

1982-1983

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Twenty-third  
Annual Report  
of the  
European Free Trade  
Association

Geneva, March 1984

1982-1983

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Association

July 1982 to December 1983

This transitional report covers eighteen months  
and makes it possible to change to a new reporting period.  
Future annual reports will be based on the calendar year.

Geneva, March 1984

# Twenty-third Annual Report

July 1982 to December 1983

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# Introduction

Among the most important developments for EFTA during the eighteen months under review were the slow emergence of an economic revival, the appearance of concerted attempts in international organizations to reverse the spread of protectionist measures, the completion of the free trade system in Western Europe, and the strengthening of economic co-operation, in old and new fields, between the EFTA countries and the European Community.

The return to growth had long been deferred. The rise in real gross domestic product in the OECD area had been less since 1979 than the minimum required to bring down the rate of unemployment. International trade had stagnated in 1981 and, for only the third time since the last world war, had actually fallen in 1982. But as the year 1983 progressed the chances of a world-wide recovery began to increase. The strength of the upswing in the United States was the most substantial source of the return to a more optimistic prospect. On the other hand, at the end of the year only limited growth was forecast for other industrialized countries and in Europe unemployment was expected to continue increasing. The inadequate level of new investment in industry remained a cause for concern in the industrialized countries where there were continuing pressures for protection of various parts of the national economies.

The EFTA countries continued to attach great importance to fighting protectionism and the growing tendency to regulate trade on a bilateral basis. Within EFTA they strengthened the procedure for notifying each other of any new measures of government aid to industry that might affect trade. They welcomed the commitment of the major trading nations not only to halt protectionism but also to dismantle recently established trade barriers. They gave full support to the international efforts to implement the agreements on non-tariff measures reached in the Tokyo Round of multilateral trade negotiations in GATT. They expressed readiness to contribute to a further liberalization of trade by carrying out the tariff reductions agreed in the Tokyo Round ahead of schedule and by considering other measures to restore confidence.



*Mr. T. Árnason, Iceland's Minister for Commerce, presided at the ministerial meeting of the Councils held in Geneva in November 1982. On his left are Mr. T. Ásgeirsson, Secretary-General of the Ministry of Commerce of Iceland, and Mr. H. Jónsson, head of the Icelandic Permanent Delegation to EFTA.*

At the end of 1983 came a new step towards the liberalization of trade: the final abolition of the residual import duties on manufactures under the Free Trade Agreements (FTAs) between the EFTA countries and the EC. Thus, despite all the problems that have affected international trade since the agreements came into force shortly before the first oil shock, the EFTA countries and the EC kept to the timetable for the realization of free trade, although some duties remain in Portugal because of its present stage of economic development and because of its preparations for accession to the EC.

Almost all the Free Trade Agreements between the EFTA countries and the European Community came into effect in 1973 and the tenth anniversary was marked by separate statements from the EFTA Councils at ministerial level and from the EC Council of Ministers. The EFTA ministerial declaration, reproduced in the Appendix, described the agreements as making possible a substantial expansion of trade and production on the basis of a stable trading system in Western Europe. It was recognized as important that the dynamic process of co-operation arising from the agreements should be continued, and that the advantages deriving from free trade should not be jeopardized as a result of differences in national economic policies. New possibilities and methods of enlarging the co-operation with the EC were to be explored individually and collectively, on a pragmatic and reciprocal basis. The Ministers went on to state that the EFTA governments were fully convinced that the countries in the free trade system had obtained substantial advantages, including greater economic stability and improved living standards, from participation in the system. Their other trading partners had also benefited from the dynamic effects resulting from the free trade. The maintenance and improvement of the free trade system and the safeguarding of open markets free from any discrimination were therefore considered to be crucial to the endeavours to overcome the current international economic difficulties. Ministers reaffirmed the commitment of their governments to the liberal trading system laid down in the GATT.

In the second half of 1983 a new short-term focus was given to the work of EFTA as it prepared for the holding of an EFTA summit which is scheduled to take place at Visby in Sweden in May 1984 at the invitation of Sweden's Prime Minister. Meetings of prime ministers and other members of government from all the EFTA countries are rare, the most recent being the summit in Vienna in May 1977. The occasion then was the achievement, at the end of the following month, of the main elements of the free trade system. The outcome was the formulation of a course of action for the EFTA countries and the Association to follow in the next few years, especially though not exclusively in relation to the free trade in Western Europe.

The background now is in part the current economic situation and one of its consequences: the greater awareness of the links between trade, financial and economic developments. Together, these make it appropriate for the EFTA countries to consider how they could best make use of the formal and informal co-operation in EFTA to work for an improvement in the general economic situation. Moreover, completion of the free trade system on 1 January 1984 makes it opportune to consider what more can be done to increase their co-operation in spheres outside the Free Trade Agreements. Finally, the holding of the summit is a manifestation of the importance which the EFTA countries attach to their co-operation in EFTA.

As in the case of the Vienna summit, the Visby meeting is outside the normal framework of EFTA activities and much of the preparation is taking place in informal meetings. But the Economic Committee and EFTA's two advisory bodies — the Consultative Committee and the Committee of Members of Parliament of the EFTA Countries — are now gearing their activities to producing inputs for the summit.

# The Councils

## **The EFTA Council and the Joint Council of EFTA and Finland**

During the eighteen months covered by this report the EFTA Council and the Joint Council of EFTA and Finland held twenty-nine meetings, all of them simultaneous, including three at ministerial level. The communiqués issued after the ministerial meetings are reproduced in the Appendix.

From 1 July to 31 December 1982 Iceland held the chairmanship and Norway the vice-chairmanship of both Councils. From 1 January to 30 June 1983 Norway assumed the chairmanship and Portugal the vice-chairmanship. From 1 July to 31 December 1983 Portugal succeeded to the chairmanship and Sweden to the vice-chairmanship.

## **Origin rules**

Three decisions adopted by the Councils brought amendments in the origin rules, the basis for determining which goods are entitled to duty-free treatment within EFTA. The origin rules in the Free Trade Agreements, identical in substance with those in EFTA, were amended in the same sense by the joint committees which administer the agreements.

The first amendment, in force for three years from 1 April 1983, gives the exporter a choice between alternative grounds for claiming duty-free treatment for the products of the engineering industry—products in tariff Chapters 84 to 91.<sup>1</sup> The usual one is that the specific processing rules have been fulfilled. The alternative basis is now that no more than a certain percentage—in most cases forty or thirty per cent—of the ex-works value of the product is accounted for by materials or components from third countries. The advantage of this alternative is that the manufacturer does not have to classify all the materials and components used, and the finished product, according to the customs tariff.

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<sup>1</sup> Decision of the Council No. 1 of 1983 and Decision of the Joint Council No. 1 of 1983, adopted on 24 February 1983

This introduction of a percentage criterion as an alternative meets part of the proposals advanced by EFTA for simplifying the origin rules. The proposals envisaged the use of an alternative percentage criterion for all free trade products, a wider use of the possibilities of cumulation to permit EFTA or FTA tariff treatment for goods which undergo consecutive production processes in more than one country in the European free trade system, and the replacement of the origin certificates at present required by declarations made by exporters. At the EFTA ministerial meeting in November 1982 the Ministers expressed satisfaction that the Community had taken a first step towards the simplification of the origin rules but regretted that it had not so far been able to make a positive decision on other methods of simplification.

A second decision of the Councils on origin rules related to the tariff treatment of nuclear fuels. Because the production of fuel elements (ex 84.59) for nuclear reactors depends on long-term supply contracts for the necessary raw materials, the amendment provides that the fuel elements will remain duty-free in EFTA until the end of 1988 irrespective of the proportion of their value deriving from materials or parts originating outside EFTA or the EC. In the absence of this amendment the value of third country materials or parts would have been limited to 40 per cent from the end of 1984.<sup>2</sup>

Thirdly, the Councils amended the origin rules relating to the maximum value of goods that may be imported duty-free as either commercial consignments covered by the EUR. 2 form or as minor imports brought in by bona fide travellers or as small packages sent from one individual (not as a trader) to another.<sup>3</sup> The increase is intended to preserve the real values for these concessions.

The new value limits applied since 1 May 1983 by the EFTA countries are as follows:

(a) for consignments for which an EUR. 2 form may be used:

Austria:	A.S. 57,000
Finland:	Markkaa 17,000
Iceland:	I. Kr. 47,000
Norway:	N. Kr. 22,000
Portugal:	Esc. 280,000
Sweden:	S. Kr. 20,000
Switzerland:	S. Frs. 6,900

(b) for minor imports by bona fide travellers, for which no documentation is necessary:

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<sup>2</sup> Decision of the Council No. 2 of 1983 and Decision of the Joint Council No. 2 of 1983, adopted on 24 March 1983

<sup>3</sup> Decision of the Council No. 3 of 1983 and Decision of the Joint Council No. 3 of 1983, adopted on 19 April 1983



*Mr. A. Skauge, Norway's Minister for Trade and Shipping, was in the chair at meetings, in Bergen in June 1983, of the Consultative Committee, the Councils at ministerial level and the Joint EFTA-Yugoslavia Committee at ministerial level. Here he is seen signing the EFTA-Yugoslavia Joint Declaration. Mr. M. Huslid, Head of the Norwegian Permanent Delegation to EFTA, is on his left.*

Austria:	A. S. 12,000
Finland:	Markkaa 3,300
Iceland:	I. Kr. 9,300
Norway:	N. Kr. 4,450
Portugal:	Esc. 56,000
Sweden:	S. Kr. 4,000
Switzerland:	S. Frs. 1,400

(c) for small packages sent from private persons to private persons, for which also no documentation is required:

Austria:	A. S. 4,000
Finland:	Markkaa 1,200
Iceland:	I. Kr. 3,300
Norway:	N. Kr. 1,600
Portugal:	Esc. 20,000
Sweden:	S. Kr. 1,500
Switzerland:	S. Frs. 500

The Councils endorsed the interpretation proposed by the Committee of Origin and Customs Experts on three points in the origin rules. Firstly, in the case of products sold in sets, fifteen per cent of the value of which may consist of non-originating products, the calculation should be based on the relevant value mentioned in Article 6 of Annex B. Secondly, in the case of products which are subject to surveillance when exported, as some textile imports are in some EFTA countries, EUR. 2 forms may be accepted in place of national origin certificates only if the forms are used to claim EFTA tariff treatment. Thirdly, if a customs authority refuses EFTA tariff treatment before the origin documents have been verified, it must without delay inform the customs authorities of the country from which the consignment in question was exported. These interpretations, the full texts of which are published in the loose-leaf edition of the Stockholm Convention, apply also to the origin rules in the Free Trade Agreements.

### **The Portuguese import regime**

A number of decisions were adopted by the Councils in response to requests from Portugal for a longer period of protection for some industries in preparation for the country's entry into the European Communities.

One decision involved an amendment to Annex G which contains special arrangements for the removal of Portuguese import duties.<sup>4</sup> The amendment, ratified by all EFTA countries and in force since 23 December 1983, enables the Council to add items to the list of products on which it can authorize Portugal to introduce or to raise import duties in accordance with paragraph 6 ter of the Annex. The maximum duty permitted by this amendment is 20 per cent ad valorem. Subsequent decisions contained the supplementary list of products that could be covered by that paragraph<sup>5</sup> and set out a timetable for the removal of the duties.<sup>6</sup> The latter decision specified that the duty applied from 1 January 1983 should be 16 per cent, that it could be levied only if no surcharge or other import restriction is applied to imports of the products concerned, that imports from EFTA should be given no less favourable treatment than imports from the EC, and that the duties should be eliminated no later than on 31 December 1984. Among the items on the supplementary list are a few iron and steel products, washing machines, electric motors, electric cookers and telephone sets.

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<sup>4</sup> Decision of the Council No. 7 of 1982 and Decision of the Joint Council No. 3 of 1982, adopted on 1 July 1982

<sup>5</sup> Decision of the Council No. 10 of 1982 and Decision of the Joint Council No. 4 of 1982, adopted on 22 October 1982

<sup>6</sup> Decision of the Council No. 14 of 1982 and Decision of the Joint Council No. 8 of 1982, adopted on 1 December 1982

Two decisions brought new timetables for the removal of duties on certain products. One of them<sup>7</sup> postponed some duty cuts on some products scheduled for 1 January 1983, halved the reductions due on others and set a timetable for the removal of duties authorized since 1979 but not hitherto applied because the products in question are subject to a surcharge. For all these goods also the duties may be levied only if no surcharge or other import restriction is applicable. A new timetable for the abolition of duties on the import of certain products now made by industries newly established in Portugal was contained in another decision.<sup>8</sup> The duties were to be cut to 17 per cent ad valorem on 1 January 1983 (instead of 10 per cent) and to 16 per cent on 1 January 1984. The products concerned are some petrochemicals, some glass fibre products, aluminium rod, domestic refrigerators and freezers. Any duties levied under either of these decisions are to be abolished by the end of 1984.

Finally, the range of products on which duties might be levied to protect industries established more recently was enlarged by two decisions adopted by the Councils. One accepted a Portuguese request for infant industry treatment for polyethylene, polypropylene, paste grade polyvinyl chloride and electrolytic zinc with 99 per cent zinc content.<sup>9</sup> The second extended the same form of protection to carbon black and some naphthalene products.<sup>10</sup> The maximum duty permitted on any of these products is 20 per cent ad valorem, again on the condition that they are not subject to any surcharge or other measure restricting imports.

Discussions on the Portuguese requests in the Councils showed a large measure of understanding for the requests even though the protection sought for some products could cause difficulties for exporters in some EFTA countries. In the Portuguese view the protection was of vital importance in view of the prospect of Portugal's accession to the EC. The decisions were accepted by all the EFTA countries on the understanding that there would be no discrimination against the EFTA countries to the advantage of suppliers in the EC.

In the course of the discussions several EFTA Delegations raised the question of another aspect of the Portuguese regime which was causing problems for exporters: the import registration bulletins (BRIs, after the initials in Portuguese) necessary for virtually all commercial imports entering Portugal. These documents were required, according to the Portuguese authorities, solely for statistical purposes. Exporters in other EFTA countries reported that delays in the issuing of the BRIs had caused export deals to fall through. This registration system came into consider-

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<sup>7</sup> Decision of the Council No. 11 of 1982 and Decision of the Joint Council No. 5 of 1982, adopted on 22 October 1982

<sup>8</sup> Decision of the Council No. 12 of 1982 and Decision of the Joint Council No. 6 of 1982, adopted on 22 October 1982

<sup>9</sup> Decision of the Council No. 13 of 1982 and Decision of the Joint Council No. 7 of 1982, adopted on 22 October 1982

<sup>10</sup> Decision of the Council No. 15 of 1982 and Decision of the Joint Council No. 9 of 1982, adopted on 1 December 1982

ation also in Portugal's negotiations for membership of the EC. Portugal informed its partners in EFTA in October 1982 that it had been agreed in those negotiations that it could continue to use the system during a transitional period after entry into the EC purely for statistical purposes and with the minimum delay in the issuing of the BRIs. There would be no discrimination against imports from the EFTA countries in this respect.

