constitutional procedures for accepting it have been completed in all the EFTA countries. By the end of June 1976 these procedures had been completed in four EFTA countries and the other EFTA countries were actively engaged in carrying out the process.

In June 1976, in order to protect some industries in a particularly difficult situation, Portugal presented a request to be allowed to introduce, increase or reintroduce import duties on certain products. The request was made at a Ministerial meeting of the Councils, and the Ministers instructed the Councils at official level to examine it in order to find an adequate solution in the light of the special circumstances prevailing in Portugal.

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 took part in the meetings of committees and working groups that were held during the year.
The Economic Committee

The Economic Committee, which reviews the economic situation in the EFTA countries, exchanges views on international economic and monetary developments, and consults on developments in other international organisations, met twice during the year.

At its meeting on 13th and 14th November the Committee recognised that there were some signs that a revival of the world economy had started, especially in the United States and Japan, but fears were expressed that it might not be strong enough to lead to a reasonably fast absorption of unused production capacities. The risk of renewed inflation if the revival were too fast to permit the necessary structural adjustments was also acknowledged by the Committee. The success of many small countries in maintaining a relatively high level of economic activity had been reflected in large current account deficits, and it was pointed out that countries could not continue to accumulate debt at a high rate. The Committee stressed the special responsibility of the countries with current account surpluses to maintain an adequate level of demand.

In discussing developments in the EFTA countries the Committee paid special attention to the situation in Portugal. The hope was expressed that the policies being planned by the Portuguese authorities would ensure an early return to reasonable internal and external economic equilibrium and growth in Portugal.

Meeting again on 8th and 9th June the Committee reviewed the general economic situation and agreed that recovery was well established in the US and Japan and that a revival was on the way in some large European countries. The recovery had, however, initially depended on the rebuilding of stocks and there was little evidence of a revival in fixed investment in most countries. Inflation rates in a number of countries remained high, and so did unemployment, and most small industrial countries were still running relatively large current account deficits.

The Committee also examined the economic situation in the individual EFTA countries. Its conclusions in the case of Finland and Portugal are summarised on pages 19 and 20 respectively. Its survey of the other countries brought out the differences in their experiences. In all of them, however, gross national product was expected to increase in 1976. The Committee also discussed recent developments in the economic policies adopted by EFTA countries and reviewed a Secretariat study on the sources of inflation.

The Committee of Trade Experts

The Committee of Trade Experts, which consists of officials from the EFTA countries, met three times during the year. On each occasion there was a long and varied agenda. The progress made in work on the removal of technical barriers to trade was kept under review, and the Committee
discussed a number of specific problems relating to trade referred to it by the Councils. Details are given under the appropriate subject headings in this report.

The Committee of Origin and Customs Experts

The Committee of Origin and Customs Experts, which also consists of officials from the EFTA countries, met eight times during the year. Its main task is to advise the EFTA Councils on matters relating to the rules of origin in force within EFTA and under the Free Trade Agreements between each of the EFTA countries and the European Communities. Details of the Committee's work are given in the section on origin rules in this report.

The Economic Development Committee

The Economic Development Committee, which has the task of examining any questions relating to economic development which the Councils may refer to it, met four times during the year, and there was also one meeting of a group of experts from the Committee. At a meeting in July 1975 the Committee examined the Portuguese requests for technical assistance and had a preliminary discussion on the Portuguese proposal for an industrial development fund for Portugal. The group of experts took up in October 1975 the discussion on the creation of the fund, which was then the subject of a full and detailed examination at the Committee meetings held in December 1975 and January and February 1976.

The Consultative Committee

The Consultative Committee met twice during the year, on 29th and 30th September 1975 and on 10th and 11th May 1976. The first meeting was held in Reykjavik, at the invitation of Iceland, the country holding the chairmanship of EFTA in the latter half of 1975; the second was in Geneva. On both occasions the economic situation in the EFTA countries was one of the main items on the agenda of the Committee, which consists of representatives of industry, commerce, trade unions and other national associations in the EFTA countries. At Reykjavik the Committee expressed very
great concern about the world economic situation as well as the hope that EFTA Governments would try to influence the larger countries in the OECD to do more to stimulate their economies. Six months later the members of the Committee were able to note that there were signs of an economic recovery. Several speakers underlined the necessity for all countries to comply with their commitment to free trade and the importance of the OECD trade pledge by which the OECD nations undertook not to adopt unilateral measures to restrict trade. The hope was also expressed that progress could be achieved towards more just economic relations through intensified cooperation in the Conference on International Economic Cooperation, in the trade negotiations taking place within the framework of GATT, and in the UNCTAD conference in Nairobi in May 1976.

At the suggestion of the Consultative Committee its Economic and Social Sub-Committee was reconvened by the Councils in order to study whether there were any specific factors threatening the maintenance of full employment and whether any EFTA country was hampered by these factors in its conduct of full employment policy. The study was also to cover the question whether international monetary developments made it more difficult to ensure full employment. A report on the Sub-Committee's first meeting, held in March 1976, was made by its chairman at the May session of the Consultative Committee.

Representatives of industry and trade in the Committee had earlier expressed fears that in the long run EFTA exports to the Mediterranean countries might be adversely affected as a result of the trade agreements between these countries and the European Communities. At both meetings during the year the Committee discussed the prospects for trade between the EFTA countries and the Mediterranean countries in the light of the EC trade agreements with Mediterranean countries and the relevant trade statistics. Both in September and in May the Committee also reviewed the response of EFTA and the EFTA countries to the Portuguese requests for assistance. A member of the Committee suggested that aid to Portugal could also be provided through direct cooperation between firms in Portugal and firms in other EFTA countries.

In May, in the course of a discussion in the Committee on the problems of inflation and unemployment, the trade union representatives put forward a number of proposals for recommendations to be made by the Committee to the Councils. The proposals were that the Councils should continuously follow and evaluate economic developments in Europe, especially in relation to employment; that they should seek to exchange information on economic and social developments in Europe with the appropriate bodies of the European Communities; that the links between the Committee and the Councils should be strengthened; that the Committee should meet more frequently; and finally that within the framework of EFTA a conference consisting of members of government and the groups represented in the Committee should be held to discuss the economic situation and prospects within EFTA and Western Europe, especially so far as employment is concerned.

The proposals aroused considerable interest in the Committee and were supported by some representatives of other organisations. The idea of
extending the work of EFTA was well received. Some comments, however, reflected hesitations and doubts about the exact content and the possible effects of some of the proposals. The outcome of the debate was an agreement to set up an ad hoc group of members of the Committee to examine the whole matter before the Committee made any recommendation to the Ministerial Councils. The first meeting of the group was later scheduled for 1st July 1976.