The principal rate of surcharge on imports into Portugal was raised from 10 per cent to 30 per cent from 6 February 1983. The reason given when the temporary increase was formally notified in March was that Portugal's balance of payments had seriously deteriorated because of the deep and prolonged crisis of the world economy. Portugal's deficit on current account was equivalent to 12.8 per cent of gross domestic product in 1982, a larger percentage than in any other OECD country. A number of measures had therefore been taken to reduce domestic demand and redress the balance of payments. Among these measures were increases in the prices of fuel, electricity, public transport and other goods and services—and the raising of the surcharge. Portuguese statistics showed that more than 43 per cent of Portugal's imports from EFTA in 1982 were subject to surcharge, almost all falling in the category on which the rate is now 30 per cent. The rate for some luxury items is 60 per cent.

The delegations of most of the other EFTA countries expressed concern at the increase in the lower surcharge rate, one pointing out that a surcharge system had been applied with some modifications since 1975 without remedying the Portuguese payments deficit. Another delegation recalled that the import registration system was being applied still more slowly and stated that the import regime as a whole was becoming a source of concern. A proposal that the effects of the surcharge scheme should be studied by the Economic Committee and the Committee of Trade Experts was accepted by the Councils which instructed them in July to report back before the end of 1983.

Reports from these two Committees came before the Councils in December. Both recognized the gravity of Portugal's current account deficit and noted that measures had been taken recently to restore the external balance. Both welcomed the announcement by the Portuguese authorities that the 30 per cent rate of surcharge would be brought down again to 10 per cent no later than at the end of March 1984.

The Economic Committee considered in particular the impact of the surcharges on the balance of payments and found that, although as a short-term measure they might curb imports somewhat, their effect on imports was probably less than expected. In the longer run, surcharges were likely in the opinion of the Committee to have a negative influence on the economy as a whole. In its report the Committee of Trade Experts emphasized that trade measures to reduce deficits should be taken only as an exceptional step and in conjunction with internal measures to remove the causes of the deficit, and that they should be applied for as short a period as possible. In conclusion the Committee expressed the hope that the improvement in Portugal's current account would lead to a reconsideration of the need for the import surcharges.

Both reports were noted by the Councils which heard several delegations formulate the hope that the surcharges would be abolished soon. The Portuguese delegation stated that its authorities intended to abolish them as soon as the economic situation permitted.

### **Lapse of measures affecting Iceland's imports**

At the ministerial meeting in June 1983 the Councils were informed that two temporary measures affecting imports into Iceland had lapsed on schedule, the levy on the import of confectionery, chocolates and biscuits at the end of December 1982 and the import deposit scheme for furniture at the end of February 1983.

### **Annual review of trade in agricultural goods**

The Councils reviewed the trade in agricultural goods in 1981 and 1982 on the basis of a report from the Secretariat. The review covered the trade in those agricultural products—all agricultural raw materials and some goods produced by processing those raw materials—which do not benefit from EFTA tariff treatment. These are the goods that are listed in Parts II and III of Annex D to the Convention.

The statistics showed that EFTA's imports of these products from all sources amounted to 6.8 per cent of all its imports in 1981 and 6.5 per cent in 1982. Exports of the same products represented 2.6 per cent of all its imports in both years. As for intra-EFTA trade, imports of these agricultural products accounted for 2.3 per cent of all intra-EFTA trade in 1981 and 2.8 per cent in 1982.

In 1982 Austria, Sweden and Switzerland taken together were the source of nearly two-thirds of the export of these goods from EFTA and accounted for more than 60 per cent of its imports.

### **Government aids to industry**

The consolidated survey of the government aids to industry that are available in the EFTA countries, up-dated on the basis of notifications from the seven governments, was discussed by the Committee of Trade Experts in October 1982 and by the Council on several occasions between then and February 1983. The purpose of the discussion, as in previous years, was to determine whether any of the aids conflicted with Article 13 of the Stockholm Convention by frustrating the benefits expected from the liberalization of trade within EFTA.

For the first time the survey included information on aid granted in the form of subsidized export credits, as had been agreed by the Councils in July 1981. In other respects the new details notified showed only minor changes in the cost of or the budgetary provision for particular forms of

subsidy. A number of questions about specific aid measures were raised, and answered, in the Committee which also exchanged views on the general question of the use of subsidized export credits within EFTA.

In its conclusions the Committee did not identify any measures as actually frustrating the benefits expected from the free trade in EFTA. But some delegations did not rule out the possibility that some of the aid measures could have a negative effect on the trade between the EFTA countries while others stressed that no negative effects had been felt.

The Committee's report was noted by the Councils in November 1982 but at the same time it was agreed that at a later stage the Councils would have a fuller discussion of the report. In part the subsequent discussions concentrated on the relationship between the provisions of Article 13, on the limitation of the use of government aids in connection with trade between the EFTA countries, and the OECD Consensus on officially supported export credits. Some delegations stated that Article 13 excluded the subsidizing of export credits within EFTA. Others, though they advocated the removal of such subsidies in trade between industrialized countries, maintained that the rules of the more broadly based Consensus applied to that trade, and that subsidies could be permitted when necessary to match credit competition in the form of government aid in other industrialized countries. Consideration was also given to the possibility of improving the notification procedure. It was later agreed that the description of the measures notified in 1983 should be formulated as precisely as possible and that the notification should also contain information on the impact or effect of the measures and include statistics on the production, consumption, imports and exports of the subsidized products.

### **The EFTA Industrial Development Fund for Portugal**

The EFTA Industrial Development Fund for Portugal, which will complete its seventh year of operation on 31 January 1984, continued to provide financial assistance, mostly in the form of loans, to small and medium-sized enterprises for their fixed investments in Portugal. By the end of October 1983, the most recent date for which statistics are available, the number of loans approved since the Fund was established had reached 243, the sum of these loans came to 9.3 billion escudos—about 70 million Special Drawing Rights—and the total investment involved exceeded 19 billion escudos including the finance provided by other sources since the Fund may not put up all the finance necessary for any investment project.

From the beginning a very high proportion of the investments assisted by the Fund has involved the modernization and re-equipment of factories already in operation rather than the establishment of new ventures. Hence the principal effect on the labour market has been an indirect one, since the modernization tends to improve the competitiveness of the firms concerned and thereby give greater job security for their employees. In this sense as many as 43,259 persons have better prospects of remaining in

employment because of the financial support given by the Fund. The number of new jobs so far created as a result of the Fund's loans is 3,266. The work of the Fund also has an impact, though very limited, on activities in the other EFTA countries since a substantial part of the expenditure on these investments is spent in them.

### **EFTA and the plans to strengthen the internal EC market**

Attention was given throughout the eighteen months under review to the work being done within the European Community to strengthen its internal market. Since more than half of the combined exports of the EFTA countries go to the EC and since the Free Trade Agreements linking them are reciprocal, any action to facilitate the movement of goods across national frontiers within the EC and to encourage the development of EC-wide companies is clearly of interest to the EFTA countries. In this instance the measures under discussion in the EC include certification, in the case of goods imported from outside the EC, of their conformity with harmonized technical requirements in the EC, a computerized procedure for the exchange of information between the EC countries on technical regulations and standards in preparation, measures to simplify the formalities involved when goods cross national frontiers within the EC, and the adoption of a number of new directives for the harmonization of technical regulations for various products.

Relevant developments were kept under review in the Committee of Trade Experts and in the Committee of Origin and Customs Experts. The question was also considered in various other EFTA bodies and discussed in ministerial meetings of the Councils in the context of relations with the EC. At the ministerial meeting in Oporto in November 1983 the Ministers noted the importance of the endeavours of the Community to strengthen its internal market and expressed confidence that those efforts would be beneficial for the development of trade and economic relations between all the partners in the European free trade system.

One of the contributions to the strengthening of the EC market was the adoption in March 1983 of a directive designed to prevent the emergence of new barriers to trade in the form of standards or technical regulations. The directive requires standards institutes in the EC to submit their annual work programmes and their draft standards to the Commission of the EC. Any problems of incompatibility in particular instances can then be overcome by asking one or other of the two European standards organizations, CEN (European Committee for Standardisation) or CENELEC (European Electrotechnical Standardisation Committee), to draw up a European standard. On technical regulations the directive requires the member states to submit draft technical regulations relating to any industrial product.

As was recorded in the Twenty-second Annual Report of the Association, the EC Commission, CEN and CENELEC have been informed of the interest of the EFTA countries in taking part in the exchange of information



*Mr. A. Barreto, Minister for Trade and Tourism of Portugal, was chairman at the ministerial meeting of the Councils in Oporto on November 1983. On his left are members of the Portuguese Delegation: Mrs. R. Ferreira, Secretary of State for External Trade, Mr. A. Martha, President of the Commission for European Integration and Mr. F. Reino, Head of the Portuguese Permanent Delegation to EFTA.*

on standards. The central standards organizations in EFTA countries are members of CEN and CENELEC and all the EFTA countries wish to ensure that no new trade barriers arise from differences in national standards among the countries in the free trade system. The EFTA Secretariat and the EC Commission have been represented in meetings of a Joint CEN/CENELEC Working Group which is engaged in formulating the details of the procedure for the exchange of information.

In July 1982 the Councils approved the terms of a fourth mandate to be given to CEN for the drawing up of a European standard, in this case for respiratory equipment for use in workplaces, for fire fighting and for rescue purposes. Like the three earlier mandates, it was given by the Secretary-General of EFTA and the EC Commission with the aim of avoiding specific technical barriers to trade.

A set of guidelines for the preparation within EFTA of mandates to CEN or CENELEC was adopted by the EFTA Councils in July 1983 on the recommendation of the Committee of Trade Experts. Its starting point is that the mandates should aim at removing or preventing recognized technical barriers to trade. They should mainly concern technical regulations and standards relevant for the elimination of technical trade barriers of current interest within the European free trade system, or relevant for the efficient operation of the reciprocal recognition schemes and conventions devised in, but now independent of, EFTA. Moreover, there should be no duplication of work: CEN and CENELEC should be asked to write standards only in cases where insufficient work or none at all is being done in broader international bodies engaged in formulating standards. The guidelines also include rules relating to the procedure to be followed in preparing mandates and in the implementation of the resulting European standards.

Discussion continues in the Committee of Trade Experts on the opportunity of presenting mandates for a number of other specific products.

## Information activities

The holding of a number of EFTA meetings outside Geneva helped to contribute to the public awareness of the presence and activity of EFTA. The ministerial meetings in Bergen and Oporto, the meetings of the Consultative Committee in Bergen and Albufeira, of the Committee of Members of Parliament in Helsinki, of the EFTA-Spain Joint Committee in Madrid and of the Joint EFTA-Yugoslavia Committee in Portoroz, Bergen and Sarajevo—all these led to a certain publicity in the local or national news media. So did the addresses given by Per Kleppe, EFTA's Secretary-General, in connection with official or private visits to four EFTA countries. These speeches, given at conferences of economists and others interested in the economic aspects of international relations, dealt with such themes as structural adjustment in a period of stagnation, free trade and protectionism, and the current economic crisis in Europe.

The EFTA Bulletin, published quarterly, continued to concentrate on some of the main common preoccupations of the EFTA countries: the challenges to free trade in the 1980s, the Free Trade Agreements and the priorities for co-operation in other fields with the EC, the problems of structural adjustment particularly in the steel and the textile and clothing industries, and the need for satisfactory rules for the use of government aids to industry, including the use of subsidies for export credits.

New EFTA publications during the period included EFTA's 22nd Annual Report, the 6th Annual Report of the EFTA Industrial Development Fund for Portugal, "EFTA Trade 1981" with eighty pages of statistics on EFTA's trade with its main trading partners, "Industrial Cooperation with Yugoslavia: Legal Aspects" and a brochure in Greek presenting EFTA and the Free Trade Agreements for Greek businessmen and officials since the agreements apply to trade with Greece now that it is a member of the EC.

The first three essays in a series of occasional papers were published under the aegis of the Economic Affairs Department of the EFTA Secretariat: "International trends in developments of production and industrial structure", by Per Kleppe, "The problems of the textile and clothing industries in the EFTA countries", by James Lanner, and "Status for Keynesianism", by Per Kleppe.

For the third year running scholarships were awarded by EFTA for three postgraduate research projects, one on the impact on the EFTA countries of changing trade patterns and the internationalization of production, one on the adjustment in Finland, Norway and Sweden to the changed international trading environment, and one on some aspects of the new protectionism.

## Finance

The net budget of the Association for the financial year 1982-83 was 10,314,942 Swiss francs. For the financial year 1983-84, which began on

1 July 1983, the Councils established a budget of 11,296,114 francs gross which, after a deduction of income estimated at 517,900 francs, leaves a net sum of 10,778,214 francs to be financed by contributions from the seven EFTA countries. The increase in the net budget is 4.5 per cent.

The size of the national contributions to the budget is determined by reference to the gross national products at factor costs of the EFTA countries. The basis for the contributions for the budgets for 1982-83 and 1983-84 was as follows, in percentages:

	1982-83	1983-84
Sweden	27.79	27.55
Switzerland	26.56	25.88
Austria	16.64	16.29
Norway	11.91	12.48
Finland	10.53	11.11
Portugal	5.04	5.17
Iceland	1.53	1.52

### **The Secretariat**

At the end of December 1983 there were 34 officials in the professional category on the staff of the Secretariat and 40 general service staff members, nine of whom were employed on a half-time basis.

# The Committees

## The Economic Committee

The Economic Committee, which consists mostly of officials from the finance ministries and central banks of the EFTA countries, met three times: in October 1982 and April and October 1983. The April meeting was held in Kuopio, Finland.

The international economic situation and prospects were discussed at each of these meetings, held a few weeks before meetings of the EFTA Councils at ministerial level. In October 1982 the Committee noted that the current recession was the longest and the most severe experienced by the world economy in the post-war years. Despite the considerable problems occurring in many industries it stressed that recourse to protectionism and support for ailing industries would only delay the necessary structural adjustment and thus aggravate the problems.

At the April meeting the Committee was able to record positive signs pointing towards a world economic recovery. It was agreed that a recovery in productive investment was one of the keys to a return to stable growth with inflation at an acceptably low level. Better international co-ordination of economic policies was considered to be necessary to sustain the recovery. Given the increased interdependence of national economies and of economic policies, it was proposed that the OECD countries should agree to pursue co-ordinated policies aimed at producing a more durable and broadly based revival.

Reviewing the international situation in October 1983 the Committee noted a firm upswing in the US but found that the growth in gross domestic product in Western Europe was likely to remain very weak, rising from 0.3 per cent in the EC and 0.9 per cent in EFTA in 1983 to 1.5 per cent in the EC and 1.6 per cent in EFTA in 1984. Structural maladjustment and tight economic policies help to explain the weakness of the recovery in Europe which contrasted sharply with estimates for the growth in the US and in the OECD countries as a whole. The aim of economic policies should be to ensure that the recovery is not inflationary, can be sustained and will

spread throughout the world. National policies should take account of the degree of structural adjustment already undertaken but there should be a greater international coherence of economic policies.

Economic developments in two or three EFTA countries were examined more fully at each meeting: Austria, Iceland and Switzerland in October 1982; Sweden and Finland at the meeting in Kuopio; and Norway and Portugal at the third meeting. Parts of the studies of economic developments in Sweden and Finland were published in EFTA Bulletin 3/83 and part of the study on Norway in EFTA Bulletin 4/83.

Other matters considered in the Committee were the export performance of the EFTA countries in the year 1970 to 1981, the trade of the EFTA countries in services—see EFTA Bulletin 4/83—and the economic effects of the Portuguese import surcharge. At its most recent meeting the Committee decided to gear its work in the near future to the EFTA summit to be held in May 1984. In preparation for that occasion international developments, the effects of the growth in protectionism, and the trade between the EFTA countries and the less developed countries will be closely studied.

## **The Committee of Trade Experts**

The Committee of Trade Experts met five times during the eighteen months under review. It presented reports to the Councils on a number of matters discussed in other chapters: the implications of proposals for the strengthening of the internal market of the EC; the survey of government aids to industry; guidelines for mandates for standards to be drawn up by CEN or CENELEC; and the effects of the Portuguese import surcharge.

### **Electrical equipment for use in potentially explosive atmospheres**

At the request of the Councils an ad hoc group of experts from the EFTA countries examined possible ways of obtaining reciprocal recognition, between the EFTA countries and the EC, of tests and certificates of conformity to standards for electrical equipment for use in potentially explosive atmospheres. Although equipment complying with CENELEC standards is accepted within EFTA and the EC, equipment manufactured in the EFTA countries has in many cases to be tested again in the EC to obtain a certificate of conformity. The group of experts, set up in November 1982, studied the technical and administrative aspects of two EC Council directives to bring about an alignment of national laws in the EC countries relating to this range of electrical equipment. Its report to the Committee of Trade Experts suggested a number of possible ways of providing for reciprocal recognition while still ensuring an adequate surveillance of the safety of the products. The Committee's consideration of the report had not been completed by the end of December 1983.

## **The "INST" procedure**

In June 1983 the Committee of Trade Experts carried out its annual review of the "INST" procedure, the internal notification procedure by which the EFTA countries inform each other in advance of plans to introduce new technical regulations, or amendments to old ones, which could constitute technical barriers to trade. A comparison was made between this procedure and the broadly similar arrangement for notifying national technical regulations and standards under the GATT agreement on technical barriers to trade. At its meeting in October the Committee began to consider whether the "INST" procedure should be modified in the same sense as the guidelines for notifications to GATT as agreed in its Committee on Technical Barriers to Trade.

## **Revenue duties**

At the request of the Councils the Committee of Trade Experts studied an up-dated list of revenue duties levied in the EFTA countries, presenting the situation as it was on 1 December 1981. In a report to the Councils the Committee concluded that on the whole there had been no major changes since the matter was last examined, in 1976. There was no indication that the revenue duties notified contained any protective element inconsistent with the provisions of Article 6 of the Convention. Nor were the duties applied in such a way as to treat imports from the EFTA countries less favourably than imports from other sources.

## **Other trade policy matters**

The Committee continued its discussion on national regulations for the marking and labelling of prepacked foodstuffs. There was general agreement that the possibility of unnecessary restrictions on trade might be reduced by facilitating discussions between the officials in EFTA countries who deal with the marking and labelling regulations, and that this could be done by strengthening the co-operation between the experts from the EFTA countries in the work on food standards in the Joint FAO/WHO Codex Alimentarius Commission.

The Committee was informed of developments in the reciprocal recognition schemes and conventions. It also proposed some technical improvements to the reciprocal recognition schemes relating to ships' equipment, pressure vessels, agricultural machines and tractors, gas appliances, lifting appliances and heating equipment using liquid fuel. The proposals were intended to increase the use of these schemes by making them better known, to encourage the participants in the schemes to support the harmonization of national standards, and to recommend the use of commonly agreed criteria for recognizing testing institutions. A report on developments during the past eighteen months in connection with the

schemes and conventions is published separately: see inside back cover.

The Committee kept under review the national price compensation measures applied in connection with processed agricultural products.

### **Regional policy and trade**

Trade-related aspects of regional policy are being studied by a working party set up in February 1983 by the Committee of Trade Experts on instructions from the Council. The suggestion that regional problems and policies should be studied again originated in the Committee of Members of Parliament of the EFTA Countries which held a debate in 1982 on the problems of the least developed areas in the EFTA countries and the policies being used to raise the level of development. The mandate given to the working party took account both of this suggestion and of a Finnish proposal on the same subject.

The working party met three times, exchanged views on general regional problems and policies in the EFTA countries, and examined a number of case studies on relevant developments in most EFTA countries. It is expected that the study will be completed in the first part of 1984.

### **The Committee of Origin and Customs Experts**

The Committee of Origin and Customs Experts, which advises the Councils on matters concerning the origin rules in EFTA and the virtually identical origin rules in the Free Trade Agreements, met nine times during the eighteen months covered by this report. The decisions amending the rules which are recorded on pages 9-11 were taken on the advice of the Committee.

Other possible amendments suggested by particular EFTA countries or the EC, most of them concerning the specific rules for particular products, were under consideration in the Committee. It also did the necessary preparatory work for the annual meetings of the bilateral Customs Committees under the Free Trade Agreements and, so far as origin and customs matters are concerned, for the meetings of the Sub-Committee on Customs and Trade Matters of the EFTA-Spain Joint Committee.

The Committee began to consider the implications for the origin rules of the expected introduction from 1987 of a new customs nomenclature formulated in the international Customs Co-operation Council (CCC). The present CCC nomenclature is the basis for Lists A and B in Annex B to the Stockholm Convention and it will be replaced by the new harmonized system once that is put into force. It will be necessary to ensure that the change will not alter the coverage of EFTA's free trade rules or of the European free trade system.

Another aspect of the origin rules was the subject of a report from the Committee which was noted by the Councils in March 1983. Since October 1981 it has been possible for manufacturers in EFTA, and in the EC, to obtain authorization to use accounting methods rather than physical separation to distinguish between materials of different origin for the purpose of claiming EFTA or FTA tariff treatment. The Committee's report stated that the system of accounting segregation had given rise to no problems, although it was not used by many firms. Similar conclusions were reached in November by the bilateral Customs Committees.

The Committee discussed several aspects of the origin rules associated with the tariff preferences which five EFTA countries give to imports from developing countries, under the Generalized System of Preferences. It was agreed by the five to apply a cumulative treatment of origin to imports from the ASEAN countries, which permits the application of preferential tariffs to products which have undergone processing in more than one ASEAN country.

## **The Consultative Committee**

The Consultative Committee, which consists of representatives of industry, commerce, trade unions and other economic circles in the EFTA countries, held meetings in Geneva in October 1982 and March 1983, in Bergen, Norway, in June 1983 and in Albufeira, Portugal, in September 1983. At each meeting the chairman was the current chairman of the Councils at ministerial level. Ministers from all the EFTA countries participated in the Bergen meeting which was formally a continuation of the meeting held in March. There were also meetings in March and November 1983 between delegations from the Committee and from the Economic and Social Committee of the European Communities.

At each of the Committee's meetings, apart from the session attended by Ministers, the participants were able to exchange views on the replies of the Councils to points made at the previous meeting, and reports on the recent activities of EFTA provided an opportunity for comment on all relevant aspects of the activities. The current economic situation was also the subject of debate. In addition, a number of specific matters were discussed at length.

In October 1982 the problem of export credit subsidies was examined. Introducing the subject a representative of industry argued that government support for the financing of exports was a very important obstacle to free trade as it distorted trade, competition and the structural development of industry. Yet even some governments that were opposed to export credit subsidies had been obliged to introduce them in order not to lose part of their shares of some markets. Though there might be a case for subsidies for exports to developing or East European countries, he contended that the EFTA governments should advocate complete abolition of all forms of export credit subsidies in the OECD and elsewhere and as a first step prohibit their use in trade between industrialized countries and espe-



*A general view of the meeting of the Consultative Committee in Geneva in October 1982.*

cially in trade between the EFTA countries and the Community. The EFTA governments should also support all efforts to tighten the rules of the OECD consensus on export credit subsidies. In the meantime greater transparency should be achieved in the use of official credit facilities in the EFTA countries. In the discussion that followed this plea for an ending of export credit subsidies some speakers favoured further consideration in the Consultative Committee or in its Economic and Social Sub-Committee while others regarded the OECD as the appropriate forum and called on the EFTA countries to unite their efforts in that context.

At the same meeting there was an exchange of views on the problems to be discussed the following month at the first GATT ministerial meeting since 1973, where there was to be an examination of the working of the multilateral trading system and of the possibilities of improving it. The statements made by speakers in the Consultative Committee showed agreement that, especially for small countries, there was no viable alternative to the GATT system and that GATT was the right organization in which to try to end the spread of protectionism. There was also agreement that the level of unemployment, which had prompted trade restrictions, made it impossible to consider trade problems in isolation: what was urgently needed was a change in the economic situation.

When the Committee next met, in March 1983, its deliberations were largely devoted to an attempt to formulate generally agreed suggestions

on two matters to be discussed in June with Ministers: the EFTA countries and the consideration of economic policies at the OECD ministerial meeting in May; and future priorities for relations between the EFTA countries and the EC after ten years of the Free Trade Agreements.

The Committee endorsed a statement on "the EFTA countries and the OECD ministerial meeting". Characterizing the current recession as the worst since the war, with more than 30 million persons unemployed in the OECD countries, and identifying the unemployment and sectoral difficulties as the most important source of the growth in protectionism, the Committee called for an internationally co-ordinated economic policy for recovery, on the grounds that there was no expectation of an autonomous recovery and that the increased economic interdependence throughout the world made it very difficult for individual countries to apply independent policies. The great differences in the situation of the industrial countries required the use of a differentiated but concerted approach which would take account of the scope for manoeuvre available for the individual countries. The Committee therefore recommended that EFTA Ministers should co-operate at the OECD ministerial meeting with the aim of having concerted, expansionary policies adopted.

At the June meeting in Bergen the Committee, with Ministers present, discussed the economic situation with particular reference to the Committee's statement and to the press communiqués from the OECD meeting and from the Williamsburg summit meeting of the seven largest industrialized countries in May 1983. Many speakers stressed the importance of ensuring that the economic recovery was sustained. The risk of rekindling inflation was recognized but there was nevertheless widespread support for the introduction of policies to bring about expansion. There was agreement on the need for more co-operation, both regional and global, on economic, monetary and financial policies. It was suggested that the OECD should be given a greater role to play in the consideration of trade policy questions. There was also wide support for greater co-operation between the EFTA countries in seeking possible common positions on economic matters dealt with in other international meetings.

Suggested priorities for relations with the EC were presented in another statement from the Committee. This called for an improvement in the origin rules; parallelism in the treatment of technical barriers to trade in EFTA and the EC; a procedure for dealing with disputes on the implementation of the Free Trade Agreements; better arrangements to avoid the abuse of government aids to industry; agreement from the EC not to limit the access of companies in EFTA to supplies available in the EC; a liberalization of agricultural trade and of trade in services, perhaps in the context of GATT; and a solution to problems in connection with public procurement policies.

The discussion on this subject at the Bergen meeting showed general agreement that an increase in co-operation with the EC in the fields mentioned by the Committee was desirable, and that the European free trade system should be developed in ways that would not create trade barriers for other countries.

Meeting again in September 1983, at Albufeira, Portugal, the Committee had a general discussion on the world economic situation. Among the points made by speakers were: that the GATT trading rules should be strengthened, that keeping their markets open would be one way in which the industrialized countries should help to reduce the indebtedness of the developing countries, and that ways of bringing the recognized interdependence of national economies into use as a basis for a concerted economic revival should be examined. In an exchange of views on the right strategy for removing protectionist measures the Committee agreed that the EFTA countries as a group should support the proposals made by the Secretary-General of the OECD. It was agreed that the Agenda Committee should make an early start on preparations for a possible input from the Consultative Committee for the EFTA summit meeting in May 1984.

A ninth joint meeting between delegations from the Consultative Committee and from the Economic and Social Committee of the European Communities was held in Geneva in March 1983. Assessing the results of ten years of co-operation under the Free Trade Agreements between the EFTA countries and the EC, the participants concluded that the agreements had worked satisfactorily despite the slower growth of world trade during that period. It was noted that co-operation had been extended to many fields outside the agreements and that both the EC Council and the EFTA Ministers had recorded their readiness to broaden and strengthen



*Mr. E. Hoff, Director, Norwegian Employers' Confederation, and Mr. W.G.N. Miller (right), Chairman of the External Relations Section of the Economic and Social Committee of the European Communities, were the chairmen at a joint meeting in March 1983 of delegations from EFTA's Consultative Committee and the Economic and Social Committee of the EC.*

the co-operation between the two groups. The two delegations agreed that the EC and EFTA countries had a common interest in reinforcing the liberal multilateral trading system with GATT as its cornerstone. Other items discussed at the joint meeting were the effects of currency changes on trade, the conclusions of the GATT ministerial meeting in November 1982, the energy situation, and the outlook for employment.

There was a tenth meeting between the two delegations in Brussels in November 1983. Two papers were presented for discussion, one (from a representative of the Swedish trade unions) on economic policies for Western Europe in the 1980s and one (from a representative of employers in the Federal Republic of Germany) on EFTA-EC co-operation in connection with the strengthening of the internal EC market and on projected EC measures to combat unfair trading practices. On the first paper there was agreement that closer co-ordination of national economic policies was necessary to overcome the current recession and reduce the level of unemployment. On the second, it was agreed that so far as possible the EFTA countries should participate in establishing a true Western European market area in which the measures adopted to liberalize world trade are respected. Moreover, the participants expressed the hope that the arrangements which the EC Commission would propose as a means of protecting the EC countries from unfair trading practices would not interfere with the trade relations between EFTA and the EC. Finally, both delegations reiterated their determination to defeat protectionism and to work more closely together for that purpose.