The Economic and Social Sub-Committee

The Economic and Social Sub-Committee consists of one representative of employers and one of the trade unions in each of the EFTA countries, together with one official from each of the seven governments who may speak but not join in the formulation of any recommendations. Its function is to examine and, where appropriate, make recommendations on certain economic and social problems. During the year it held the first of a number of meetings at which it is examining the underlying forces threatening employment in the EFTA countries.

Other standing committees

The Budget Committee met once during the year to prepare the budget for the following financial year. There was no meeting of the Committee of Agriculture and Fisheries.

EFTA Parliamentarians

Meeting in Geneva on 13th and 14th October, Members of Parliament from all the EFTA countries appealed to the Governments of the EFTA countries and to the EFTA Councils to provide economic assistance to Portugal as a matter of urgency, in order to help Portugal in its transition to a modern democracy.

Reviewing the world economic situation, the Parliamentarians expressed their anxiety at the growing risk of protectionism and the importance they attached to the safeguarding of the free trade achieved in EFTA and being realised in relations between the EFTA countries and the European Commu-
nities. They also suggested that the EFTA countries should strengthen their cooperation both within the Association and in other international organisations.

In addition, the Parliamentarians decided to set up an ad hoc group of their members to consider the role which their meetings should have in the future work of the Association. The group met twice during the year. It discussed a proposal that the informal nature which had characterised the meetings of EFTA Parliamentarians so far should be transformed into that of a consultative body, and that meetings could also be held in EFTA capitals. A report on the discussions is to be presented to the EFTA Parliamentarians when they next meet in October 1976.

Publications

The EFTA Bulletin, published nine times yearly, remained the principal channel for information about EFTA. It continued to cover all activities of EFTA, announcing decisions of the EFTA Councils and reporting on meetings of EFTA Committees and other bodies as well as containing articles about other aspects of integration in Europe.

Other publications issued during the year included the Fifteenth Annual Report of the Association and "EFTA trade in 1974", the latest in the series of annual studies of the trade of the EFTA countries. A new book which presents an account of the full range of EFTA's activities was prepared by the Secretariat and is expected to be published later in 1976. Portuguese versions of the leaflet "EFTA - what it is, what it does" and of the booklet "The European Free Trade Association" were also published. On behalf of the Pharmaceutical Inspection Convention (see pages 36-37) the Secretariat published, under the title "The Manufacturer's Quality Control Department", the text of the papers presented at a seminar in June 1975.

The EFTA Council and the Joint Council of EFTA and Finland

During the twelve months covered by this report the EFTA Council and the Joint Council of EFTA and Finland held 31 meetings, all of them simultaneous, including two at Ministerial level.

From 1st July to 31st December 1975 the chairmanship of both Councils was held by Iceland and the vice-chairmanship by Norway. From 1st January to 30th June 1976 the chairmanship of both Councils was held by Norway and the vice-chairmanship by Portugal.
Administration and Finance

Appointment of new Secretary-General and Deputy Secretary-General

Mr. Charles Müller, of the Swiss Federal Political Department, was appointed Secretary-General of EFTA on 6th November 1975 and took over his new duties in January 1976. He succeeded Mr. Bengt Rabaeus who returned to the Swedish Ministry for Foreign Affairs after three and a half years as Secretary-General of EFTA.

Mr. Arne Langeland, of the Norwegian Ministry of Foreign Affairs, was appointed Deputy Secretary-General of EFTA on 6th November 1975 and took up his appointment in January 1976. He succeeded Mr. Cornelio Sommaruga who returned to the service of the Swiss Federal Government after two and a half years as Assistant Secretary-General.

The Secretariat

At the end of June 1976 there were 30 officials in the Professional category on the staff of the Secretariat and 40 General Service staff members, of whom four were employed on a half-time basis.

A group of government experts on pension matters met twice during the year to consider, at the request of the EFTA Councils, a basis for establishing a pension scheme for the staff of the Secretariat. The group considered the regulations and rules of pension schemes applicable in several international organisations. A report by the Secretariat on the meetings was submitted to the Councils in May 1976.

Finance

The net budget for the financial year 1975-1976 was 7,838,163 Swiss francs. For the financial year 1976-1977, beginning 1st July 1976, the budget was established at S.Frs. 9,039,521 gross which, after deduction of estimated income of S.Frs. 484,700, leaves a net sum of S.Frs. 8,554,821 to be financed by contributions from EFTA States.

The scale of contributions to the EFTA budget is determined by reference to the gross national products at factor costs of the EFTA countries, none being required to contribute more than 30 per cent of the net expenditure of the Association. The contributions from Member States for 1975-1976 were on the following basis (with the figures assessed for 1976-1977 shown in brackets): Sweden 30 per cent (29.185 per cent), Switzerland 25.509 per cent (26.370 per cent), Austria 15.128 per cent (15.259 per cent), Norway 11.310 per cent (11.111 per cent), Portugal 6.119 per cent (6.222 per cent) and Iceland 1.693 per cent (1.482 per cent). The contribution of Finland, an Associate Member, was 10.241 per cent (10.371 per cent).
III. Cooperation in other fields

The reciprocal recognition schemes

Separate meetings were held during the year of the national authorities or institutions participating in each of the four schemes, worked out originally in EFTA but not limited to the EFTA countries, for the reciprocal recognition of tests and inspections carried out on certain types of products. The schemes relate to pressure vessels, ships' equipment, agricultural machines and tractors, and gas appliances. The purpose of the schemes is to overcome impediments to trade that otherwise may arise when products that are subject to varying national requirements have to be separately tested in each country before they can be put on the market. Invitations to authorities in some other countries to join in the schemes led to discussions on the possibility of their participation.

The scheme on *pressure vessels* has been in force since 1st January 1971. The participants are the bodies responsible for approving static pressure vessels, gas cylinders and other transportable pressure vessels in Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. As agreed in May 1975, the corresponding authorities in the EEC countries (except those in Denmark and the United Kingdom, which are already parties to the scheme) were invited to join. In May 1976, when the participating authorities met, they noted that no request for accession had been made up till then. It was recognised, however, that the work being done in the EEC on its proposed framework directive for pressure vessels had not yet been completed and it was assumed that no reply to the invitation would be given before this directive was adopted. The participating authorities continued to follow the development closely.

The scheme on *ships' equipment* covers all kinds of ships' equipment and has been in force since 1st January 1971. The participants are the maritime administrations in Denmark, Finland, Iceland, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia. In connection with a meeting of these authorities in November 1975 there was a special meeting with the maritime authorities in the Federal Republic of Germany and the Netherlands. Detailed information on the working of the scheme was presented, and the German and Dutch authorities raised a number of questions in order to clarify certain features. In May 1976 the maritime administration of the Netherlands asked to join the scheme.

The scheme on *agricultural machines and tractors* has been in force since 1st September 1972, the participants being the approval bodies in
Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The scheme covers tests carried out for operational safety and ergonomics and for road traffic safety on machines and tractors for use in agriculture, horticulture and forestry which are subject to the approval of a national authority. The authorities participating in this scheme met in November 1975. Invitations have been sent to the competent authorities in the EEC countries other than Denmark and the United Kingdom inviting them to join the scheme.

The scheme on *gas appliances* has been in force since 1st August 1972 between the authorities responsible for approving such appliances in Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. When these authorities met in May 1976 they agreed on a revised text of the scheme which is expected to come into force in October 1976. The institution responsible in Italy for the approval of tests on gas appliances informed the Secretariat in May 1976 that it would be in a position to join the scheme once the new text had been accepted by the authorities already participating.

**Pharmaceutical Inspection Convention**

An eleventh country, Hungary, acceded in May 1976 to the Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products, which first entered into force in 1971. The accession of Hungary will come into effect on 2nd August 1976. The other ten countries in which the Convention is in operation are Austria, Denmark, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The Convention applies to any medicine or similar product, intended for human use, which is subject to control by health legislation. It provides that the contracting states will exchange, on the basis of these inspections, such information as is necessary for the health authority in an importing country to be able to recognise, as equivalent to its own, inspections carried out in the country of manufacture. A Committee of Officials has the task of ensuring that the Convention works effectively and is applied in a uniform way. The Committee met three times during the year.

The Convention is open to States which apply a system of inspection control to ensure that pharmaceutical products manufactured within their territories are produced to appropriate standards. After the Hungarian Government had informed the Swedish Government, as the depositary of the Convention, of its wish to accede, members of the Committee of Officials visited Budapest in October 1974 in order to familiarise themselves with the inspection system applied in Hungary. On the recommendation of the Committee and with the agreement of all the contracting states, Hungary was invited in September 1975 to accede to the Convention, which it did by depositing the instrument of accession on 4th May 1976.

Members of the Committee of Officials also visited Dublin after interest in the Convention had been shown by Ireland. The Committee concluded in
May 1976 that Ireland had the national arrangements necessary to apply an inspection system comparable to that referred to in the Convention.

At its meeting in May 1976 the Committee adopted guidelines for the quality control of the manufacture and analysis of pharmaceuticals when the manufacturing or analysis is done under contract. It also set up a working party to formulate proposals on the mutual training of inspectors from Convention countries and from countries interested in acceding to the Convention.

A seminar on "the stability of pharmaceutical products", organised under the auspices of the Convention, was held in Salzburg in June 1976.

**Hallmarking Convention**

The Convention on the Control and Marking of Articles of Precious Metals was ratified on 1st April 1976 by a fifth country, the United Kingdom, and came into force for it on 1st June 1976. It has been in force for the other four—Austria, Finland, Sweden and Switzerland—since 27th June 1975.

The Convention introduced the first international hallmark, a Common Control Mark which is applied to articles of gold, silver or platinum by designated assay offices in the five countries when they are satisfied that the articles meet the standards of fineness recognised by the Convention. Goods marked in this way are admitted into the other countries without further assay or marking.

Meetings of the Standing Committee established to administer the Convention were held in October 1975 and March 1976. From the information exchanged on these occasions it appeared that articles bearing the Common Control Mark had circulated satisfactorily between the four countries that had already ratified the Convention. On technical aspects of the Convention the Committee agreed on guidelines for the methods of assay and sampling to be used, on methods of assay for the analysis of gold, silver and platinum for use in any case of dispute, and on recommendations relating to the coordination of assay and marking practices.

After comparing the provisions of the Convention with those contained in a draft EEC directive relating to articles of precious metals the Committee formed the opinion that, if more than one international system were to be adopted, they should be harmonised as closely as possible, and that the provisions of the Convention, where they differed from the draft directive, were more satisfactory for an international hallmarking system.

Representatives of the two countries—Norway and Portugal—which have signed the Convention but not yet ratified it were present at the meetings of the Standing Committee. The Norwegian representative stated that Norway planned to amend its hallmarking legislation so as to be able to ratify the Convention. Portugal also had the intention to ratify but because of circumstances relating to a reorganisation of the Portuguese assay office no precise date for the ratification could be indicated. Accession to the Convention is open to other countries with suitable assay offices of such technical competence and reliability as to be able to comply with the requirements of the Convention.
IV. External relations

Organisation for Economic Cooperation and Development (OECD)

The Secretariat attended and, when appropriate, reported to Heads of Delegation or the Councils on meetings of various OECD committees and working parties dealing with general economic developments and with questions relating to trade and industry. The EFTA Economic Committee and the EFTA Delegations continued to exchange views prior to some meetings in the OECD.

General Agreement on Tariffs and Trade (GATT)

Periodic meetings continued to be held among the delegations from EFTA countries to GATT for consultations on general and specific GATT questions, in particular those regarding the US request for consultation under Article XXII of the GATT on the origin rules of EFTA and the FTAs, and the work concerning the Multilateral Trade Negotiations taking place within the framework of GATT.

United Nations Conference on Trade and Development (UNCTAD)

Members of the Secretariat participated as observers in meetings of UNCTAD in Geneva that were of special interest to EFTA, in particular the sessions of the Trade and Development Board held in October 1975 and March 1976 in preparation for the UNCTAD IV meeting in Nairobi in May 1976.

United Nations Economic Commission for Europe

The Secretariat continued to maintain regular contacts with the Secretariat of the Economic Commission for Europe, and in particular those dealing with standardisation policies. It also attended the 31st annual session of the ECE in March/April 1976.
Council of Europe

The 14th and 15th Annual Reports of EFTA were presented to the Parliamentary Assembly of the Council of Europe in September 1975 by the Norwegian Minister of Commerce and Shipping, representing the country which at the time held the vice-chairmanship of the EFTA Councils. The Assembly then adopted a Resolution on EFTA. Among other things, the Resolution attached the greatest importance to the continued efforts by EFTA and the EEC to simplify further and to improve the origin rules applied in EFTA and between the EFTA countries and the EEC; welcomed the increased consultation in EFTA on economic and monetary policies concerning the positions of the EFTA countries in other international organisations such as GATT, IMF and OECD; and reiterated the hope that EFTA would continue to make a significant contribution to European integration by developing economic relations with all European countries.