At its meeting in March 1983 the Consultative Committee agreed that the attention of the Councils should be drawn to a report from its Economic and Social Sub-Committee. The Sub-Committee had been asked to study industrial developments in the EFTA countries, with special emphasis on the textile sector, and possible measures to secure and/or improve the conditions for full employment, price stability and free trade. One of its main conclusions was that competition from low-wage countries was only one of several factors behind the difficulties experienced in the textile and clothing sectors. Developments differed very much from country to country but it had become clear that the necessary structural adjustment had been hampered by the long recession and the unemployment associated with it. In its conclusions the Sub-Committee's report largely supported the OECD recommendations on positive adjustment and particularly the recommendation that it is essential that the direct and indirect international implications of any intervention in national markets should always be taken into account. So far as relations between the EFTA countries are concerned, the report recalled the EFTA rules on government aids and stressed the importance of continuous supervision by the Councils of the full observance of the rules.

In July 1983 the Councils approved a new mandate for the Sub-Committee: to study the increasing interdependence between the EFTA countries and the Community. The Sub-Committee held a first meeting in November and agreed that its members should first prepare reports on the experience in this respect of their countries.

## The Committee of Members of Parliament of the EFTA Countries

The Committee of Members of Parliament of the EFTA Countries, which has a consultative role within the Association and serves as a channel of communication between it and parliamentarians in the seven EFTA countries and in Liechtenstein, held its eighth meeting in Helsinki from 4 to 6 July 1983. During the period under review there were two joint meetings between delegations from the Committee and from the European Parliament, the first held in Strasbourg on 9 and 10 February 1983 and the second in Geneva on 1 and 2 December of the same year.

Dr. André Gautier (Liberal, Switzerland) was chairman of the Committee from November 1981 until the beginning of the Helsinki meeting when Mrs. Jutta Zilliacus (Swedish People's Party, Finland) was elected to succeed him. On the same occasion Mr. Alfred Teschl (Socialist, Austria) was elected vice-chairman.

The principal items on the agenda at the Helsinki meeting, which was attended by twenty-seven members of parliament, were: economic developments in the world, with particular reference to unemployment problems; EFTA's role in the international economic context; EFTA's work in the thirteen months since the Committee's last meeting; and relations with the European Parliament. A report presented by Mr. Jermu Laine, Finland's Minister of Foreign Trade, on the current economic situation in Finland, stated that the improvement in Finland's competitive situation should enable it to take advantage of the expected recovery in the world economy if the necessary cost restraint and structural adjustments are achieved.



*A joint meeting of delegations from the European Parliament and the Committee of Members of Parliament of the EFTA Countries was held in Strasbourg in February 1983. Here left to right, are seen Mr. Achillefs Gerokostopoulos, head of the European Parliament delegation, Mr. Pieter Dankert, Chairman of the European Parliament, and Dr. André Gautier, member (and subsequently Chairman) of the Swiss National Council and Chairman of the EFTA Committee of Members of Parliament.*

On the general economic situation there was a common feeling in the Committee that current problems—particularly those of maintaining the nascent economic revival, reducing unemployment and curtailing inflation—would be more easily solved if more countries moved simultaneously in the same direction. It was agreed that protectionism is the wrong policy, that all countries should try to overcome the difficulties in ways that did not disregard the problems of other countries or the content of international agreements. Better co-ordination is necessary. The Committee was thus led in effect to endorse the position taken by EFTA Ministers a month earlier, that internationally coherent economic policies were needed to bring about a sustainable economic revival without rekindling inflation and to ensure a reduction in the high unemployment rates.

The debate on EFTA's role in the international economic context showed recognition that the EFTA countries were engaging more extensively in discussions and consultations with each other on general trade and economic matters. Co-operation of this kind, designed not necessarily to bring about an alignment of positions but to identify specific common interests and attitudes among the EFTA countries, was considered important especially for small countries. In particular, the collaboration in the preparation for discussions of relevant economic matters in larger international organizations was thought useful in view of the interest of the EFTA countries in preserving an open global trading system with GATT as its cornerstone.

In reviewing EFTA's current activities it was suggested that there could be improvements in the work being done within the Association to prevent any use of government aids which might be incompatible with its free trade system. It was also noted that the Councils had responded to the Committee's suggestion that the possibilities of co-operating in dealing with regional problems should be considered: an expert group on regional policies had been set up under the Committee of Trade Experts and had started its work. Under a separate item on the Agenda the Committee exchanged views on the development of relations with the European Parliament. The former chairman presented a report on the meeting the previous February between delegations from the Committee and from the European Parliament.

At the February joint meeting, ten years after the entry into force of most of the Free Trade Agreements between the EFTA countries and the EC, speakers shared the view that in general the free trade system had worked well and that co-operation could usefully be extended to many other fields of common economic interest. These might include technical barriers to trade, industrial co-operation, the rejection of protectionism and concerted action to stimulate economic growth.

In a discussion on industrial competitiveness in Western Europe speakers from both sides stressed the need to explore the possibility of intra-European co-operation in scientific research and development in order to restore the competitiveness of industry in Europe.

Some consideration was also given to the question of government aids, a matter seen as particularly important in a time of general economic



*Mrs. Jutta Zilliacus, of the Swedish People's Party in Finland, was elected chairman of the Committee of Members of Parliament of the EFTA Countries in July 1983. She was one of the two co-chairmen at the joint meeting in December 1983 between delegations from the Committee and the European Parliament. Beside her, right to left, are Mr. P. Kleppe, Secretary-General of EFTA, and Mr. N. Faustenhammer, Deputy Secretary-General.*

difficulties and especially of excess capacity in a number of industrial sectors. It was generally felt that the costly and widespread use of government aids made necessary a stricter implementation of the rules at present contained in international trade agreements.

On 11 February, the day after the joint meeting, the European Parliament concluded a short debate on the tenth anniversary of the Free Trade Agreements by adopting a resolution in which it expressed the hope that the remaining obstacles to trade would be eliminated as soon as possible, welcomed the increasingly close co-operation shown in the regular contacts at ministerial level between the Community and the EFTA countries and called on the EC Commission to draw up, as it subsequently did in mid-1983, a list of specific areas in which closer EC-EFTA co-operation might be desirable and feasible. These parts of the resolution were welcomed by the EFTA parliamentarians who, at their July meeting, also expressed the expectation that the measures being taken to strengthen the internal EC market would take into account the close relations between the EFTA countries and the EC. There were however reservations on the EFTA side at the idea, also expressed in the resolution, that a common political approach to issues of international importance might be adopted by the EFTA countries.

The exchange of views on possibilities of increasing co-operation continued at the next joint meeting with a delegation from the European Parliament, in December 1983. On this occasion there was an emphasis on co-operation in technological and scientific research and its application. Parliamentarians from both sides asserted that the scientific and technological future of Europe could best be assured through a pooling of resources in joint projects in order to minimise duplication of efforts. It was acknowledged that considerable progress had already been made, as in the co-operation of EFTA countries in the EC's Euronet telecommunications network with its many associated electronic data banks and in the participation of EFTA countries in many research projects conducted under the auspices of COST, the EC-sponsored framework for European co-operation in scientific and technical research. But there was general agreement that co-operation could be expanded still more widely and that future developments should be kept under review at all joint meetings of the two delegations.

Discussion of current economic prospects at the December joint meeting showed the two sides to be in agreement on the need for collective analysis and action in order to achieve a sustainable and widespread recovery in the OECD area. Co-operation was considered to be necessary to fulfil the commitment of the industrialized countries to abandon the protectionist measures introduced in recent years. The parliamentarians from the EFTA countries and the EC concurred in the view that greater common efforts should be made by all European countries to find solutions to the main economic problems facing them.

# External Relations

The EFTA countries made greater use of the opportunities provided by the EFTA relationship for consultations between them on general trade matters and on other issues related to the objectives of the Stockholm Convention.

As in the previous ten years there was an almost continuous process of consultation on matters relating to the Free Trade Agreements between the EFTA countries and the EC and to the broadening of the co-operation between individual countries and the Community. There were consultations in connection with the implementation of the multilateral trade agreement between the EFTA countries and Spain, and in connection with the efforts to increase the co-operation between the EFTA countries and Yugoslavia through the Joint EFTA-Yugoslavia Committee. And there were formal and informal discussions within the EFTA framework in advance of meetings of some other international organizations when matters of economic interest to the EFTA countries were to be considered.

EFTA's two advisory committees—the Consultative Committee and the Committee of Members of Parliament of the EFTA Countries—contributed to these exchanges of views within EFTA, as did also the other standing committees of the Association.

## **Relations with the European Community**

Most of the Free Trade Agreements between the EFTA countries and the European Economic Community and the European Coal and Steel Community were signed in July 1972. The tenth anniversary of the agreements was marked during the eighteen months under review by the adoption of several solemn declarations all confirming the wish for an intensifying of the relations between the EFTA countries and the EC. At their ministerial meeting in November 1982 the EFTA Councils adopted the declaration summarized on page 6 and reproduced in full in the Appendix. Within the EC there was a declaration made by the Council in July 1982, a

statement issued by the EC Commission in the same month and a resolution adopted by the European Parliament in February 1983.

The statement by the EC Council asserted that the treaties that established the EC, the Convention that established EFTA and the Free Trade Agreements between the EC and the EFTA countries had made it possible to create a stable and reliable monetary and trading area, the existence of which is a "precious asset particularly at this time of profound changes in the world economy". The EC Council expressed its gratification at the excellent way in which the Free Trade Agreements had functioned during the previous ten years, expressed its interest in improving the working of the agreements and extending their scope in all areas where that is shown to be useful, and confirmed the particular importance it attached to developing co-operation with the EFTA countries beyond the agreements. Moreover, the Council intended to continue the work in progress in the various fields of co-operation with a view to achieving concrete results. Finally, it was prepared to examine any suggestion for more extensive co-operation which might be made by the EFTA countries.

Since the agreements are bilateral, most of the attempts in EFTA to find new areas for co-operation and then to establish the appropriate contacts with the EC are directly a national matter. The twice-yearly meetings of the joint committees established under the FTAs provide occasions for taking stock of progress in these matters. There is also increasing co-operation between the EFTA countries on aspects of their relations with the EC in so far as common interests are involved. There continues to be an extensive exchange of information between the EFTA countries which enables them to keep abreast of relevant developments that may be of interest to them. In recent years both the Consultative Committee and the Committee of Members of Parliament of the EFTA Countries have given considerable attention to the possibilities of expanding co-operation with the EC. The Consultative Committee formulated its priorities in this respect in a paper for the Councils, the major part of which was published in EFTA Bulletin 2/83. The already mentioned resolution of the European Parliament was to some extent stimulated by the exchange of views at an earlier meeting between delegations from the EP and from EFTA's parliamentarians, and it led to a new formulation by the Commission of the EC of the possible range of areas in which there might usefully be co-operation between EFTA countries and the EC.

Relevant developments within the EC were followed closely in various EFTA bodies, in the interest of seeing that the free trade system would continue to work well. As is reported on pages 17-18, the attempts being made to strengthen the internal market of the EC were a matter of particular interest. Moreover, legal developments in the EC were given more attention in view of the growing importance of case law, in the EC and in EFTA countries, for the interpretation of the provisions of the Free Trade Agreements. In particular, there were discussions within EFTA on two legal cases on which the Court of Justice of the EC gave its opinion on the interpretation of the FTAs. One case, concerning a Polydor gramophone recording, involved questions of copyright and parallel imports, while the

other arose from the import of a consignment of port wine by a German importer, Kupferberg. Both dealt with the question whether the Free Trade Agreements were directly applicable within the EC. The findings of the Court of Justice were described in EFTA Bulletin 2/83. The EFTA group of experts on trade mark law continued to follow relevant developments in the EC because of the interest of the EFTA countries in the establishing of a trade mark system in the EC and in the possibilities of harmonizing some aspects of trade mark law within Europe.

There were frequent informal contacts and exchanges of information between experts in the EFTA Secretariat and experts in the EC Commission. There was also another informal meeting, in Geneva in February 1983, between representatives of the EFTA Secretariat and of the services of the Commission of the EC.

### **Relations with Spain**

The EFTA-Spain Joint Committee, which supervises the implementation of the multilateral trade agreement in force since 1980 between the EFTA countries and Spain, met in Geneva in July and December 1982 and in Madrid in May 1983. There were preparatory meetings of the Sub-Committee on Customs and Trade Matters and of the Working Group on Annex P, the part of the agreement which contains special provisions concerning trade between Portugal and Spain.

The comprehensive examination of the agreement, due in 1982 with the aim of achieving substantial progress in the further elimination of obstacles to trade, was begun in that year. It was agreed in the Committee that this examination, together with reviews on public aids and on quotas, should be pursued in the context of the annual review.

At the December meeting the Committee recalled that the agreement was intended to reduce progressively and finally eliminate the obstacles to substantially all the trade between the EFTA countries and Spain in accordance with the GATT provisions on free trade areas. It noted that the tariff cuts already made under the agreement by the EFTA countries—60 per cent on almost all industrial products except in the case of Portugal—had been based not on the import duties applied at the time when the agreement was negotiated but on the duties as subsequently reduced in the Tokyo Round of Multilateral Trade Negotiations. It was also observed that the level of trade liberalization so far achieved in relations between the EFTA countries and Spain corresponded, as was the EFTA intention, with the stage of liberalization already reached under the Spain-EEC agreement of 1970.

The Joint Committee also made the point that the continuing negotiations for Spain's accession to the European Communities should be seen as a step towards the realization of the objective of the agreement between the EFTA countries and Spain since the Free Trade Agreements between the EFTA countries and the EC would become applicable to trade with Spain once it acceded to the EC.

Meeting again in May 1983, the Joint Committee continued the comprehensive examination of the agreement and conducted the annual review. It studied the recent evolution of trade between Portugal and Spain and recognized the important and worrying imbalance in those trade flows. The state of the negotiations for the enlargement of the EC was also discussed. As regards Spain, the EFTA countries stressed that no element of discrimination against them should be introduced during any transitional period and that no new barriers to trade should be created. Finally, the Joint Committee discussed the progressive relaxation of Spain's quotas on some industrial products, the possibility of introducing a procedure for exchanging information on government aids to industry and the development of trade in fish between the EFTA countries and Spain.

### **Relations with Yugoslavia**

The Joint EFTA-Yugoslavia Committee met three times in the period under review: in Portoroz (Yugoslavia) in October 1982, in Bergen (Norway) in June and in Sarajevo (Yugoslavia) in November 1983. A joint declaration, drawn up as a guide for the multilateral co-operation between the EFTA countries and Yugoslavia, was adopted in Bergen, at the first meeting at ministerial level of the Joint Committee.