Half-yearly reports on EFTA activities were presented by the Norwegian Minister of Foreign Affairs to the Committee of Ministers of the Council of Europe in November 1975 as well as in May 1976 when Norway held the chairmanship of the EFTA Councils. The Secretariat continued to follow the activities of the Parliamentary Assembly and special bodies of the Council of Europe on matters of interest to EFTA.

Nordic Council

The Secretariat was represented at the 24th annual session of the Nordic Council, which was held in Copenhagen in March 1976.

Interim Committee of the European Patent Organisation

Preparations for the coming into force of a European Patent Law embodied in two conventions continued during the period under review. Sixteen European nations have signed the first of the two conventions, the European Patent Convention, on 5th October 1973 or subsequently; it provides for the granting of European patents which protect the inventor's rights in as many of the sixteen countries as he names when applying for the patent. The second, the Community Patent Convention, was signed by nine EEC countries on 15th December 1975, at the end of a diplomatic conference which had begun on 17th November and at which EFTA was represented as an observer; the Community Patent Convention established a unitary patent for the EEC countries.

The preparatory work in connection with the European Patent Convention was undertaken by the Interim Committee of the European Patent Organisation which met three times during the year, and by seven working parties set up by the Committee; the EFTA Secretariat participated in the work of the Secretariat of the Interim Committee. This Convention, which has been signed by Austria, Norway, Sweden, Switzerland and Liechtenstein, among
the EFTA countries, is expected to enter into force early in 1977. The Community Patent Convention provides that third countries which are parties to the other Convention and which form a customs union or a free trade area with the EEC may be invited to participate in the Community Patent Convention on the basis of a special agreement.

European Trade Union Confederation (ETUC)

Close contacts were maintained throughout the year with the European Trade Union Confederation, which unites central trade union organisations in almost all Western European countries.

In April 1975 the ETUC had proposed, directly and through the trade union representatives on the Consultative Committee, that EFTA should study problems of inflation and unemployment; worker participation in multinational companies; matters concerning the working environment; and the need for a complete declaration, in the language of the importing country, of the contents of consumer products. The question of inflation was already under study at the suggestion of the Consultative Committee and the Economic and Social Sub-Committee of the Consultative Committee began to examine the underlying causes of unemployment. The proposal on the declaration of the contents of consumer products was under consideration in the Committee of Trade Experts. On the other two items, the Ministerial Council had agreed in May 1975 that the Councils should revert to the proposal on the working environment after governments has studied it further, and that the question relating to multinational companies should not be taken up in EFTA on the ground that it was outside the objectives of the Stockholm Convention.

In October 1975 the ETUC requested a contribution from EFTA towards the creation of a European Trade Union Institute. The EFTA countries welcomed the idea of establishing such an Institute in which the trade union organisations of the EFTA countries would participate. The ETUC was informed that EFTA would contribute to the working of the Institute by regularly putting at its disposal EFTA publications on economic and trade policy matters and by giving assistance in the organisation of seminars, courses and study tours. The possibility of providing a financial contribution to the Institute was still under consideration in the Councils at the end of the year under review.

The Norwegian Minister of Commerce and Shipping, in his capacity as Ministerial Chairman of EFTA, and the Deputy Secretary-General of EFTA attended the Second Statutory Congress of the ETUC in London in April 1976. The ETUC was represented by two speaking observers at the May 1976 meeting of the Consultative Committee.

Other organisations

The Secretariat continued to maintain close contacts with a number of other international organisations engaged in work of interest to EFTA such as the standards-writing organisations. Representatives of EFTA participated
in the meeting of the group of experts on standardisation policies which was organised by the UN Economic Commission for Europe and held in October 1975. EFTA officials were also present at the General Assembly of the European Committee for Standardisation (CEN) in May 1976, and there were liaison meetings between EFTA, CEN and the Commission of the EC in November 1975 and June 1976. A formal arrangement for liaison between EFTA and the European Committee for Electrotechnical Standardisation (CENELEC) was established in September 1975, and EFTA was represented at meetings of the CENELEC Council in December 1975 and April 1976.
V. EFTA trade in 1975

In 1975 world output declined in real terms for the first time in the post-war period. World trade increased only moderately in terms of value and suffered a decline in terms of volume, although there was some improvement in the second half of the year.

According to GATT and IMF estimates, the volume of world trade was some 6 per cent lower in 1975 than in the previous year. A 4 per cent rise in the value of world trade resulted from the fact that world export prices, which in 1974 increased by 40 per cent, still rose in the following year by about 10 per cent, the export prices of manufactures growing during the first half of 1975 and petroleum prices during the last quarter. The volume of world trade was about 10 per cent lower during the first half of 1975, but some real growth, of the order of 2 to 3 per cent, was recorded in the second half.

The dollar value of the exports of the industrial countries increased by nearly 10 per cent in 1975, while their imports remained at the same level as in the previous year. This was in sharp contrast to the rise of 34 per cent in the exports, and of 40 per cent in the imports, of industrial countries in 1974. A pronounced downward adjustment of stocks, particularly of inventories of raw materials and semi-manufactures, was one of the main reasons for the absence of any growth in imports. In the western industrialised countries there was a fall in export demand which was offset by a growth in demand in developing countries and in Eastern bloc countries which partly explains the rise in exports.

These factors also played their part in the development of the trade of the EFTA countries, where in value terms total exports grew by 7 per cent in 1975 and imports rose by nearly 5 per cent.

Trade balances

The aggregate trade deficit (cif-fob basis) of the industrial countries in Western Europe, North America and Japan, which had risen in 1974 to 43 billion dollars, contracted sharply to 11 billion dollars in 1975. This was almost entirely due to a shift in their trade account with the developing countries since their exports to the oil producing countries continued to advance rapidly but their imports from them fell.

Nevertheless, for many of the smaller industrial countries the trade deficits remained at least as large as in 1974. Among EFTA countries,
Switzerland was the only one to record a marked improvement in the trade account: its deficit, which amounted to 2,511 million dollars in 1974, was reduced to 325 million dollars in 1975. The other EFTA countries continued to record important trade deficits. There was an improvement in their terms of trade but it was less than that experienced by larger industrial countries.

The trade balances of most EFTA countries thus showed a continuing marked deterioration (see table 1) for the year as a whole, although as a result of a reduction in Switzerland's deficit their combined trade deficit was reduced from 10,772 million dollars in 1974 to 9,257 million dollars in 1975. In the second half of 1975, however, the combined deficit was much lower than in the first half.