*The Yugoslav Delegation at the ministerial meeting of the Joint EFTA-Yugoslav Committee was led by Mr. J. Smole, member of the Yugoslav Federal Government and Chairman of Yugoslavia's Co-ordination Commission for Economic Cooperation with the EEC and EFTA. With him is Mrs. M. Ziberna, Assistant to the Federal Secretary for Foreign Trade.*

Intended as a complement to the bilateral co-operation already taking place between individual EFTA countries and Yugoslavia, the declaration makes specific proposals for expanding and diversifying the trade between them, and then deals with industrial co-operation, tourism, transport and the exchange of information on economic conditions and opportunities. On trade it records the readiness of the EFTA countries and Yugoslavia to examine positively the possibility of intensifying and liberalizing trade relations. It declares their willingness to seek to facilitate their trade by such means as:

- improving Yugoslav use of tariff preferences given by five EFTA countries under the UNCTAD generalized system of preferences (GSP);
- stimulating the sale of Yugoslav products in EFTA markets by such means as seminars on trade promotion and marketing and the spreading of information on Yugoslav products;
- encouraging business contacts;
- seeking to reduce technical barriers.

At the Portoroz meeting the Joint Committee had given an ad hoc working group the task of studying the idea of holding export promotion seminars and symposia for Yugoslav economic circles. The group proposed that a first seminar should be held in September 1983 in connection with the Zagreb trade fair. It was agreed that at such seminars information should be given on the import regimes of the EFTA countries, on technical regulations affecting trade, on how to make better use of the preferential treatment provided by five EFTA countries, on the characteristics of the EFTA markets, and on the Yugoslav trade regime.

The Zagreb seminar was thus the first follow-up to the declaration which had specifically endorsed the use of trade promotion seminars. More than one hundred Yugoslav participants, the great majority of them representatives of Yugoslav enterprises, attended the two-and-a-half-day meeting which included a general presentation of the markets, trade regimes and GSP schemes of the five EFTA countries which account for almost all of EFTA's trade with Yugoslavia. There were workshops to explore the market prospects for nine broad groups of Yugoslav industrial products. Time and facilities were also made available for individual contacts between Yugoslav and EFTA businessmen. The Joint Committee later observed that the seminar had fulfilled its objectives and agreed to consider holding a second one at Novi Sad in May 1984.

In a section on industrial co-operation the declaration stated that the EFTA countries and Yugoslavia would seek to encourage all forms of industrial co-operation and that they acknowledged the need for a better understanding of the relevant laws and regulations. On other matters the declaration asserted that the EFTA countries and Yugoslavia would endeavour to promote co-operation in tourism, that they would exchange information regularly on questions regarding transport, and that they would keep each other informed on economic conditions in their countries and on opportunities for further co-operation.

Earlier consideration of industrial co-operation in the Joint Committee had led to a decision to set up a group of legal experts with the task of studying the legal aspects. The group's report, completed in mid-1982, was welcomed by the Joint Committee in October 1982 as a valuable account of Yugoslav legislation and practice in respect to long-term production co-operation, licensing and joint ventures. At the same time the EFTA countries expressed the hope that the report, which was later published by the EFTA Secretariat, would be useful for the review, taking place at the time in Yugoslavia, of the relevant legislation. In November 1983 the Yugoslav delegation gave the Joint Committee an account of new legislation in some areas. The legal experts were then given a mandate to continue their work on Yugoslav legislation in this field, including recent amendments, and to go on with their study of the legislation on joint ventures. It was agreed that the group should be convened at an appropriate time.

Some Yugoslav proposals for co-operation on tourism and on transport were presented at the November 1983 meeting and will be considered in the EFTA countries.

### **Relations with international organizations**

The EFTA countries continued to use the EFTA framework for consultations on matters of interest that were under discussion in other international organizations concerned with the development of world trade. These included the General Agreement on Tariffs and Trade (GATT), particularly in connection with the follow up to the GATT ministerial meeting in November 1982, the Organisation for Economic Co-operation and Development (OECD), particularly in connection with the ministerial meeting in May 1982, and the International Monetary Fund (IMF) in connection with its annual meeting in September 1983. In advance of some meetings of the GATT, OECD, UNCTAD and the IMF there were meetings of the EFTA countries for exchanges of information on the matters to be discussed. The EFTA Secretariat attended meetings of a number of bodies and committees in GATT, OECD, UNCTAD and the UN Economic Commission for Europe.

Progress reports on the activities of EFTA were presented to the Committee of Ministers of the Council of Europe by Mr. Sverre Stray, the Norwegian Minister for Foreign Affairs, in November 1982 and April 1983, and by the Portuguese Minister for Foreign Affairs, Mr. Jaime Gama, in November 1983. EFTA's work was also discussed in January 1983, when the Secretary-General of EFTA attended a meeting of the Committee of Economic Affairs and Development of the Parliamentary Assembly of the Council of Europe. The Secretary-General also attended and addressed the Council of Europe's Conference of European Ministers of Labour in May 1983.

EFTA was represented as an observer at meetings of the Administrative Council of the European Patent Organization (EPO) in December 1982 and

June and December 1983. The European Patent Convention has been ratified by eleven States including Austria, Liechtenstein, Sweden and Switzerland from the EFTA area. It provides for the granting of European patents which protect the rights of the inventor in as many countries of the EPO as he wishes. The EFTA Secretariat was represented as an observer at meetings of the Interim Committee of the Community Patent Convention.

Representatives of EFTA took part in meetings of international organizations concerned with standardization, including the General Assembly of the European Committee for Standardization (CEN) in September 1983 and the General Assembly of the European Committee for Electrotechnical Standardization (CENELEC) in April 1983.

As an observer the Secretariat was represented at various meetings of the World Intellectual Property Organization (WIPO) and of the International Union for the Protection of New Varieties of Plant (UPOV).

The European Trade Union Confederation (ETUC) was represented at meetings of the Consultative Committee in March and September 1983. The Union of Industries of the European Communities (UNICE) was represented at the March meeting.

# EFTA Trade: January 1982 to June 1983

After stagnating in 1981, world trade fell by 2 per cent in volume in 1982. This was the third post-war year in which world trade declined, the others being 1958 (1 per cent) and 1975 (3 per cent). Both trade in manufactures and in minerals, including mineral fuels, decreased (by 1½ and 7 per cent respectively), the only source of strength being trade in agricultural goods which rose by 1 per cent.

Because of the continued rise of the US dollar, which appreciated by 11½ per cent in effective terms, the drop in the value of world trade in 1982 was more (6 per cent) than the fall in volume, the dollar unit value of world exports having declined by 4 per cent.

Virtual stagnation of production in the industrial countries and import restraint in the oil importing developing countries and Eastern Europe were the major influences depressing world trade in 1982.

The EFTA countries did better than the average industrialized country. EFTA's exports in fact rose by slightly more than half a per cent in volume terms from 1981 to 1982. This compares favourably with the development of the trade of the industrial countries as a group, which declined by 2 per cent in real terms. EFTA's total imports, which had fallen by about 1 per cent in 1981, increased by nearly 1 per cent in volume in 1982. This was also somewhat better than the performance of the industrial countries as a whole since their imports declined slightly.

The dollar value of EFTA exports fell by about 4 per cent, or less than the 5 per cent decline in the exports of the industrial countries, and EFTA imports went down by 5½ per cent while the combined imports of the industrial countries fell by 6 per cent.<sup>11</sup>

The EFTA countries, though their combined population is only one per cent of world population, accounted for 6.0 per cent of world imports and 5.6 per cent of world exports in 1982. The imports of the seventeen countries in the European free trade system represented 38.0 per cent of world trade and their exports 37.3 per cent in the same year.

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<sup>11</sup> A much more detailed survey of EFTA's trade is contained in the eighty statistical tables in "EFTA Trade 1982" which will be published shortly.

## **Trade balances**

Since EFTA's imports fell more than its exports in value, the combined trade deficit of the EFTA area contracted from \$12.6 billion in 1981 to \$9.9 billion in 1982, the smallest deficit since 1978. This was almost entirely due to a 1½ per cent improvement in terms of trade as the real balance underwent virtually no change.

There were significant reductions in the trade deficits of Austria, Portugal and Switzerland. Overall, EFTA showed an improvement in its trade account with the industrialized countries and a deterioration in relation to Eastern Europe, the newly industrializing countries (NICs) and the developing countries. For the first time since 1975 EFTA recorded a trade surplus with OPEC. This, however, is explained by the fact that some EFTA countries meet their energy needs largely with imports from non-OPEC members.

As usual, trade with the ten-nation EC accounted for the largest part of the overall EFTA deficit. EFTA's trade balance with the European Community improved in 1982 but the deficit with the EC rose from less than two-thirds of EFTA's total deficit in 1981 to nearly three-quarters in 1982.

## **Main developments in EFTA trade in 1982**

In dollar terms the statistics for EFTA exports to all major areas of the world show declines, the biggest one—9½ per cent—being in shipments to the NICs. Similarly, the dollar value of EFTA imports from all main geographical areas declined, the sharpest drop being in trade with OPEC. This reflects a fall in both volume and prices and was accentuated by some shift in imports of oil from OPEC to other countries.

All EFTA countries apart from Portugal recorded declines in the dollar value of their exports in 1982, the greatest (22.6 per cent) being that of Iceland. All reported reductions in the value of their imports, the greatest being that of Portuguese imports (9.3 per cent). In volume terms, however, only Austria and Switzerland reduced their imports in 1982.

As in previous years, more than three-quarters of the combined exports of the EFTA countries consisted of manufactured goods, as against about two-thirds for EFTA imports. The weight of manufactures in EFTA exports rose again from 1981 to 1982, mostly because of the rise of the share of equipment goods in the total.

## **Trade within the European free trade system**

As in 1981 nearly two-thirds of EFTA's trade in 1982 was with the countries of the European free trade system. This share increased from 1981 to 1982 in both imports and exports. Exports to their partners in free trade reached \$68.2 billion or 64.7 per cent of the total exports of the

EFTA countries and their imports from their partners amounted to \$75.6 billion, which was virtually the same percentage of EFTA's overall imports.

As a group the EFTA countries remained the most important trading partner of the EC, accounting for slightly more than one-fifth of EC exports to the outside world. Altogether, the seven EFTA countries imported more from the EC than the USA and Japan taken together. On the other hand, the EC bought from EFTA 18 per cent of the Community's imports from outside the EC and nearly 60 per cent of the EFTA countries' exports to outside the area of the Association.

### **Intra-EFTA trade**

When measured by exports the dollar value of intra-EFTA trade fell by 6.1 per cent from 1981 to 1982 to \$15.0 billion, bringing the share of trade between the members of the Association to 14.3 per cent of their total exports. This was a greater decline than that of EFTA exports to the world at large. Measured by imports, however, the fall was only 3.8 per cent, compared with a 5.6 per cent contraction in EFTA's overall imports.

The countries which bore the largest part of the decline in exports to the area of the Association were Finland and Switzerland, but the one which in percentage terms suffered the largest fall in exports to the Association was Iceland. Iceland and Switzerland also reported the greatest reductions in their imports from their EFTA partners.

Only Norway increased the dollar value of its imports from EFTA and no EFTA country was able to raise its exports to EFTA in dollar terms. This was largely the result of the sharp appreciation of the dollar towards the currencies of the EFTA countries.

### **EFTA trade with the EC**

Since the value of EFTA exports to the EC declined by only 2.7 per cent—to \$53.2 billion—compared with a 3.8 per cent fall in EFTA's total exports, the share of the European Community in EFTA exports recovered from 49.9 per cent in 1981 to 50.5 per cent in 1982.

Portugal was the only EFTA country to increase its exports to the Community in dollar terms; those of Norway to the same destination remained virtually unchanged from 1981. The sharpest falls in shipments to the EC were recorded by Iceland (20.1 per cent) and Finland (7.3 per cent).

EFTA imports from the EC also contracted less (3.6 per cent) than the Association's overall imports (5.6 per cent) so that there was also an increase to 52.5 per cent in the share of the Community in EFTA's total imports in 1982. All EFTA countries reduced imports from the EC in dollar terms, the sharpest falls being those of Iceland and Switzerland. Notwith-

standing this, Switzerland remained EFTA's largest market for EC goods, accounting for nearly one-third of EFTA's imports from the Community.

### **EFTA trade with the USA**

The value of EFTA exports to the United States fell by 2.7 per cent to \$5.7 billion or 5½ per cent of EFTA's total exports.

The EFTA countries' combined imports from the US fell even more—by 9.4 per cent—to \$8.4 billion, corresponding to 7¼ per cent of EFTA's imports from the world. This was one of the greatest contractions in EFTA imports and is in line with the decline in the US exports to the world. It reflects the loss of competitiveness of US goods associated with the continued appreciation of the dollar. With the exception of Iceland, which kept its imports from the United States unchanged from 1981 to 1982, all EFTA countries reported declines in their imports from the US in the latter year. Austria, Portugal and Sweden were able to raise exports to the US, but those from Finland and Norway to that country underwent rather sharp declines.

### **EFTA trade with Japan**

Although Japan's share in EFTA's imports is still only slightly more than half that of the United States, it has grown from 0.8 per cent in 1959 to 2.8 per cent in 1972 and to nearly 4 per cent in 1982. Yet the dollar value of the EFTA countries' imports from Japan declined by almost as much as EFTA imports from the world at large to reach \$4.5 billion. At \$1.5 billion, the value of EFTA exports to Japan represents only 1.4 per cent of the total combined exports of the EFTA countries, with Switzerland accounting for 45 per cent in 1982. Although this share has grown considerably since 1959, it has changed little since 1972. Sweden and Switzerland are the main EFTA customers for Japanese goods, accounting for 67½ per cent of EFTA imports from that country.

### **EFTA trade with Eastern Europe**

Eastern Europe was the only large geographical area with which EFTA recorded an increased trade deficit in 1982. While the combined imports of the EFTA countries from this area fell by less than 2 per cent in 1982, their exports to Eastern Europe went down by 4½ per cent. This was largely a consequence of the policy of demand restraint applied by East European countries during the past two years.

Finland is the EFTA country with the largest trade with Eastern Europe. This is partly due to the value of its imports of oil from the Soviet Union which are balanced by exports under the terms of the bilateral trade agreement with that country. Austria and Finland taken together account

for about 63 per cent of EFTA imports from Eastern Europe and for close to three quarters of the exports of the Association to that area.

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

The rest of the world accounts for about one-fifth of EFTA's exports and supplies slightly more than one-seventh of the EFTA countries' imports. It is composed of three main groups of countries: the traditional oil exporting countries, the NICs and a large number of oil importing developing countries. Imports from the first group contracted sharply in 1982—by about one-quarter—because of the combined effect of the recession, of energy saving, and of the decline in oil prices. Exports to oil exporting countries, however, contracted only slightly in dollar value, which corresponds to some increase in volume.

In contrast with trade with OPEC, EFTA's exports to the NICs in 1982 dropped more sharply (by 9.5 per cent) than its imports from them (3.4 per cent). EFTA exports to the oil importing developing countries fell more than their the Association's imports from them.

Usually EFTA runs a surplus in trade with the rest of the world. In 1982 it showed a positive balance in its trade with each of the three groups of countries, after trade with the oil exporting countries switched from a deficit to a surplus.

### **EFTA trade in the first half of 1983**

Reflecting developments in the OECD area in general, the dollar value of both EFTA imports and exports continued to decline in the first six months of 1983.

The combined imports of the EFTA countries fell by 6.1 per cent during that period, or rather more than the estimated 4¾ per cent drop in OECD imports as a whole. The decrease in EFTA exports, of 4 per cent, also seems to have been somewhat greater than that of the OECD countries taken as a group.

Exports to the "rest of the world", which includes OPEC, NICs and the oil importing developing countries, reported the sharpest fall (11.6 per cent). Intra-EFTA trade also contracted more than the average while exports to the EC fell less than the average. The only major geographical area for which EFTA managed to increase its exports in dollar terms during that period was the United States, largely because of the recovery of the American economy and the greater import penetration resulting from the high dollar exchange rate.

In spite of the continued strength of the dollar, the US was the only major area from which EFTA increased its imports in dollar terms during the first half of 1983. Imports from the EC dropped less than the average. Imports

from the rest of the world contracted most, reflecting the fall in the price of oil and lower imports of raw materials.

Austria, Finland and Switzerland reduced their imports from their EFTA partners considerably more than the decline in imports from the EC and both Austria and Finland recorded bigger declines in their exports to EFTA than to the EC. Portugal kept its exports to EFTA at virtually the same level as in the first half of 1982 but was able to raise its exports to the EC by about 18 per cent.

The decline in the trade deficit of the EFTA countries, begun in 1981, continued in the first half of 1983 and the figures for the whole of that year are likely to confirm the downward trend in the deficit.

Table I

## EFTA trade in 1982: in million dollars

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
<i>Imports c.i.f.</i>							
Austria	1,502.1	11,955.0	736.5	550.5	2,170.8	2,754.6	19,669.5
Finland	2,405.0	4,461.5	818.0	563.1	3,718.5	1,508.1	13,474.2
Iceland	208.9	432.3	79.5	44.2	97.0	101.6	963.5
Norway	3,839.1	7,024.7	1,419.3	948.6	573.8	1,766.3	15,571.8
Portugal	619.9	3,661.9	973.4	302.0	133.6	3,336.8	9,027.6
Sweden	4,618.1	13,939.6	2,352.7	1,015.8	1,549.3	4,290.1	27,765.6
Switzerland	1,951.3	18,996.3	2,059.8	1,060.4	1,133.2	3,589.2	28,790.2
EFTA	15,144.5	60,471.3	8,439.1	4,484.6	9,376.1	17,346.9	115,262.5
<i>Exports f.o.b.</i>							
Austria	1,833.5	8,331.5	461.8	137.7	1,742.9	3,373.9	15,881.3
Finland	2,519.3	4,563.2	414.5	140.1	3,755.8	1,839.6	13,232.5
Iceland	130.6	223.8	176.8	22.1	57.6	164.0	774.9
Norway	2,141.2	12,650.0	484.5	144.4	211.0	2,078.5	17,709.6
Portugal	508.8	2,385.7	256.9	37.8	86.2	905.4	4,180.8
Sweden	5,645.1	12,479.4	1,908.2	330.3	813.7	5,915.1	27,091.8
Switzerland	2,232.9	12,547.2	2,033.9	674.8	810.8	8,152.9	26,452.5
EFTA	15,011.4	53,180.7	5,736.5	1,487.2	7,478.0	22,429.7	105,323.5

## Percentage change from 1981

<i>Imports c.i.f.</i>							
Austria	- 5.9	-3.6	-14.5	- 4.5	-13.2	-14.4	-7.0
Finland	- 1.6	-3.3	-23.4	9.8	- 1.3	-19.4	-5.6
Iceland	-14.6	-4.7	0.1	- 3.9	1.8	-15.8	-7.3
Norway	2.0	-3.0	- 1.7	- 7.2	44.3	- 5.9	-1.1
Portugal	- 8.3	-4.0	-18.2	-13.6	-51.4	- 8.6	-9.3
Sweden	- 4.7	-0.6	- 1.0	- 3.3	21.4	-22.3	-4.6
Switzerland	- 9.7	-5.7	-10.3	- 9.7	- 8.0	- 6.2	-6.7
EFTA	- 3.8	-3.6	- 9.4	- 5.2	- 1.8	-13.6	-5.6
<i>Exports f.o.b.</i>							
Austria	- 4.1	- 0.4	12.6	0.8	- 3.6	- 0.9	- 1.0
Finland	-12.2	- 7.3	-20.2	17.0	1.3	- 8.6	- 6.5
Iceland	-17.3	-20.1	- 5.1	48.3	-18.9	-43.5	-22.6
Norway	- 5.1	- 0.3	-28.3	-18.0	-19.5	0.2	- 2.3
Portugal	- 8.5	7.1	18.6	7.4	1.9	-13.3	0.4
Sweden	- 3.0	- 5.5	9.1	13.7	-21.4	-12.8	- 6.2
Switzerland	- 7.4	- 3.1	- 4.7	- 8.2	- 4.9	1.2	- 2.5
EFTA	- 6.1	- 2.7	- 2.7	- 1.4	- 4.4	- 5.2	- 3.8

Table II

## Trade balances of the EFTA countries

(in million US dollars)

	1976	1977	1978	1979	1980	1981	1982
Austria	- 3,016	- 4,421	-3,841	- 4,759	- 6,887	- 5,195	-3,788
Finland	- 1,051	+ 58	+ 70	- 158	- 1,460	- 220	- 241
Iceland	- 66	- 96	- 30	- 37	- 71	- 131	- 188
Norway	- 3,190	- 4,162	-1,383	- 274	+ 1,537	+ 2,307	+2,137
Portugal	- 2,404	- 2,932	-2,730	- 3,057	- 4,667	- 5,602	-4,846
Sweden	- 697	- 1,031	+1,233	- 1,006	- 2,496	- 305	- 673
Switzerland	+ 73	- 361	- 291	- 2,830	- 6,718	- 3,702	-2,337
EFTA	-10,351	-12,945	-6,341	-12,121	-20,762	-12,848	-9,940

Table III

## Percentage shares of EFTA's imports in 1982

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
Austria	7.6	60.8	3.7	2.8	11.0	14.0	100.0
Finland	17.8	33.1	6.1	4.2	27.6	11.2	100.0
Iceland	21.7	44.9	8.3	4.6	10.1	10.5	100.0
Norway	24.7	45.1	9.1	6.1	3.7	11.3	100.0
Portugal	6.9	40.6	10.8	3.3	1.5	37.0	100.0
Sweden	16.6	50.2	8.5	3.7	5.6	15.5	100.0
Switzerland	6.8	66.0	7.2	3.7	3.9	12.5	100.0
EFTA	13.1	52.5	7.3	3.9	8.1	15.0	100.0

## Percentage shares of EFTA's exports in 1982

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
Austria	11.5	52.5	2.9	0.9	11.0	21.2	100.0
Finland	19.0	34.5	3.1	1.1	28.4	13.9	100.0
Iceland	16.9	28.9	22.8	2.9	7.4	21.2	100.0
Norway	12.1	71.4	2.7	0.8	1.2	11.7	100.0
Portugal	12.2	57.1	6.1	0.9	2.1	21.7	100.0
Sweden	20.8	46.1	7.0	1.2	3.0	21.8	100.0
Switzerland	8.4	47.4	7.7	2.6	3.1	30.8	100.0
EFTA	14.3	50.5	5.4	1.4	7.1	21.3	100.0

Table IV

## Intra-EFTA trade in 1982

(Exports f.o.b. in million US dollars)

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria		156.5	5.2	152.0	57.4	361.9	1,100.4	1,833.5
Finland	87.2		19.5	642.2	28.5	1,567.6	174.3	2,519.3
Iceland	0.5	10.5		5.1	80.7	9.6	24.2	130.6
Norway	52.2	281.5	68.6		50.5	1,587.8	100.7	2,141.2
Portugal	44.0	69.1	20.8	74.0		163.2	137.3	508.8
Sweden	314.6	1,741.7	72.4	2,834.0	178.4		504.1	5,645.1
Switzerland	1,058.4	218.3	8.4	217.1	219.7	511.0		2,232.9
EFTA	1,556.8	2,477.7	194.9	3,924.4	615.5	4,201.1	2,041.0	15,011.4

## Percentage change from 1981

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria		1.0	2.0	- 1.7	- 0.9	- 3.1	- 5.6	- 4.1
Finland	1.5		6.0	- 2.7	-32.3	-16.3	- 8.1	-12.2
Iceland	- 16.7	-17.3		-52.8	-16.0	-36.4	7.1	-17.3
Norway	- 7.3	-14.4	-27.6		-18.5	- 1.1	- 7.9	- 5.1
Portugal	3.0	22.5	26.8	- 5.0		- 9.1	-25.2	- 8.5
Sweden	- 7.3	- 5.9	- 7.7	3.1	-27.1		- 9.7	- 3.0
Switzerland	- 8.6	- 6.1	-17.6	- 4.6	- 9.4	- 5.2		- 7.4
EFTA	- 7.5	- 6.0	-12.6	1.2	-17.4	- 8.4	- 8.5	- 6.1

Table V

## EFTA trade by main areas, January-June 1983

	EFTA	EC	USA	Eastern Europe	Rest of world	World
<i>Imports c.i.f.</i>					(in million US dollars)	
Austria	742.1	6,067.9	344.1	959.6	989.2	9,560.2
Finland	1,144.4	2,220.3	395.4	1,527.8	483.4	6,220.2
Iceland	87.2	169.4	34.8	31.2	12.2	377.9
Norway	1,845.5	3,135.1	614.4	196.4	545.0	6,990.3
Portugal	254.6	1,773.9	699.1	74.0	1,196.2	4,425.4
Sweden	2,134.5	6,593.4	1,045.5	795.1	1,202.4	12,451.5
Switzerland	972.0	9,730.2	1,313.6	560.0	1,396.0	14,892.7
EFTA	7,180.3	29,690.2	4,446.9	4,144.1	5,824.4	54,918.2
<i>Exports f.o.b.</i>						
Austria	821.4	4,223.7	216.0	853.1	1,325.7	7,754.5
Finland	1,073.9	2,279.9	223.9	1,867.1	617.1	6,286.1
Iceland	53.8	114.4	100.7	45.4	22.4	352.0
Norway	1,196.1	6,394.0	302.2	100.7	663.8	8,895.6
Portugal	266.5	1,380.8	127.2	59.2	350.4	2,333.5
Sweden	2,836.7	6,539.3	1,166.9	353.4	2,059.1	13,653.3
Switzerland	1,081.0	6,348.7	997.5	351.2	2,916.4	12,682.5
EFTA	7,329.4	27,280.8	3,134.4	3,630.1	7,954.9	51,957.5

## Percentage changes over January-June 1982

<i>Imports</i>						
Austria	- 5.3	- 1.9	-12.1	-14.6	-13.0	- 4.9
Finland	-13.6	- 2.2	- 7.2	- 2.5	-20.1	- 5.7
Iceland	-19.5	-25.1	-19.1	-19.8	-60.1	-22.6
Norway	- 5.7	-13.0	-18.5	-29.9	-17.2	-13.1
Portugal	-27.3	- 9.0	31.9	18.2	-21.4	-11.8
Sweden	-10.1	- 4.6	- 5.3	25.6	-25.9	- 7.0
Switzerland	- 3.8	- 1.3	23.1	- 4.1	- 8.8	- 0.2
EFTA	- 9.2	- 4.2	3.0	- 3.4	-18.0	- 6.1
<i>Exports</i>						
Austria	-12.9	- 1.8	-13.7	2.3	- 7.9	- 3.2
Finland	-18.0	-11.1	20.8	- 3.7	- 8.3	- 9.6
Iceland	-25.0	0.3	13.5	- 3.4	23.8	- 1.6
Norway	11.3	- 1.9	12.7	- 0.9	-23.7	- 1.7
Portugal	- 0.3	17.9	10.0	37.0	15.0	15.1
Sweden	- 3.1	- 1.3	13.7	-18.1	-10.4	- 2.7
Switzerland	- 8.1	- 5.2	- 4.2	- 9.8	-14.1	- 7.5
EFTA	- 5.7	- 2.5	5.3	- 4.1	-11.6	- 4.0

# Appendix

## Ministerial meetings of the EFTA Councils

**Geneva, 8 November 1982**

### Communiqué

At the ministerial meeting of the EFTA Councils, held in Geneva today under the chairmanship of Mr. Tómas Árnason, Iceland's Minister of Commerce, the urgent need to resist growing protectionism and reinforce the open world trading system was reaffirmed by the Ministers of the seven EFTA countries. Increasing recourse to all sorts of clearly protectionist measures, some of them taken very recently, was a cause of great concern and this particularly on the eve of the GATT ministerial meeting. Ministers stressed the need to re-establish the vital role and credibility of the General Agreement on Tariffs and Trade as the cornerstone of international trade, which have been undermined by increasing resort to measures inside as well as outside the GATT framework. They are convinced that the maintenance of open markets free from discrimination is an essential prerequisite to overcome present international economic difficulties in particular to promote productive investment as a means for reducing unemployment and to increase the export earnings of indebted countries.

Ministers noted that EFTA countries in their frequent common consultations on the GATT ministerial meeting had concentrated on a number of key issues such as a safeguard agreement, relations with

developing countries and the strengthening of the dispute settlement procedure in GATT. They felt that substantive solutions to such issues would significantly enhance the authority and effectiveness of GATT. In expressing their concern about the difficulties at this late stage to reach agreement on the Declaration to be adopted by the GATT ministerial meeting, Ministers underlined their own political will to this effect and stressed their expectation that all Contracting Parties would make further serious efforts to settle the outstanding issues. The GATT ministerial meeting should result in creating the instruments needed to implement the political intent of the Declaration.

Ministers noted that the present international economic situation remains depressed and that the expected improvement in the second half of 1982 has failed to materialise. EFTA countries, which on average have had a better record than most other countries, have during 1982 increasingly been hit by the international economic downturn. The seriousness of the global economic situation calls for increased concerted efforts aimed at sustained and balanced growth, countering inflation and current high unemployment levels.

Ministers marked the tenth anniversary of the conclusion of the Free Trade Agreements with the European Communities. In a Declaration on this occasion, stressing the great and continued importance of these agreements, they confirmed their preparedness to act together with the Community in order to ensure the best and easiest functioning of the FTAs and to continue to expand their cooperation with the Community in all fields of mutual economic interest.