Total trade

In 1975 the value of total EFTA exports and imports grew much less than in 1974, when exceptional price rises had led value figures to unusually high levels. The value of the total exports (fob) of the EFTA countries rose in 1975 by 7.0 per cent (in 1974 by 32.4 per cent) to 52,758 million dollars, and the value of their total imports by 4.7 per cent (in 1974 by 39.0 per cent) to 62,225 million dollars. The largest relative rises in export values were recorded by Norway (14.1 per cent), Sweden (9.7 per cent) and Switzerland (8.6 per cent). Portugal and Iceland recorded rather large falls in the value of their total exports (see table 2).

In Norway, Sweden and Finland total imports rose considerably in value, but the increases were still much smaller than in 1974. Imports into Portugal, Iceland and Switzerland diminished.

Seasonally adjusted three months' moving averages of exports and imports give a clearer picture of the development of EFTA trade in the course of the year and show that, except in June, the growth rate of total EFTA trade stagnated during the first three quarters of 1975. During the last quarter the growth rate of exports accelerated somewhat but that of imports appeared to have stabilised at a more moderate level.

Intra-EFTA trade

The value of intra-EFTA trade (measured by exports, fob) rose in 1975 by 3.7 per cent to 9,849 million dollars. In the previous year there had been a rise of 38.3 per cent. Only Finland and Sweden recorded increases in their intra-EFTA exports. The exports to EFTA of the other EFTA countries either stagnated (Norway and Switzerland) or fell (Austria, Iceland and Portugal).

EFTA-EC trade

The value of exports to the EC from the seven EFTA countries rose in 1975 by 4.1 per cent to 23,425 million dollars, the increase being less than the increase in the total exports of EFTA in 1974. Imports from the EC
grew in 1975 by 3.4 per cent to 32,880 million dollars, and this rise was also less than the growth in total EFTA imports. The seasonally adjusted figures show, as in the case of total world trade of the EFTA countries, that there was little change during the first nine months of the year in the rate of growth of trade with the EC, and that there was a faster rate of growth in exports in the last quarter of the year.

**EFTA trade with the United States**

Exports from the EFTA countries to the USA fell by 2.1 per cent, but imports from there grew by 10.0 per cent, reaching 2,734 and 4,081 million dollars respectively. The growth rate of imports from the USA showed large fluctuations, with the strongest rise at the beginning and end of the year.

**EFTA trade with Eastern Europe**

For the second year running the trade of EFTA countries with Eastern Europe increased considerably more than their trade with any other area. In 1975 exports to Eastern Europe rose by 31.4 per cent to 4,765 million dollars, with Finland, Sweden and Portugal recording particularly high increases. EFTA imports from Eastern Europe grew by 11.4 per cent to 4,362 million dollars.

**EFTA trade with the rest of the world**

EFTA countries' exports to countries grouped under "the rest of the world" grew by 10.3 per cent, but imports from this group only by 2.5 per cent. The values were 11,985 and 10,987 million dollars respectively.
### TRADE BALANCES OF THE EFTA COUNTRIES

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<th></th>
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<tbody>
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<td>-852</td>
<td>-1,749</td>
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<tr>
<td>Finland</td>
<td>-310</td>
<td>-194</td>
<td>-504</td>
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<tr>
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<td>-13</td>
<td>-54</td>
<td>-67</td>
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<tr>
<td>Norway</td>
<td>-617</td>
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<td>Portugal</td>
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<td>-2,154</td>
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(in million US dollars)
## EFTA Trade in 1975

Table II  
(in million US dollars, with rise or fall (—) from 1974)

<table>
<thead>
<tr>
<th>EFTA</th>
<th>EC</th>
<th>USA</th>
<th>Eastern Europe</th>
<th>Rest of world</th>
<th>World</th>
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<td>mill.</td>
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<td>mill.</td>
<td>%</td>
<td>mill.</td>
<td>%</td>
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<td><strong>Imports (c.i.f.)</strong></td>
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<td>217.2</td>
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<td></td>
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<td><strong>Total EFTA</strong></td>
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<td>23,424.7</td>
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<td>2,734.4</td>
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### PERCENTAGE SHARES OF EXPORTS AND IMPORTS IN 1975

Table III

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<th></th>
<th>EFTA</th>
<th>EC</th>
<th>USA</th>
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<th>Rest of world</th>
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<td>44.4</td>
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### INTRA-EFTA TRADE IN 1975

Table IV  
(Exports f.o.b., with rise or fall (—) from 1974)

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<tr>
<th>Importer</th>
<th>Austria</th>
<th>Finland</th>
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<th>Norway</th>
<th>Portugal</th>
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<td>21.4</td>
<td>—45.9</td>
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<td>Percentage change</td>
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<td>60.7</td>
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<td>—12.1</td>
<td>15.1</td>
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<td>Percentage change</td>
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<td>0.2</td>
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</tr>
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Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 6th November 1975. The meeting was chaired by Mr. Olafur Johannesson, Minister of Commerce of Iceland.

In reviewing internal EFTA activities, Ministers underlined against the background of the present international economic situation, the necessity of resisting protectionist requests and of safeguarding and, where possible, developing free trade between the EFTA countries including the continuation of EFTA's work on the removal of technical barriers to trade. In this connection, Ministers emphasised the value of regular exchanges of information on general economic developments and on the economic and financial policies of all the participating governments, as well as on problems in specific sectors. These consultations had become especially important because of the increasing interdependence of all economies in the world of today.

Ministers heard a statement by the Swedish Minister explaining the global import quota system on shoes and rubber boots, which his Government had recently introduced as a temporary emergency measure for defence planning purposes. The other Ministers regretted that the Swedish measure had been introduced without the Councils having had the opportunity for full consideration and expressed concern about the consequences the measure might have for free trade, especially its possible contagious effects in other countries. They therefore appealed to the Swedish Government to reconsider the measure. The Councils at official level were instructed to make a thorough examination before 1st February 1976.
After hearing a statement from the Portuguese Minister on the current economic situation of his country, Ministers agreed to provide assistance for Portugal regarding increased protection for her industry, the promotion of the export of agricultural products, technical assistance and help in the industrialisation of Portugal. They instructed their permanent representatives in Geneva to pursue actively their work to this end. They reviewed the responses being made in EFTA and the EFTA countries to the Portuguese requests and the action already taken bilaterally and decided to amend the Stockholm Convention in order to be able better to help Portugal and to set up a fund for the development and restructuring of Portuguese industry in an amount equivalent to US $ 100,000,000. The main fields of assistance to Portugal are described in the Annex to this communiqué.