Ministers noted with satisfaction that a first step forward had been taken in the Community with regard to the simplification of the rules of origin. At the same time they regretted, however, that the Community had not yet been able to make a positive decision on the improvement of the cumulation system and on the requirements for evidence of origin. Ministers again expressed the firm hope that progress on these issues would be achieved.

Ministers reviewed the situation with respect to Portugal's application for membership of the European Community and noted that the EFTA countries had recently taken important decisions necessary to facilitate this application. In this context they stressed that free trade would be maintained due to the application of the Free Trade Agreements to the enlarged Community.

In reviewing the activities of the Association, Ministers noted with satisfaction the continuing cooperation with the Yugoslav authorities in the Joint EFTA-Yugoslavia Committee. They welcomed the attempts to find ways of expanding trade and encouraging industrial cooperation between enterprises in the EFTA countries and Yugoslavia. The EFTA countries will examine with attention a Yugoslav proposal to extend the institutional framework for cooperation between

them and Yugoslavia. Ministers also reviewed the cooperation between the EFTA countries and Spain under the EFTA-Spain Agreement.

At the invitation of the Norwegian Government, the next meeting of the EFTA Councils at ministerial level will be held in Bergen on 2 and 3 June 1983.

## **Bergen, 2 and 3 June 1983**

### **Communiqué**

The EFTA Councils met at Ministerial level in Bergen on 2 and 3 June, 1983 under the chairmanship of Mr. Arne Skauge, the Norwegian Minister for Trade and Shipping.

Ministers of the EFTA countries called for internationally coherent economic policies to bring about a sustainable economic revival without rekindling inflation and to ensure that present high unemployment levels are reduced. They stressed that internationally coordinated policies and, on the national level, a more balanced mix of fiscal and monetary policies, combined with structural adjustment measures are needed in order to maintain and strengthen the recovery now under way.

Ministers of the EFTA countries expressed deep concern over the impact of the longest and deepest post-war recession, in particular the high and rising levels of unemployment. They, however, stressed that there is scope in a number of countries for increasing real growth while maintaining a low inflation rate. But they noted that there are a number of risk factors that might hinder a strong and lasting recovery, such as high real interest rates hampering productive investment, increased recourse to protectionist measures and a lack of sufficient structural adjustment. Ministers emphasised the importance of aiding recovery through a reinforcement of the open trading system. They also emphasised that recovery would largely depend on the adaptability of the international financial system and increased exchange rate stability. They noted with satisfaction that ministers from the OECD countries recognised at their recent meeting the important economic linkages among countries which imply a collective responsibility to shape policies so as to sustain and broaden the economic recovery and strengthen the international trading, monetary and financial system. In this context Ministers considered with interest the possibility of a further Ministerial meeting within the OECD before the end of the year.

Ministers expressed their deep concern at the continuation and proliferation of protectionist measures in their various forms and the tendencies shown by the world's largest trading partners to seek solutions to general trade problems outside the GATT framework. In this context they noted with satisfaction the commitment contained in the declaration of the Williamsburg meeting to halt protectionism and, as recovery proceeds, to reverse it by dismantling trade barriers, as well as the intention to consult within appropriate existing fora on ways to implement and monitor this commitment. Ministers also reaffirmed their readiness to continue to take an active part in any consultations on trade liberalization. As the cornerstone of the world trading system, the General Agreement on Tariffs and Trade, to which the EFTA countries with their open economies and their dependence on foreign trade remain firmly committed, should be reinforced through the effective implementation of the Declaration adopted at the last GATT Ministerial meeting in particular through an agreement to improve the functioning of the multilateral safeguard system.

Ministers stressed the major importance of the economic relations between their countries and the European Community which, they were pleased to note, had recently been the subject of a resolution by the European Parliament. They expressed satisfaction that the West European free trade system established on a reciprocal basis continued to function well and their confidence that this would remain so in the context of the future enlargement of the Community which they regard with sympathy and understanding. With regard to the efforts within the Community to strengthen its internal market Ministers stated that these were being followed closely and with interest. They expressed the hope that solutions be found which will take into account the particular nature of the relations between the EFTA countries and the Community. They reaffirmed their willingness to expand cooperation with the Community in all fields of mutual economic interest. They reiterated their wish further to eliminate technical barriers to trade.

Ministers noted with satisfaction that the EFTA countries have been making greater use of the possibilities offered by EFTA as a framework for discussions and consultations on broader trade and economic problems of common concern. They considered this intensified exchange useful in view of their interest as small countries highly dependent on foreign trade in preserving an open world-wide trading system.

The Consultative Committee met in the presence of ministers just before the meeting of the EFTA Councils to review the international economic situation following the OECD Ministerial meeting and to evaluate achievements and prospects in EFTA-Community relations in the light of the functioning of the Free Trade Agreements over the past ten years. Ministers noted with satisfaction that both the Association's advisory bodies, the Committee of Members of Parliament of the EFTA countries and the Consultative Committee, had con-

tributed to the efforts of EFTA in safeguarding free trade and to the general concertation within EFTA on trade issues and relations with the Community.

Ministers reviewed the operation of the EFTA-Spain Agreement and expressed general satisfaction over its functioning while recognising that the present worrying situation in trade between Portugal and Spain represents a disappointment in relation to the aims of the relevant part of the agreement.

Ministers welcomed recent developments regarding cooperation between the EFTA countries and Yugoslavia and the fact that a meeting of the Joint EFTA-Yugoslavia Committee at ministerial level was to take place later in the day.

Ministers recognised that the sixth United Nations Conference on Trade and Development (UNCTAD VI) will present a challenging opportunity in the search for a common understanding on relevant North-South issues. They agreed that efforts should be made to ensure that developing countries benefit fully from economic recovery and to restore the development momentum.

Ministers welcomed the idea of the Swedish Prime Minister to hold an EFTA summit meeting in Stockholm in 1984.

The next meeting of the EFTA Councils at Ministerial level will be held in Oporto on 24 and 25 November 1983.

## **Oporto, 24 and 25 November 1983**

### **Communiqué**

The EFTA Councils met at ministerial level in Oporto on 24 and 25 November 1983, under the chairmanship of Mr. Alvaro Barreto, Portugal's Minister of Trade and Tourism.

Ministers noted with satisfaction the continuing signs of economic recovery in some major industrial countries. They recognised, however, that while the upturn is strong in the United States, it is rather weak in Europe and has not yet spread to developing countries. Ministers expressed deep concern at the high levels of unemployment in most West European countries which shows no signs of declining in spite of the improved growth prospects.

Ministers considered that the reduction in inflation which has been observed in most industrial countries is an important element reinforcing the recovery and emphasised the need to ensure that the recovery

is non-inflationary, sustainable and strong enough to reduce unemployment. Creating an economic environment favourable to the revival of productive investments was underlined as a prerequisite for sustainable recovery. Ministers recognised the increased linkages between the trade and financial fields. They reaffirmed the need for internationally coherent and coordinated economic policies and, on the national level, a more balanced mix of fiscal and monetary policies combined with structural adjustment measures. They also stressed the need to ensure, inter alia, through a revival in trade, that the economies of developing countries participate fully in a sustainable recovery.

Ministers took note with satisfaction of the increase in the exchanges of views between the EFTA countries on broader trade and economic matters of common concern. This improved the possibilities for EFTA countries to actively participate in efforts to preserve and further develop an open world-wide trading system.

In particular Ministers underlined the need to defend and strengthen the open trading system with GATT as its corner-stone. In this respect efforts to improve the functioning of the multilateral safeguard system and other endeavours to enhance confidence in the GATT should be pursued vigorously in accordance with the Ministerial declaration. Ministers stressed that—in view of the current economic situation—every effort should be made to resist protectionist pressures. In the short term the international political commitments to a roll-back of existing protective measures harmful to both trade and economic growth should now be acted upon. Ministers emphasised that further trade liberalising efforts are in themselves essential for reinforcing the recovery under way. EFTA Ministers underlined the special responsibility of the major trading partners in this respect and expressed their readiness to share this responsibility. Together with them the EFTA countries are prepared to contribute to this end by accelerating the tariff reductions agreed in the Tokyo Round negotiations and to consider further measures of a confidence-building nature.

The important achievement of full free trade from 1 January 1984 in industrial products covered by the Free Trade Agreements between the EFTA countries and the European Community virtually throughout Western Europe was welcomed by Ministers. They also expressed satisfaction with the smooth implementation of the Agreements. Ministers noted the importance of the endeavours of the Community to strengthen its internal market and expressed confidence that these efforts would be beneficial for the development of trade and economic relations between all the partners in the European free trade system. They stressed their readiness to strengthen and expand cooperation with the Community in areas of economic interest and felt that a thorough consideration of appropriate common efforts was now needed. Ministers regarded the forthcoming enlargement of the Community with sympathy and understanding and expected that after the

enlargement the European free trade system, established on a reciprocal basis, would continue to function well.

Ministers noted that the trade agreement between the EFTA countries and Spain was functioning satisfactorily on the whole and had resulted in an intensification of trade relations between Spain and the EFTA countries. They recognised, however, that the results of the relevant part of the agreement concerning liberalisation of trade between Portugal and Spain had so far been disappointing for Portugal. The Portuguese Minister provided information on the recent Portuguese/Spanish summit meeting where both parties had agreed to make every effort to reduce the current imbalance in their trade relations and to reinforce and develop these relations in a more harmonious way; Ministers welcomed this information.

Cooperation between the EFTA countries and Yugoslavia had developed satisfactorily. Ministers discussed the programme of activities defined at the Joint Committee meeting in Sarajevo earlier this month as a follow-up to the joint ministerial declaration of last June. In this context the trade promotion seminar held in Zagreb in September was considered to have met its objectives.

Ministers discussed the outcome of UNCTAD VI. With the least developed countries particularly in mind, they stressed the need to implement the results of the conference and the importance of an active follow-up by governments of the decisions taken, namely in the fields of international trade, financial and monetary questions, in UNCTAD and other international organisations concerned.

The next meeting of the EFTA Councils at ministerial level will be held in Visby, Sweden, on 22 May 1984. It will be followed on the next day by a summit meeting of the EFTA countries.

## **Ministerial Declaration**

**on the Tenth Anniversary  
of the Free Trade Agreements**

**Geneva, 8 November 1982**

On the occasion of the 10th Anniversary of the conclusion of the Free Trade Agreements (FTAs) with the European Communities, the EFTA Governments emphasise their great and continued importance. These Agreements have constituted a challenge to the economies

involved, have proved to be viable instruments even in a period of economic difficulties and increasing protectionist tendencies and have provided an example of a well functioning free trade area. Their smooth operation has contributed to a harmonious relationship between the EFTA countries and the Community and to the creation of a free market of more than 300 million people. They have thus enabled a substantial expansion of trade and production on the basis of a stable trading system in Western Europe to take place. The European free trade system, comprising 17 countries and 42 per cent of total world trade, provides a logical and close link of a special quality between the two groupings, which are each other's most important trading partner.

The EFTA Governments take the opportunity of this 10th Anniversary to welcome the common progress made in the pursuit of the objectives identified in the Declaration made in May 1977 in Vienna on the development of trade and economic cooperation with the European Community. Noting with appreciation the Declaration of the Community Council of July 1982 the EFTA Governments confirm their preparedness to act together with the Community, in order to ensure the best and easiest functioning of the FTAs and to continue to expand their cooperation with the Community in all fields of mutual economic interest.

In their pursuit of the strengthening, deepening and widening of cooperation between the partners of the European free trade system, the EFTA Governments recognise that the FTAs will continue to be the basic instruments for all partners and are determined to make full use of them. They welcome the constructive efforts made by the Community to that end and its readiness to take fully into account the existence of free trade relations with the EFTA countries.

At a time when the European free trade system will soon be fully implemented the EFTA Governments recognise that it is important to continue the dynamic process of cooperation which these Agreements have initiated and to ensure that the advantages deriving from free trade are not jeopardised as a result of diverging economic policies. In order to secure and develop free trade, constructive and mutually satisfactory solutions have to be found in due time to problems wherever they arise. They share the Community's view on the importance of increased economic cooperation within Western Europe, and suggest that possibilities and methods should therefore be explored, both individually and collectively, on a pragmatic and reciprocal basis, of enlarging it further both under the FTAs and in other fields not directly covered by them.

Supporting all initiatives taken to reinforce and extend the European free trade system, the EFTA Governments regard with sympathy and understanding the enlargement of the Community which, inter alia due to the FTAs, will represent a positive step for the further consolidation of economic and trade relations in Western Europe.

The EFTA Governments are fully convinced that substantial advantages including greater economic stability and improved living standards have accrued to the countries participating in the European free trade system. At the same time their other trading partners have also benefited from the dynamic effects resulting from that free trade. The EFTA Governments therefore consider that the maintenance and improvement of that system and the safeguarding of open markets free from any kind of discrimination are crucial to the endeavours to overcome the present international economic difficulties. In that context, the EFTA countries reaffirm their commitment to the liberal trading system as laid down in the GATT, and their preparedness to act in international organisations, with a view to fighting protectionist tendencies wherever they appear.

The last ten years have brought about an ever increasing interdependence and a community of interest between the national economies of the 17 States participating in the European free trade system. EFTA Governments are convinced that this will facilitate meeting future challenges — also in a global context.

# European Free Trade Association July 1982 - December 1983

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Austria Iceland Norway Portugal Sweden Switzerland

ASSOCIATE: Finland

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July 1982 - December 1982	Iceland
January 1983 - June 1983	Norway
July 1983 - December 1983	Portugal

## HEADS OF PERMANENT DELEGATIONS TO EFTA:

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Finland:	P. Rantanen
Iceland:	H. Hafstein
Norway:	M. Huslid
Portugal:	F. Reino
Sweden:	H. Ewerlöf
Switzerland:	F. Blankart

## EFTA STANDING COMMITTEES

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Committee of Trade Experts  
Committee of Origin and Customs Experts  
Consultative Committee  
Committee of Members of Parliament of the EFTA countries  
Agriculture and Fisheries Committee  
Economic Development Committee  
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EFTA SECRETARIAT HEADQUARTERS:

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

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# **Overcoming Technical Barriers to Trade**

**The arrangements introduced by EFTA**

SECRETARIAT OF THE EUROPEAN FREE TRADE ASSOCIATION  
GENEVA

March 1984

# Overcoming technical barriers to trade

## The arrangements introduced by EFTA

Health and safety are among the reasons why governments or other national authorities lay down regulations for the performance of a variety of kinds of product. Frequently the regulations differ from one country to another at least in the absence of internationally accepted standards, and the differences can be the more effective in restricting trade, even unintentionally, if conformity with the regulations has to be verified by some form of test or inspection.