Ministers exchanged views on the world economic situation and discussed the repercussions of the present recession on the trade, production and employment of the EFTA countries. EFTA Governments were continuing to take measures aimed at supporting adequate levels of economic activity. However, in present conditions of low demand for exports, individual national action alone could not counter the recession. In addition, although inflation rates had been brought down to lower levels in most countries, inflation continued to be a difficult problem and some governments were anxious not to run the risk of reviving inflationary pressures when taking recovery measures. At the same time, it was pointed out that the existence of reserves of unused productive resources could permit some action to promote a more rapid balanced recovery, so long as due account was taken of necessary structural adjustments. Another preoccupation was the deterioration of the balance of payments of most EFTA countries. In fact, taking the industrialised world as a whole, there was a very uneven distribution of the total deficit which had been incurred as a result of the past steep increases in the prices of oil and other raw materials. Some of the larger economies were accumulating balance of payments surpluses, while serious deficits were being registered by many of the smaller countries. This situation placed clear responsibilities on the world community, in particular on those countries earning sizeable surpluses. Ministers emphasised the vital importance of the greater international cooperation now being shown in seeking solutions to the many serious economic problems facing the world.

Recent developments, particularly the consensus reached at the Seventh Special Session of the UN General Assembly, had indicated the readiness of all countries to open a constructive dialogue aimed at improving conditions for the economic development of the Third World, thus creating a sound basis for an international cooperation based on comprehension and understanding. Ministers welcomed the agreement which had been reached to hold a Conference on International Economic Cooperation later this year and expressed the willingness of their Governments to contribute as fully as opportunities would permit to the success of this Conference and of the other important international meetings which were to take place on these subjects in 1976.

In reviewing the multilateral trade negotiations now going on within the framework of the GATT, Ministers noted that these negotiations were of twofold importance: they helped to maintain the existing liberal world trade
system in today's difficult period, with its dangers of national restrictive trade measures; and they should bring about improvements of considerable importance to the future of international trade, in particular that of the developing countries. The EFTA Governments were doing all they could to ensure the success of the negotiations and Ministers expressed the hope that all countries would make every effort to bring them to a successful conclusion.

Recognising that foreign trade was of greater importance to the economies of the EFTA countries than to any other trading group in the world, Ministers recalled their support for liberal practices in world shipping. They stressed the necessity of an efficient international sea transport system for the continued expansion of world trade.

In discussing the operation of the Free Trade Agreements of the EFTA countries with the European Communities, Ministers stressed the importance for all concerned that the potential of these Agreements should be fully realised, since the Communities were the largest trading partners of the EFTA countries.

Ministers voiced their concern over the fact that the most vital part of Iceland's Free Trade Agreement with the EEC had not yet entered into effect and expressed the hope that this would soon be remedied.

Ministers recognised that the Conference on Security and Cooperation in Europe had opened up new possibilities for East-West trade and economic relations, which continued to have an important place in the policies of the EFTA countries. The Economic Commission for Europe was engaged in preparations for closer economic cooperation in many sectors and Ministers declared the intention of their Governments to participate fully in this work.

Ministers paid warm tribute to Mr. Bengt Rabaeus, who was returning to the Swedish Ministry for Foreign Affairs after ten years with EFTA, the last three-and-a-half years as Secretary-General. He had made an important contribution to the work of the Association and Ministers wished him success in his future activities. They appointed Mr. Charles Müller as the new Secretary-General; he will leave his present post in the Swiss Foreign Service to take over his new duties early in 1976.

Ministers also expressed their sincere appreciation to Mr. Cornelio Sommeruga, Assistant Secretary-General, for the many essential services he had rendered to EFTA. He will join the Swiss Federal Division of Commerce in February next; Ministers appointed Mr. Arne Langeland, of the Norwegian Ministry of Foreign Affairs, to succeed him.

The next regular meeting of the Councils at Ministerial level will take place in Geneva on 3rd June 1976.
Annex to Ministerial Communiqué of 6th November 1975

The Portuguese requests for economic assistance concern four different main areas.

Increased protection for Portuguese industry

In order to support the further development of Portuguese industry, Ministers decided, subject to the necessary constitutional procedures in their own countries, to amend Annex G to the Stockholm Convention to the effect that the EFTA Councils would have power to decide on a longer timetable for Portugal to reduce to zero her tariffs on imports from the other EFTA countries of a large number of products which are also manufactured in Portugal. Instead of being required to abolish tariffs on these goods by the end of 1979, Portugal could be authorised by the Councils to postpone further tariff reductions until 1st January 1985 at the latest. The Councils would also be able to permit Portugal to impose new or increased import duties for the protection of new industries in Portugal.

Promotion of the export of Portuguese agricultural products

Bearing in mind the importance for Portugal of exports of agricultural products, the EFTA Councils had agreed that tariff and other concessions on the import of these products should be considered by individual EFTA countries bilaterally with Portugal and notified to the Association. This process was now going on and a number of such concessions was announced during the meeting.

Technical assistance

The Portuguese requests for technical assistance in many fields are to be met on the basis of bilateral arrangements between the EFTA countries and Portugal. Coordination of this assistance would be the responsibility of the Economic Development Committee. Ministers noted that technical assistance was already being provided or had been offered by the EFTA countries for many aspects of the fisheries industries, agriculture, housing, sub-contracting, adult education, transport and techniques of public administration.
Fund for development and restructuring of Portuguese industry

Noting that a study was being carried out in the Economic Development Committee on the assistance in the industrialisation of Portugal, Ministers agreed to set up an EFTA fund for the development and restructuring of Portuguese industry. This fund, in an amount equivalent to US $100 million would be supplied over a period of 5 years for the financing of specific projects, particularly for the reconstruction of small and medium sized enterprises in the public and private sectors. Ministers instructed the Councils at official level to work out the necessary arrangements.
Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 3rd June 1976. The meeting was chaired by Mr. Hallvard Bakke, Minister of Commerce and Shipping of Norway.

Ministers exchanged views on the present economic situation in the EFTA countries and noted that there were now encouraging indications of economic recovery. Ministers emphasised the need for policies aimed at sustaining the revival. They also stressed the necessity for an active employment policy, including selective measures aimed at increasing employment. At the same time, it was considered to be essential that a resurgence of inflationary pressures be prevented and that continued attention be given to world monetary problems.

Ministers reviewed the internal activities of EFTA and stressed the importance of preserving and improving the free trade achieved within the Association. While once again emphasising the importance of resistance to pressures for the imposition of restrictive trade measures and to protectionism in general, Ministers expressed the firm hope that the renewal of the OECD Trade Pledge, which was to come before the OECD Ministerial meeting in June, would have a positive effect, as it had had in the past.

Ministers took note of an Austrian suggestion to hold in the near future a meeting of members of governments of EFTA countries on the highest possible level to discuss ways and means of intensifying international economic cooperation in Europe and in the world.

Ministers heard a statement from the Portuguese Minister on the difficult economic situation in his country and reviewed EFTA’s assistance to Portugal, in particular the arrangements being made to bring into operation the Industrial Development Fund. Ministers took note of a Portuguese request for the introduction, increase or reintroduction of Portuguese import duties on certain products and instructed their Permanent Representatives in Geneva to examine it in order to find an adequate solution for the request, in the light of the special circumstances prevailing at present in Portugal.

Ministers expressed their satisfaction with the operation of the Free Trade Agreements with the European Communities. Ministers noted that several EFTA countries were in the process of further developing their cooperation with the Communities. Furthermore, they welcomed the fact that the solution of the fishing dispute between the United Kingdom and Iceland would remove the obstacle to the full application of Iceland’s Free Trade Agreement with the Community.
Ministers noted with satisfaction the increase in their countries' trade with Eastern Europe and supported the endeavours being made within the Economic Commission for Europe to adapt its work programme to take into account those economic provisions of the Final Act signed in Helsinki in 1975 which called for multilateral implementation. This work was also important in view of the meeting arranged for 1977 in Belgrade.

Ministers reviewed the part being played by the EFTA Governments in the current complex of international negotiations on trade and other world economic problems. Ministers recognised that considerable work would have to be done to bring about the changes in international economic relationships which had now become inevitable, particularly to secure a larger share of the world product for the developing countries, especially the least developed and those without petroleum or other natural resources. Although promising results in this respect have been achieved in UNCTAD IV, the North-South Dialogue in Paris and in the multilateral trade negotiations in the framework of the GATT, many essential questions were far from resolved. Ministers in particular stressed the importance of ensuring greater stability in commodity markets in the interests of both producer and consumer countries, of solving the problem of foreign debts and of securing a satisfactory return on exports. They also stressed the necessity for increased production of manufactured goods in the developing countries and improved trading conditions for them as prerequisites for the long-term development of stable and equitable economic relations in the world. No solution to these problems could be found without the active participation of the industrialised countries. It was therefore of great importance that all negotiations aimed at global solutions should gather more momentum and enter a more active phase.

Ministers recalled their support for an efficient international sea transport system. They expressed their concern over the present crisis in the shipping industry.

The next meeting of the Councils at Ministerial level will take place on 11th and 12th November 1976 in Portugal.
EFTA Industrial Development Fund for Portugal

The Statute

Article 1: The Statute

This Statute applies to the EFTA Industrial Development Fund for Portugal, established by Decision of the Council of the European Free Trade Association No. 4 of 1976 and Decision of the Joint Council of the Association created between the Member States of the European Free Trade Association and the Republic of Finland No. 1 of 1976, hereinafter called "the Fund".

Article 2: Objective

The objective of the Fund is to contribute to the development of Portuguese industry by financing specific projects for the reconstruction or creation of enterprises, especially small and medium sized, in the private and public sectors.

Article 3: Contributions to the Fund

1. The total amount of the contributions of the Member States and Finland to the Fund shall be the equivalent of 84,604,516 (eighty-four million, six hundred and four thousand, five hundred and sixteen) Special Drawing Rights (SDRs) as calculated in accordance with the method of valuation applied by the International Monetary Fund with effect from 1st July 1974.

2. The Member States and Finland (Contributory States) shall contribute to this amount as follows:

- Austria 15.128 per cent equal to 12,798,972 SDRs
- Finland 10.241 per cent equal to 8,664,348 SDRs
- Iceland 1.000 per cent equal to 846,045 SDRs
- Norway 12.003 per cent equal to 10,155,080 SDRs
- Portugal 6.119 per cent equal to 5,176,950 SDRs
- Sweden 30.000 per cent equal to 25,381,355 SDRs
- Switzerland 25.509 per cent equal to 21,581,766 SDRs
3. The contributions shall be made available to the Fund in five equal annual instalments in the currency of the Contributory State or in another currency acceptable to the Fund. The first instalment shall be made available four weeks after this Statute has entered into force and the other instalments on the same day of each of the following four years.

4. The Fund shall call for payment out of current and past annual instalments as and when required by its operations. Unless the Council decides otherwise, any call for payment shall be made in accordance with the percentage scale referred to in paragraph 2, and no instalment or part thereof may be called for later than during the tenth year of the Fund.

5. For the purposes of the payment and repayment of the contributions the first year of the Fund shall begin on the date of entry into force of the Statute and each subsequent year of the Fund on the same date a year later.

6. Each Contributory State shall notify to the Council the national body responsible for paying the contribution to the Fund. The Fund shall conclude with those bodies, with the Portuguese central bank and, where appropriate, with other central banks or financial institutions an agreement setting out the details concerning the transfer of the contributions or parts thereof and their conversion.

Article 4: Trade promotion

The Fund shall have due regard for the promotion of intra-EFTA trade and shall conduct its operations in such a way that a substantial part of its assets are used for purchases within the Area of the Association.

Article 5: Financing operations of the Fund

1. The Fund shall attain its objective:
   
   (a) by making loans, based on generally accepted banking principles, for specific projects; and
   
   (b) up to an amount equivalent to ten per cent of the total amount of the contributions, by making loans for specific projects on terms more favourable than for loans referred to in sub-paragraph (a), and by financing project studies, technical assistance or research.

2. In the financing operations referred to in paragraph 1, the Fund shall make use of any asset at its disposal.

3. The Fund shall not, as a rule, provide the full financing of a project. Loans from the Fund shall normally be complemented by contributions from the borrower or other source, including industry in the Area of the Association. The Fund may cooperate with other financial institutions in schemes covering appropriate projects.

Article 6: Conduct of operations and liability

1. The Fund shall conduct its operations in such a way that it can fulfil its obligations to the Contributory States.
2. Except as provided for in paragraph 3 of Article 7, the financial liability of any Contributory State for the obligations incurred by the Fund shall be limited at any given time to the parts of the contribution of that State paid to the Fund and not yet repaid.

3. The European Free Trade Association shall have no financial liability for the obligations incurred by the Fund.

Article 7: Repayment of the contributions

1. The Fund shall repay to the Contributory States the contributions paid to the Fund and shall have completed this repayment not later than on the last day of the twenty-fifth year of the Fund. Unless in exceptional circumstances the Council devises another timetable, the equivalent of one-fifteenth of the respective contributions, expressed in SDRs, shall be repaid not later than by the end of the eleventh and of each of the following fourteen years of the Fund.

2. Any repayment shall be made in the currency of the Contributory State or in any other currency acceptable to it. If the International Monetary Fund changes the method of valuation of the Special Drawing Rights applied with effect from 1st July 1974, the Council shall decide whether the Fund shall adhere to the new method.