A number of international arrangements for overcoming this problem were originally worked out within EFTA though they are entirely independent of EFTA, and other countries may and do take part in them. The common feature of these arrangements is that they provide a reciprocal recognition of the national tests or inspections. The effect is that the manufacturer of a particular product in one of the countries involved in the particular arrangement can have the product tested or inspected in his own country to confirm that the product meets the requirements of the country he wishes to export to.

In some cases the arrangement is in the form of a convention signed by sovereign states, and there are at present two such conventions, one concerning the manufacture of pharmaceutical products and one concerning the hallmarking of articles of precious metals. In other cases the arrangement is an agreement between national regulatory authorities.

Very brief indications of developments in the operation of these schemes and conventions have been given in the past in the annual reports of EFTA because of the continuing interest of the EFTA countries in the effectiveness of these arrangements as contributions to the liberalisation of international trade. The present report, prepared by the EFTA Secretariat since it serves as the secretariat of all the schemes and conventions, is intended to give an account of their state at the end of 1983 with particular reference to events since 30 June 1982, the closing date of EFTA's 22nd Annual Report.

# Pharmaceuticals

## Pharmaceutical Inspection Convention

The reciprocal recognition of inspections is the key element in the Pharmaceutical Inspection Convention, the aim of which is to help remove obstacles to international trade while maintaining the appropriate standards for the manufacture of pharmaceutical products, in the interest of public health.

Unlike the schemes, the Convention is an agreement between a number of states — ten when it first came into force in 1971 but fourteen since the Federal Republic of Germany became a member in September 1983. The fourteen include countries in the EFTA area (Austria, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden and Switzerland), in the EC (Denmark, the Federal Republic of Germany, Ireland and the United Kingdom), and in Eastern Europe (Hungary and Romania).

The Convention applies to any medicine or similar product for human consumption which is subject to control under health legislation. It enables the Convention countries to exchange such information, obtained from inspections, as is necessary for the health authority in an importing country to be able to recognise inspections carried out in the country where the products are manufactured.

The Committee of Officials, which has the task of ensuring that the Convention works effectively and is applied in a uniform way, met in November 1982 and in June and November 1983. The main subjects of its work continued to be the formulation or up-dating of standards of good manufacturing practice for the pharmaceutical industry and the mutual training of the national inspectors responsible for seeing that the standards are observed in their countries.

A revised text of "Basic Standards of Good Manufacturing Practice" was put into force in September 1983. This provides a common basis of reference for the preparation and exchange of reports on inspections. The revision was mainly based on the WHO requirements of good practice in the manufacture and quality control of drugs and takes account of progress in medical and pharmaceutical sciences and in manufacturing techniques in the ten years since the basic standards were first formulated.

In June 1983 the Committee of Officials set up a working group to revise the guide to the preparation of the inspection reports so as to take account both of the up-dating of the text of the basic standards and of revisions in the guidelines relating to some particular aspects of the production of pharmaceuticals. Draft guidelines are in preparation for the packaging and labelling of pharmaceutical products and for good pharmaceutical control-laboratory practice.

The mutual training of inspectors — the other main theme of the Committee's work — largely takes the form of the organizing of seminars at which national health inspectors, mostly but not exclusively from the

Convention countries, and in some cases representatives of the pharmaceutical industry examine relevant aspects of the control of the manufacturing processes. In June 1983 there was a seminar in Lisbon on the safety aspects of the packaging of pharmaceutical products. In 1984 there is to be a seminar on problems connected with the production of pharmaceuticals of biological origin that are used in human medicines. This will be held in the Federal Republic of Germany. For the following year the Norwegian Health Service will organize a seminar on the design of pharmaceutical manufacturing premises.

## **Registration of pharmaceutical products**

Another aspect of the reliability of pharmaceuticals is dealt with by an arrangement known as the PER scheme, in operation since June 1979, which concerns not the manufacture but the registration of pharmaceutical products. It can simplify the process of obtaining or granting authority to market a new product in more than one country and it aims at permitting the reciprocal recognition of evaluation reports. These are reports which evaluate the tests and scientific documentation that were submitted by the manufacturer when he first successfully applied for the registration of a particular new product. Though the evaluation of the tests and documentation is an essential condition for registration, the preparation of evaluation reports in a form that can be passed on from one national registration authority to another is a concept specially introduced for the purposes of the scheme.

There were meetings in December 1982 and in May and November 1983 of the Committee established to supervise the scheme. In May it completed its detailed scrutiny of three evaluation reports that had been exchanged under the scheme. This scrutiny was found to have been very useful since it showed that future reports could be simpler in form and shorter in content without losing the necessary substance. The Committee subsequently appointed a working group to draw up guidelines for the preparation of evaluation reports. The group is expected to take account of the guidelines that will be introduced in the EC under the EC directive of October 1983 on proprietary medicinal products since the directive covers approximately the same range of manufactures as the pharmaceutical products to which the scheme applies.

At the end of 1983 the PER scheme was in force in Austria, Finland, Norway, Sweden and Switzerland.

## **Hallmarking**

The number of articles of precious metals marked with the common control marks of the Hallmarking Convention in the first eight months of 1983 was 336,277. This figure was somewhat smaller than a year earlier.

The Standing Committee which supervises the operation of the Convention concluded at its meeting in September 1983 that the decline reflected the general downward trend in the sale and the hallmarking of articles of precious metals as a result of the recession. It did not indicate any lack of interest in the Convention.

The common hallmarks, first introduced in 1975, are applied to indicate that the articles—of gold, silver or platinum—meet the standards of the Convention which is now in force in eight countries: Austria, Finland, Ireland (since November 1983), Norway (since September 1983), Portugal (since September 1982), Sweden, Switzerland and the United Kingdom.

At the European Watch, Clock and Jewellery Fair in Basle in April 1983 there was publicity for the Convention and its objectives and achievements. This was intended to draw the attention of manufacturers to the merits of this arrangement which gives their products access to all the Convention countries once they have been assayed in one of them.

The Standing Committee continued its work on the coordination of the practices used in the Convention countries for assaying and marking the various types of article of precious metals.

## **The schemes for various types of equipment**

### **Pressure vessels**

The scheme relating to pressure vessels has been in operation since 1 January 1971 and continued to give general satisfaction to the authorities participating in it, as they noted at a meeting in June 1983. They found, moreover, that the scheme, which is in force in nine countries, is being widely used.

It applies to any static or transportable vessel for use on land which is intended to contain a fluid—liquids, steam or gases—at a pressure greater than atmospheric pressure, though with the exclusion of pressure vessels for use in nuclear installations which, in the case of any failure, might cause the release of radio-activity. The provisions of the scheme can be brought into play once the design of, and the calculations relating to, particular vessels intended for export have been found acceptable by the authority responsible for approving pressure vessels in the importing country. Then the complete range of tests required, apart from any that are normally carried out on installation, can be delegated to a testing body in the exporting country recognized by the approval authority in the country to which it is to be exported.

At the June meeting two questions were settled. One concerned the qualifications required of welding supervisors since their skills are of particular importance for the safety of the vessels. It was found that the

differences between the requirements in some countries were less important than had been thought. The other problem concerned the recognition of certain testing bodies by one of the participating authorities. The authority in question reversed an earlier decision, taken for administrative reasons, to withdraw recognition of bodies that were in fact accepted by other participating authorities. The representatives of the participating authorities also discussed the idea of introducing new model test forms to replace the ones at present recommended since they seem to be impracticable in some respects.

The scheme is in force in the following countries: Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

## **Ships' equipment**

In force also since 1 January 1971, the scheme relating to ships' equipment is applied in ten countries. It applies to any kind of equipment for ships, including life-saving and fire-fighting equipment, which is subject to the requirements and approval of a national authority.

Representatives of the participating authorities met in September 1982 and September 1983. On both occasions they were able to note that the scheme continued to work satisfactorily and that no difficulties had been reported.

They also continued their work of formulating common requirements for various items of ships' equipment. Here, the intention is not to draw up standards but to record the features that are common to the national requirements in the countries where the scheme is in operation. There were already in this sense lists of the common requirements for lifeboat engines, electro-hydraulic steering gear for passenger ships, the design and construction of lifeboat davits and winches, glass-fibre reinforced plastic lifeboats, inflatable life-rafts, lifeboat covers, non-portable fire extinguishers, compasses, performance standards for pilot hoists, self-contained breathing apparatus for the use of firemen in ships, totally enclosed lifeboats, gangways and accommodation ladders, and life-jackets.

In September 1983 common requirements were agreed for fire alarm cabinets. Work on the preparation of common requirements for some other items of equipment was put aside while Chapter III of the International Convention for the Safety of Human Life at Sea was being revised in the International Maritime Organisation.

The ships' equipment scheme is in force in five EFTA countries (all except land-locked Austria and Switzerland), in four EC countries (Denmark, the Federal Republic of Germany, the Netherlands and the United Kingdom), and in Yugoslavia.

## **Gas appliances**

The scheme relating to gas appliances covers any appliance that uses town gas, natural gas or liquefied petroleum gas and is subject to approval by a national authority. It has been in force since 1 August 1972. The representatives of the approval bodies in the ten countries where it is now in force agreed in 1980 that they would in future meet only every other year though they would provide the secretariat of the scheme with the material for an annual report.

The latest report, produced in April 1983, showed that little use was being made of the scheme. Nor was there any use in 1982 of the simplified procedure for obtaining approval which had been introduced in 1979. The fact that there are few international standards for gas appliances is considered to be one of the main reasons for the lack of interest in the scheme, which is in force in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

## **Agricultural machines and tractors**

Authorities responsible in eight countries for approving agricultural machines and tractors participate in this scheme which has been in operation since 1 September 1972. Its coverage is in fact wider than its name suggests since it applies to any machine, implement or vehicle for use in agriculture, horticulture or forestry and to their accessories, though not to any electrical equipment, on condition that they are subject to approval by national authorities.

The scheme continues to work satisfactorily. The participating authorities provided reports on its operation for their meetings in November 1982 and October 1983 and the statistics they presented on the latter occasion showed that there had been an increase in the use of the scheme. In October 1983 the representatives of the participating authorities decided to up-date the consolidated lists of national safety requirements in the eight countries for safety cabs and frames and for combine harvesters which had originally been drawn up in 1977 and 1980 respectively. The lists are intended for the use of manufacturers and are available from the national authorities participating. Since all these authorities are also responsible for the approval of mobile working machines (including earth-moving machinery) they decided to collect information about national requirements for certain components of these machines.

The scheme is in force in Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

## **Heating equipment using liquid fuel**

In May 1983 the National Testing Institute of Sweden was the host at its headquarters in Borås for a meeting of the national approval bodies that

are participating in the scheme relating to heating equipment using liquid fuel.

The scheme covers any appliance subject to national approval that uses liquid fuel for heating purposes and it thus applies to such products as oil burners, domestic boilers, air heaters and dryers, oil stoves with flue connection, portable heaters and portable cooking and lighting appliances.

Although it has been in operation since the beginning of 1978 the scheme has not been used much in practice, partly because type testing is not compulsory in several of the countries concerned, partly because trade in some items of equipment has been slack and partly because imports in some cases come mostly from countries not represented in the scheme. The visit to Borås, where the visitors were able to observe the testing of a warm-air heater, provided an opportunity for them to compare Swedish requirements and test methods with those applied in their own countries. It was agreed that it would be useful to make similar visits to other testing institutions in connection with every second meeting of representatives of the approval bodies.

The scheme is in operation in Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland.

### **Lifting appliances**

Because of the importance of Sweden as an exporter of lifting appliances the participation of the Swedish approval body since September 1982 is expected to lead to a greater use of the scheme for these appliances. In operation since the beginning of 1978 it covers all kinds of lifting, handling, loading and unloading machinery, including building cranes, harbour cranes, travelling cranes, deck cranes, lifts for passengers or goods, escalators, ski lifts, mine lifts and fork lift trucks. It does not cover the tests or inspections required after the installation of the equipment.

At a meeting in September 1982 the participating authorities agreed to add a clause to the scheme to require testing institutions recognized under the scheme to ensure against any liability arising from their tests. There was also an exchange of information on the work being done in international organizations in connection with standards for lifting appliances. It was mentioned that EFTA and the EC Commission had given identical mandates to CEN (the European Committee for Standardization) to draw up a standard for hydraulic lifts.

The scheme is in operation in Austria, Finland, Iceland, Norway, Sweden and Switzerland.

# List of publications

## Texts of the conventions and reciprocal recognition schemes

*Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products.* (1970). Bilingual English-French, German, Italian.

*Convention on the Control and Marking of Articles of Precious Metals.* (1972). Bilingual English-French.

*Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels.* (1971). English, French and German.

*Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment.* (1971). English, French and German.

*Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors.* (1972). English, French and German.

*Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances.* (1972). English, French and German.

*Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Lifting Appliances.* (1978). English, French and German.

*Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel.* (1978). English, French and German.

*Scheme for the Mutual Recognition of Evaluation Reports on Pharmaceutical Products.* (1979). English.

## Pharmaceutical Seminars

The places and dates mentioned are those of the seminars. The texts were all published in Geneva several months later. The price of each of these seminar volumes is 10 Swiss francs.

*Sampling and analytical control.* Edinburgh, September 1973. English.

*Manufacture and quality control under contract.* Berne, July 1974. English.

*The manufacturer's quality control department. Structural and functional aspects.* Copenhagen, June 1975. English.

*Stability of pharmaceutical products.* Salzburg, June 1976. English.

*Modern methodology for the isolation, identification and quantification of drugs and related substances.* Uppsala, June 1977. English.

*Good manufacturing practice in tablet manufacture.* Sunningdale, March 1978. English.

*Large volume parenterals.* Oslo, June 1978. English.

*Inspection in tablet manufacture.* Copenhagen, June 1980. English.

*Good manufacturing practice in the manufacture of active ingredients.* Liestal/Basle, June 1980. English.

*Application of GMP rules in the control laboratory.* Budapest, June 1981. English.

*Validation.* Dublin, June 1982. English.

*Safety aspects of the packaging of pharmaceutical products.* Lisbon, June 1983. English.

### **Brochures published under the auspices of the Pharmaceutical Inspection Convention**

Basic Standards of Good Manufacturing Practice for Pharmaceutical Products. Prepared by EFTA Working Party on Pharmaceutical Inspections (1983). Trilingual English, French and German.

*Guidelines for the Manufacture of Sterile Products (1981).*

*Guidelines for the Handling of Starting Materials (1973).*

*Guidelines for the Manufacture and Analysis under Contract (1976).*

*These are annexes to the brochure on basic standards for the manufacture of pharmaceuticals.* Trilingual English, French and German.

*Pharmaceutical Inspection Convention: collected papers of 10th anniversary symposium.* Geneva, May 1981. English.