3. If at any date on which repayment of parts of the contributions or payment of interest is due the Fund has not enough disposable assets for such payments, the Portuguese Government shall provide acceptable currencies in an amount necessary to cover the difference. As soon as the Fund again possesses the necessary assets it shall reimburse the Portuguese Government for the amount so provided.

4. After repayment of the contributions to the Contributory States and the payment of any interest thereon, the Fund shall cease to exist as an EFTA Institution. Any asset of the Fund remaining at that time shall become the property of Portugal or an institution nominated by the Portuguese Government which shall also assume any remaining obligation of the Fund.

Article 8: Interest on contributions

1. In the sixth year of the Fund and in every year thereafter the contributions paid and not yet repaid shall bear interest at a rate of three per cent per year payable at the end of each year of the Fund beginning with the sixth year.

2. Taking into account the situation of the Portuguese economy, the Council may decide to postpone the commencement of the accrual of interest and may decide that a lower rate of interest shall be paid on all or part of the contributions.
INSTITUTIONAL ARRANGEMENTS

Article 9 : Responsibilities of the Council

1. It shall be the responsibility of the Council to supervise and give guidance as to the application of this Statute and to take decisions to this effect.

2. At all meetings of the Council dealing with matters relating to the Fund, a representative of Finland shall have the right to participate and shall have one vote.

Article 10 : Responsibilities of the Steering Committee

It shall be the responsibility of the Steering Committee to operate the Fund except insofar as this Statute specifically provides otherwise. The Committee shall in particular:

(a) establish general guidelines, to be approved by the Council, concerning the terms and conditions of the financing operations of the Fund;

(b) decide, in accordance with these guidelines, on loans and other financing operations of the Fund, except on those which are to be decided upon by the Executive Commission in accordance with the provisions of paragraph 1 (c) of Article 12;

(c) report semi-annually to the Council on its current activities and furnish any additional report requested by the Council.

Article 11 : Composition and procedures of the Steering Committee

1. The Steering Committee shall be composed of one member from each Contributory State, to be designated by the government concerned, together with one alternate who shall assist the member and replace him in his absence. The Secretary-General of EFTA or his representative shall attend all meetings of the Steering Committee and may take part in its deliberations.

2. Each member of the Steering Committee shall have one vote. All decisions approving loans or other financing operations, amounting in each individual case to not more than the equivalent of three million SDRs, may be taken by a majority of five affirmative votes provided the vote of the Portuguese member is among the affirmative votes. The other decisions shall be taken by unanimous vote. A decision shall be regarded as unanimous unless any member casts a negative vote. When the Steering Committee reports to the Council, any dissenting member may request that his view be stated.
3. A representative of the Executive Commission shall, unless otherwise decided by the Steering Committee, be invited to attend the meetings of the Committee and may take part in its deliberations. The Committee may set up special groups and may invite experts to assist it in the evaluation of projects and in its deliberations.

4. The Steering Committee shall lay down its rules of procedure to be approved by the Council. The rules of procedure shall provide that a majority of five votes will suffice for decisions on procedural questions.

5. The first meeting of the Steering Committee shall be convened by the Council as soon as possible after the entry into force of this Statute.

Article 12: The Executive Commission in Portugal

1. The Board of Management of the Banco do Fomento Nacional in Lisbon shall act as the Executive Commission of the Fund in Portugal with the following functions:

(a) to inform interested enterprises of the possibilities of and the conditions for receiving financial assistance from the Fund;

(b) to help prospective borrowers in the preparation of projects and to act as the recipient for applications;

(c) to decide, in accordance with the guidelines established by the Steering Committee, within a total of one half of the assets at the disposal of the Fund in any year on

(i) applications for loans referred to in paragraph 1(a) of Article 5 amounting in each case to not more than the equivalent of 1.2 million SDRs; and on

(ii) applications concerning financing operations referred to in paragraph 1(b) of Article 5 amounting in each case to not more than 200 thousand SDRs; the total amount of such financing operations may not exceed one half of the amount referred to in that paragraph;

(d) to present other applications for financing by the Fund, together with a recommendation, to the Steering Committee;

(e) to conclude loan agreements on the loans decided by the Steering Committee or by the Executive Commission itself in accordance with sub-paragraph (c), to ensure the establishment of the security prescribed, pay out the loan, control the repayment of capital and the payment of interest, take action in the case of default in payment and supervise the proper execution of the projects;

(f) to take all other steps necessary to carry out its functions in Portugal;

(g) to report periodically and on request to the Steering Committee.

2. Acceptance of these functions by the Board of Management of the Banco de Fomento Nacional shall be made by written agreement.
Article 13: Functions of the Secretary-General and Secretariat Services

The Secretary-General shall execute decisions taken by the Council in relation to the Fund and shall assist the Steering Committee in its tasks. The EFTA Secretariat shall provide the secretariat services.

Article 14: Audit

The Council shall arrange for an independent annual audit of the accounts of the Fund.

Article 15: Annual report

An Annual Report of the Fund describing its operations and reproducing its annual accounts shall be presented by the Steering Committee through the Secretary-General to the Council for approval and be published with the Council's consent.
European Free Trade Association
July 1975-June 1976

MEMBER COUNTRIES:
Austria    Iceland    Norway    Portugal    Sweden    Switzerland

ASSOCIATE: Finland

CHAIRMANSHP OF EFTA COUNCILS
July 1975 - December 1975    Iceland
January 1976 - June 1976    Norway

HEADS OF PERMANENT DELEGATIONS TO EFTA

Austria : R. Martins
Finland : P. Kaarlehto
Iceland: K. Sigmundsson (Acting Head)
Norway: E. Hambro
Portugal: A. de Carvalho
Sweden: C. De Geer
Switzerland: C. Jagmetti

EFTA STANDING COMMITTEES

Agriculture and Fisheries Committee
Budget Committee
Committee of Origin and Customs Experts
Committee of Trade Experts
Consultative Committee
Economic Committee
Economic Development Committee
EFTA SECRETARIAT

Secretary-General
C. Müller

Deputy Secretary-General
A. Langeland

Principal Secretariat Officers

Secretary-General's Office. Director : E. Heinrichs
Trade Policy Affairs. Director : I. Stugu
Legal Affairs. Director : A. Gaeta
Economic Affairs. Director : J. Lanner
Press and Information Service. Head : R. Couvreu
Secretary to the Council : Miss S. Baverstock
Administrative Section. Director : R. Girod

EFTA SECRETARIAT HEADQUARTERS

9-11, rue de Varembé, 1211 Geneva 20, Switzerland
Telephone: (022) 34 90 00  Telex: 22660